



ArcelorMittal



TOWARDS
THE FUTURE

Audited Annual Financial Statements 2014

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Corporate information

Directors' responsibility and approval of the group and company annual financial statements

To the shareholders of ArcelorMittal South Africa Ltd

The board of directors (directors) is required to maintain adequate accounting records and are responsible for the content and integrity of the group and company annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements, comprising the statements of financial position as at 31 December 2014, and the statements of comprehensive income, cash flows, changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, are prepared in accordance with International Financial Reporting Standards, and the requirements of the Companies Act No 71 of 2008 (Companies Act). In addition, the directors are responsible for preparing the directors' report. The financial statements and directors' report have been prepared by the finance staff of ArcelorMittal South Africa Ltd headed and supervised by Mr MJ Wellhausen, the group's chief financial officer.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. The directors, primarily through the audit and risk committee, which consists of independent non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The group's internal auditors independently evaluate the internal controls. The external auditors are responsible for reporting on the annual financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit and risk committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the period under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group and company annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.


The directors have reviewed the group and company financial budgets for the 31 December 2015 financial year. In light of their review of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements continue to be prepared on the going concern basis.

The annual financial statements for the year ended 31 December 2014 have been audited by Deloitte & Touche, the company's independent external auditors, whose report can be found on page 5.

The directors of the company accept responsibility for the annual financial statements which were approved by the board of directors on 10 March 2015 and are signed on its behalf by:



PS O'Flaherty
Chief executive officer



MJ Wellhausen
Chief financial officer

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Companies Intellectual Property Commission all returns and notices required of a public company and that all such returns are true, correct and up to date.



Premium Corporate Consulting Services (Pty) Ltd
Company secretary

10 March 2015

Directors' report

The directors have pleasure in submitting their report together with ArcelorMittal South Africa Ltd's group and company annual financial statements for the year ended 31 December 2014.

Nature of business

ArcelorMittal South Africa Ltd and its subsidiaries (together "the group") manufacture and sell long and flat steel products and beneficiated by-products. The group's operations are primarily concentrated in South Africa with a sales focus domestically and internationally, with specific emphasis on sub-Saharan Africa.

The company is a public company incorporated and domiciled in South Africa. The address of the registered office is detailed on the inside of the back cover of this report.

The company is listed on the main board of the JSE Ltd in Johannesburg, South Africa, and is a subsidiary of ArcelorMittal Holdings AG, which is part of the ArcelorMittal group, and the functional and reporting currency is the South African rand (ZAR).

Financial results and activities

The contents of the annual financial statements adequately address the financial performance of the group for the financial year ended 31 December 2014.

Further detailed reports on the activities and performance of the group and the various segments of the group are contained in the integrated annual report.

At 31 December 2014 the group had a net asset value per share of 5 165 cents (2013: 5 158 cents). The net asset value per share was calculated using a net asset value of R20 722 million (2013: R20 694 million). Refer to note 12 of the annual financial statements for information on loss and headline loss per share.

Dividends

Consistent with the group's dividend policy, no dividends were declared for the 2014 and 2013 financial years.

Property, plant and equipment

Details of property, plant and equipment are provided in note 14, and on capital expenditure in the statements of cash flows.

Authorised and issued share capital

Details of the authorised and issued share capital are set out in note 22 of the annual financial statements.

Shareholders

ArcelorMittal Holdings AG, as controlling shareholder, has an effective shareholding of 52.02%. Details of the registered and beneficial shareholders of the company are set out in the integrated annual report.

Directors' interests

The details of the beneficial direct and indirect interests of executive directors in the shares of the company are set out in note 34 of these annual financial statements.

Details of the direct and indirect interest of non-executive directors in the shares of the company are set out below:

Director	2014			2013		
	Direct	Indirect	Total	Direct	Indirect	Total
DCG Murray	–	1 557	1 557	–	1 557	1 557
JRD Modise	5 025	–	5 025	5 025	–	5 025
Total	5 025	1 557	6 582	5 025	1 557	6 582

No other director holds any direct or indirect beneficial interest in the share capital of the company. The only change to the above interests occurred by DCG Murray following an indirect beneficial purchase of 4 000 company shares on 6 March 2015.

Investments in joint ventures, associates and subsidiaries

The financial information in respect of interests in jointly controlled entities, associates and subsidiaries of the company is disclosed in notes 16 and 17 of the annual financial statements.

Directors' report continued

Borrowing powers

In terms of clause 34 of the Memorandum of Incorporation, the borrowing powers of the company and its subsidiaries are subject to any limitations imposed by the directors on the borrowing powers of the company.

Directorate

The names of the directors who presently hold office and served on the various committees of the board are set out in the integrated annual report.

The following changes in the directorate have taken place:

- PS O'Flaherty was appointed chief executive officer (CEO) and executive director with effect from 1 July 2014 following N Nyembezi-Heita's resignation as CEO and executive director on 18 February 2014.
- Following PS O'Flaherty's appointment as CEO, HL Rosenstock (who was appointed as interim CEO on 19 February 2014) resigned from the board as interim CEO and executive director on 1 July 2014.
- MJ Wellhausen resigned as chief financial officer (CFO) and executive director of the company with effect from 15 March 2015.
- GJ van Zyl was appointed as acting CFO following MJ Wellhausen's resignation.
- S Maheshwari resigned as non-executive director with effect from 31 March 2015.

Retirement by rotation

In terms of clause 27 of the Memorandum of Incorporation, the following directors are required to retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting:

- PM Makwana;
- DCG Murray; and
- LP Mondli.

Shareholders will be requested to confirm PS O'Flaherty's appointment as a director at the forthcoming annual general meeting.

Going concern

The annual financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have a reasonable expectation that the group has adequate resources to continue as a going concern in the foreseeable future.

Independent auditors

Deloitte & Touche continued in office as auditors of the group. At the forthcoming annual general meeting to be held on Wednesday, 27 May 2015, shareholders will be requested to reappoint Deloitte & Touche as the independent auditors of the group and the appointment of M Mantyi as individual designated auditor who will undertake the audit of the company for the ensuing year, terminating at the conclusion of the next annual general meeting of the company.

Litigation

Details on litigation and claims are set out in note 35 of the annual financial statements.

Company secretary

Premium Corporate Consulting Services (Pty) Ltd was appointed as company secretary with effect from 1 May 2009. The registered business and postal addresses appear on the inside of the back cover of this report.

Subsequent events

The directors are not aware of any matter or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in this report or in the group and company annual financial statements that would significantly affect the operations, the results and the financial position of the group and company.

Audit and risk committee report

The audit and risk committee (the committee) has pleasure in submitting its report to the shareholders as required in terms of section 94(7) of the Companies Act No 71 of 2008.

Membership of the committee

The committee comprised the following members at the date of this report:
DCG Murray (chairman);
FA du Plessis; and
NP Mnxasana.

Each member is an independent non-executive director and has the adequate relevant knowledge, the financial expertise and experience to equip the committee to properly execute its duties and responsibilities.

The qualifications of the members are set out in the integrated annual report.

During the year under review, five meetings were held. Details of the attendance are set out in the corporate governance section of the integrated annual report.

Functions of the committee

The committee reports that it has adopted appropriate formal terms of reference as its mandate, and has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein. During the financial year under review, the committee reviewed the following matters:

- the quarterly and half-yearly financial reports, the integrated annual report, the annual financial statements and accounting policies for the company and all subsidiaries;
- the effectiveness of the combined assurance model;
- the reports of the internal audit function on the state of internal control including its forensic reports regarding fraud prevention and detection;
- the effectiveness of the internal audit function;
- the auditor's findings and recommendations;
- statements on ethical standards for the company and considered how they are promoted and enforced;
- significant cases of unethical activity by employees or by the company itself; and
- reports on the risk management process in the company and assessed the company's exposure to the following risks:
 - top strategic risks (including credit and market risks, human resources risks and compliance risks);
 - operational risks; and
 - information technology risks.

Independence of auditor

The committee reviewed a presentation by the external auditor and, after conducting its own review, is satisfied with the independence and objectivity of Deloitte & Touche as external auditors and Dr DA Steyn, as the designated auditor. The committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement and pre-approved any proposed contract with Deloitte & Touche for the provision of non-audit services to the company.

Statutory reporting

The committee has evaluated the annual financial statements of ArcelorMittal South Africa Ltd and the group for the year ended 31 December 2014 and based on the information provided to the committee considers that the company and group comply, in all material respects, with the requirements of the Companies Act of South Africa, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation.

Internal financial control

The committee agendas provide for confidential meetings between committee members and both the internal and independent external auditors.

The committee has oversight of the group's financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring the group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The committee oversees cooperation between internal and external auditors, and serves as a link between the board of directors and these functions. The head of internal audit reports administratively to the chief executive officer and functionally to the chairman of the committee and head of group internal audit of the holding company ArcelorMittal Holdings AG.

The committee is of the opinion, after having considered the assurance provided by the internal audit function, that the group's system of internal financial controls in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. This is based on the information and explanations given by management and the group internal audit function.

Expertise and experience of the chief financial officer and the finance function

The committee has satisfied itself that the chief financial officer has the appropriate expertise and experience as does the incoming acting chief financial officer. Mr MJ Wellhausen resigned as CFO on 15 March 2015 with Mr G van Zyl being appointed as acting CFO on the same date.

The committee has assessed the competency, skills and resourcing of the group's finance function, and is satisfied as to the overall adequacy and appropriateness of the finance function.

Expertise and experience of the company secretary

The committee has satisfied itself that the company secretary has the appropriate competence and experience and has maintained an arm's-length relationship with the directors.

Recommendation of the annual financial statements and integrated annual report

The committee having fulfilled the oversight role regarding the reporting process for both the annual financial statements and the integrated annual report and having regard to material factors that may impact the integrity of these reports, recommends the integrated annual report and the group and company annual financial statements for approval by the board of directors.



DCG Murray
Chairman

3 March 2015

Independent auditor's report

To the shareholders of ArcelorMittal South Africa Ltd

We have audited the consolidated and separate financial statements of ArcelorMittal South Africa Ltd set out on pages 6 to 77, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements 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 about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

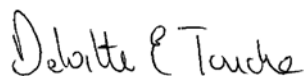
Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of ArcelorMittal South Africa Ltd as at 31 December 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the directors' report, the audit and risk committee report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche
Registered Auditors
Per: DA Steyn
Partner

10 March 2015

Group and company statements of comprehensive income

for the year ended 31 December 2014

	Notes	Group		Company	
		2014 Rm	2013 Rm	2014 Rm	Restated* 2013 Rm
Revenue		34 852	32 421	29 565	28 303
Raw materials and consumables used		(21 339)	(19 652)	(19 126)	(18 496)
Employee costs		(3 764)	(3 408)	(3 763)	(3 407)
Energy		(3 466)	(3 288)	(2 401)	(2 381)
Movement in inventories of finished goods and work-in-progress		292	1 196	472	1 335
Depreciation	7	(1 386)	(1 544)	(983)	(1 128)
Amortisation of intangible assets	7	(24)	(19)	(20)	(15)
Other operating expenses		(5 466)	(5 659)	(4 335)	(4 310)
(Loss)/profit from operations		(301)	47	(591)	(99)
Finance and investment income	8	17	108	73	228
Finance costs	9	(605)	(368)	(599)	(328)
Impairment of financial assets	10	-	(72)	(485)	(168)
Impairment of property, plant and equipment	14	-	(1 878)	-	(1 878)
Gain/(loss) recognised on loss of interest over former associate		80	-	(71)	-
Income/(loss) after tax from equity-accounted investments		191	(35)	-	-
Loss before taxation		(618)	(2 198)	(1 673)	(2 245)
Income taxation credit	11	460	51	500	127
Loss for the year		(158)	(2 147)	(1 173)	(2 118)
Other comprehensive income/(loss)		163	580	(24)	-
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		445	561	-	-
Losses on available-for-sale investment taken to equity		(29)	(9)	(24)	-
Share of other comprehensive (loss)/income of equity-accounted investments		(253)	28	-	-
Total comprehensive income/(loss) for the year		5	(1 567)	(1 197)	(2 118)
Loss attributable to:					
Owners of the company		(158)	(2 147)	(1 173)	(2 118)
Total comprehensive income/(loss) attributable to:					
Owners of the company		5	(1 567)	(1 197)	(2 118)
Attributable loss per share (cents)					
- Basic	12	(39)	(535)		
- Diluted	12	(39)	(535)		

* Refer to note 17.

Group and company statements of financial position

as at 31 December 2014

	Notes	Group		Company		
		2014 Rm	2013 Rm	2014 Rm	Restated* 2013 Rm	Restated* 1 January 2013 Rm
Assets						
Non-current assets						
Property, plant and equipment	14	16 001	14 702	11 640	10 034	11 107
Intangible assets	15	135	146	120	127	98
Equity-accounted investments	16	4 031	3 737	167	354	564
Investments in subsidiaries	17	–	–	4 701	5 845	5 657
Other financial assets	18	58	17	48	–	1
		20 225	18 602	16 676	16 360	17 427
Current assets						
Inventories	19	10 684	10 553	9 905	9 555	8 057
Trade and other receivables	20	1 562	2 194	1 016	1 640	1 466
Taxation		64	51	64	51	151
Other financial assets	18	37	17	35	15	6
Cash and bank balances	21	454	1 298	285	1 279	685
		12 801	14 113	11 305	12 540	10 365
Total assets		33 026	32 715	27 981	28 900	27 792
Equity and liabilities						
Equity						
Stated capital	22	37	37	37	37	37
Reserves		(1 294)	(1 614)	(17)	(16)	(35)
Retained income		21 979	22 271	17 943	19 116	21 234
		20 722	20 694	17 963	19 137	21 236
Non-current liabilities						
Finance lease obligations	23	256	757	156	644	301
Provisions	24	1 720	1 328	1 694	1 303	1 331
Deferred income tax liability	25	1 204	1 747	108	597	797
Other payables	26	261	267	261	267	270
		3 441	4 099	2 219	2 811	2 699
Current liabilities						
Trade payables		6 402	5 720	5 385	4 876	2 907
Taxation		18	6	–	–	–
Other financial liabilities	28	11	–	7	–	–
Bank overdraft	21	–	107	–	107	–
Borrowings	27	1 000	906	1 000	906	–
Finance lease obligations	23	92	95	79	84	67
Provisions	24	571	408	563	399	305
Other payables	26	769	680	765	580	578
		8 863	7 922	7 799	6 952	3 857
Total equity and liabilities		33 026	32 715	27 981	28 900	27 792

* Refer to note 17.

Group and company statements of cash flows

for the year ended 31 December 2014

	Notes	Group		Company	
		2014 Rm	2013 Rm	2014 Rm	2013 Rm
Cash generated from operations	29.1	2 205	1 595	1 121	1 314
Interest income		12	7	12	7
Finance cost		(372)	(169)	(353)	(148)
Income tax (paid)/received	29.2	(84)	(221)	(2)	27
Realised foreign exchange movements		(17)	(128)	(17)	(117)
Cash flows from operating activities		1 744	1 084	761	1 083
Investment to maintain operations	29.3	(2 640)	(1 500)	(2 470)	(1 374)
Investment to expand operations	29.4	(73)	(69)	(73)	(69)
Investment in associates		37	(53)	42	(16)
Proceeds on disposal or scrapping of assets		1	72	–	72
Dividend from equity-accounted investments		61	–	64	124
Income from investments – interest		6	5	1	1
Cash flows utilised in investing activities		(2 608)	(1 545)	(2 436)	(1 262)
Borrowings raised		94	896	94	906
Finance lease obligation repaid		(17)	(222)	(6)	(211)
Decrease/(increase) in loans to subsidiaries and contributions to management share trust		–	–	659	(130)
Cash flows from financing activities		77	674	747	565
(Decrease)/increase in cash and cash equivalents		(787)	213	(928)	386
Effect of foreign exchange rate changes on cash and cash equivalents		50	94	41	101
Cash and cash equivalents at the beginning of the year		1 191	884	1 172	685
Cash and cash equivalents at the end of the year	21	454	1 191	285	1 172

Group statement of changes in equity

for the year ended 31 December 2014

Group	Reserves							Total equity Rm
	Stated capital Rm	Retained income Rm	Treasury share equity reserve ¹ Rm	Management share trust reserve ² Rm	Share-based payment reserve ³ Rm	Attributable reserves of equity-accounted investments Rm	Other reserves ⁴ Rm	
Balance at 1 January 2013	37	24 383	(3 918)	(285)	227	1 377	421	22 242
Total comprehensive loss for the year	–	(2 147)	–	–	–	28	552	(1 567)
Share-based payment expense	–	–	–	–	19	–	–	19
Transfer between reserves	–	35	–	–	–	(35)	–	–
Balance at 31 December 2013	37	22 271	(3 918)	(285)	246	1 370	973	20 694
Total comprehensive income for the year	–	(158)	–	–	–	(253)	416	5
Share-based payment expense	–	–	–	–	23	–	–	23
Transfer between reserves	–	(134)	–	–	–	134	–	–
Balance at 31 December 2014	37	21 979	(3 918)	(285)	269	1 251	1 389	20 722

^{1, 2, 3 and 4} Refer to page 11.

Company statement of changes in equity

for the year ended 31 December 2014

Company	Reserves					Total equity Rm
	Stated capital Rm	Retained income Rm	Management Share Trust reserve ² Rm	Share-based payment reserve ³ Rm	Other reserves ⁴ Rm	
Balance at 1 January 2013 (as previously stated)	37	23 861	(285)	227	23	23 863
Restatement*	–	(2 627)	–	–	–	(2 627)
Restated balance at 1 January 2013	37	21 234	(285)	227	23	21 236
Total comprehensive loss for the year	–	(2 118)	–	–	–	(2 118)
Share-based payment expense	–	–	–	19	–	19
Restated balance at 31 December 2013	37	19 116	(285)	246	23	19 137
Total comprehensive loss for the year	–	(1 173)	–	–	(24)	(1 197)
Share-based payment expense	–	–	–	23	–	23
Balance at 31 December 2014	37	17 943	(285)	269	(1)	17 963

^{2, 3 and 4} Refer to page 11.

* Refer to note 17.

Dividends per share (cents)

2014: Rnil

2013: Rnil

Company statement of changes in equity continued for the year ended 31 December 2014

In the context of the statement of changes in equity, the following equity reserves are of relevance:

1. Treasury share equity reserve

The company implemented a share buy-back arrangement and acquired 9.995% of the shareholding of each shareholder in 2009. The shares acquired remain in issue as treasury shares of the group.

2. Management Share Trust reserve

The Management Share Trust reserve represents the net outflow from the purchase of treasury shares in order to meet obligations in terms of the ArcelorMittal South Africa equity-settled share option plan housed in the Management Share Trust. The trust is consolidated as a consolidated structured entity in compliance with IFRS 10 *Consolidated Financial Statements*.

3. Share-based payment reserve

The share-based payment reserve represents the accumulated charge for share options and LTIP units in terms of IFRS 2 *Share-based Payments*, which are both equity-settled.

4. Other reserves

Other reserves consist of the following:

Capital redemption reserve of R23 million (2013: R23 million) for the group and company. The capital redemption reserve was created in terms of the South African Companies Act No 61 of 1973, following the redemption of shares during the year ended 30 June 2000, out of profits that would otherwise be available for distribution to ordinary shareholders.

Available-for-sale investment reserve of R20 million debit (2013: R9 million credit) for the group. The available-for-sale reserve relates to the unrealised fair value gains/(losses) relating to the group's investment in Hwange Colliery Company Ltd and the company's investment in Coal of Africa Ltd.

Translation of foreign operation reserve of R1 386 million (2013: R941 million) for the group. The translation of foreign operation reserve consists of:

- reserves relating to equity-accounted investments of R1 175 million (2013: R780 million); and
- other group-related translation reserves of R211 million (2013: R161 million).

Notes to the group and company annual financial statements

for the year ended 31 December 2014

1. General information

ArcelorMittal South Africa Ltd (the company) and its subsidiaries (together, the group), is one of the largest steel producers on the African continent. The company is domiciled in South Africa and it is a public company listed on the JSE Ltd.

2. Adoption of new and revised standards and interpretations

2.1 Standards, interpretations and amendments effective in 2014

In the current year, the group applied a number of new and revised standards, which are listed below, as issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. The adoption of these standards did not have a material impact on the group financial statements.

- IFRS 10, IFRS 12 and IAS 27 amendment *Investment Entities*
- IAS 32 *Offsetting Financial Assets and Financial Liabilities*
- IFRIC 21 *Levies*
- IAS 36 *Recoverable Amount Disclosures for Non-financial Assets*

2.2 Early adoption of amendments and interpretations

The group elected not to adopt any amendments and interpretations in advance of their effective dates in the current period.

2.3 Standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the group and company are set out below. The group and company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated and are not expected to have a material impact on the financial performance, position (or changes therein) and disclosures of the financial statements of the group and company.

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- IAS 19 *Defined benefit plans: Employee Contributions*

3. Restatements and reclassifications

The group made no restatements for the reporting period. For the company, refer to note 17.

4. Significant accounting policies

The principal accounting policies applied in the preparation of the group and company financial statements are set out below. These policies have been consistently applied from the comparative year presented.

4.1 Statement of compliance

The group and company financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2014, and those Amendments and Interpretations early adopted.

4.2 Basis of preparation

The group and company financial statements have been prepared under the historical cost convention, as modified by the revaluation of:

- investments in equity instruments classified as available-for-sale.

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective notes to the annual financial statements.

4.3 Investments in subsidiaries, joint ventures and associates by the company

The company accounts for all investments in subsidiaries, jointly controlled entities and associates at cost.

Dividends received from subsidiaries, jointly controlled entities and associates are recognised in profit or loss when the company has the right to receive the dividend.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.4 Basis of consolidation – subsidiaries

The group annual financial statements incorporate financial statements of the company and its subsidiaries.

Subsidiaries are all investees (including structured entities) over which the group has control. The group controls an investee when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the group.

4.5 Interests in joint ventures

A joint venture is a contractual arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when the decision about the relevant activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The assets and liabilities of jointly controlled entities are incorporated in the group's annual financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*.

Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

The group's share of its jointly controlled entities' post-acquisition profits or losses and other comprehensive income is recognised in the statement of comprehensive income and statement of other comprehensive income respectively and its share of post-acquisition movements in reserves is recognised as reserves of the group. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investment.

Losses of a jointly controlled entity in excess of the group's interest in that entity (which includes any long-term interests that, in substance, form part of the group's net investment in the jointly controlled entity) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

Where a group entity transacts with a jointly controlled entity of the group, profits and losses are eliminated to the extent of the group's interest in the relevant jointly controlled entity.

4.6 Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the annual financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised as reserves of the group. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.6 Investments in associates *continued*

Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

4.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee of the group.

4.8 Foreign currency translation

Functional and presentation currency

Items included in the annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (its functional currency). The group's financial statements are presented in South African rand, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as gains or losses in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

For available-for-sale financial assets, changes in the fair value of such monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the statement of comprehensive income. Changes in carrying amounts on non-monetary securities are recognised in equity.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency of the group as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each reporting period are translated at average exchange rates for the reporting period; and
- All resulting exchange differences are recognised as a separate component of equity, within the translation of foreign operations reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are disclosed in the statement of comprehensive income and are taken to shareholders' equity.

4.9 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Property, plant and equipment, except land, are depreciated using the straight-line method over the useful lives of the related assets.

Major improvements, which are expected to generate future economic benefits over more than one reporting period, are capitalised, while repairs and maintenance are charged as an expense when incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment under construction are recorded as assets under construction until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Qualifying borrowing costs incurred during construction are capitalised. Gains and losses on retirement or disposal of assets are reflected in the statement of comprehensive income.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.10 Accounting for finance leases as lessee

Finance lease arrangements consist of those transactions that are:

- leases in both economic substance and legal form; and
- those that arise out of commercial arrangements that in economic substance represent leases, though not in legal form.

The group and company lease certain property, plant and equipment. Leases of property, plant and equipment where the group and company have substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property, plant and equipment and the present value of the future minimum lease payments of the lease.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the capital balance outstanding, using the effective interest method. The corresponding rental obligations, net of finance charges, are shown as finance lease obligations. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Finance lease obligations with settlement tenures greater than 12 months after the statement of financial position date, are classified as non-current finance lease obligations, while those to be settled within 12 months of the statement of financial position date are classified as current finance lease obligations.

4.11 Intangible assets

Internally generated intangible assets – research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the criteria of IAS 38 *Intangible Assets* are met.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred.

Development assets are tested for impairment annually, in accordance with IAS 36 *Impairment of Assets*.

Purchased intangible assets other than goodwill

“Right-of-use” operating licences

The cost of acquisition of operating licences, other than those obtained from the government authorities, are capitalised at their historical cost as intangible assets, and amortised over the right-of-use period. This period is reviewed at least annually.

Non-integrated computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives.

Computer software development costs recognised as assets are amortised over their estimated useful lives, typically not exceeding seven years.

4.12 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the group and company review the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In order to ensure completeness of the impairment assessment of individual assets, all tangible assets and intangible assets are allocated to the cash-generating unit to which they belong. An impairment assessment is then undertaken on the individual cash-generating units.

“Recoverable amount” is defined as the higher of fair value less costs-to-sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the weighted average cost of capital of the company.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.13 Financial assets

Financial assets are recognised and derecognised on the trade date where the purchase or sale of the asset is under a contract whose terms require delivery within the timeframe established by the market concerned. These assets are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss (FVTPL);
- Available-for-sale (AFS) financial assets; and
- Loans and receivables.

Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income.

AFS financial assets

Listed shares and similar securities held by the group and company that are traded in an active market are classified as being AFS and are stated at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

Estimated future cash flows are determined using various assumptions and techniques, including comparisons with published prices in an active market, comparative price-earnings multiples and discounted cash flow projections using projected growth rates, weighted average cost of capital and inflation rates.

In the case of available-for-sale listed equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for these financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income.

If objective evidence indicates that cost method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their value-in-use. Any impairment loss is charged to the statement of comprehensive income.

An impairment loss related to financial assets is reversed if and to the extent that there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment are recognised in the statement of comprehensive income, except for reversals of impairment of available-for-sale equity securities, which are recognised in equity.

4.14 Financial liabilities and equity instruments issued by the group and company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.14 Financial liabilities and equity instruments issued by the group and company *continued*

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings and finance lease obligations, are initially measured at fair value, net of transaction costs. Subsequently these are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

4.15 Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The group and company designate certain derivatives as either hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). Hedges are accounted for as prescribed in IAS 39 *Financial Instruments: Recognition and Measurement*.

4.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method or weighted average cost method. Work-in-progress and finished goods include the purchase costs of raw materials and conversion costs such as direct labour and an allocation of fixed and variable production overheads. Raw materials, qualifying spare parts and consumables are valued at cost inclusive of freight, shipping and handling costs.

Net realisable value represents the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution.

Costs incurred when production levels are abnormally low are partially capitalised as inventories and partially recorded as a component of cost of sales in the statement of comprehensive income.

Contributions towards stripping costs relating to inventory to be received in future are deferred as a prepayment for inventory and amortised to reflect the pattern of consumption of the inventory. The amounts deferred as a prepayment are included under other receivables.

4.17 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value, less any bank overdrafts.

4.18 Stated capital

Equity instruments issued by the company and group are classified according to the substance of the contractual arrangements entered into and the definition of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company and group after deducting all liabilities.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax effects, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised in an equity reserve attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's equity holders.

Capital distributions to shareholders through capital reduction programmes are credited against stated capital.

Income tax consequences of such and similar transactions are charged to profit or loss and not stated capital.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.19 Borrowings

Borrowings are recognised initially at cost, which typically reflects the fair value of the funding transaction. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the group and company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

4.20 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group and company annual financial statements.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

4.21 Employee benefits

Short-term employee benefits

Services rendered by employees during a reporting period are recognised as the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability, after deducting any amount already paid; and as an expense, unless included in the cost of inventory or property, plant and equipment. The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions is recognised during the period in which the employee renders the related service.

Short-term compensated absences (leave pay benefits)

The expected cost of short-term employee benefits in the form of compensated absences are recognised (i) in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and (ii) in the case of non-accumulating compensated absences, when the absences occur. The leave pay benefits of the group and company are accumulative in nature and entail automatic encashment of the benefits once the entitlements reach an accumulation limit.

Retirement benefits

Defined contribution plans are plans where fixed contributions to pension funds for certain categories of employees are paid. Contributions are paid in return for services rendered by the employees during the period. Such payments are expensed as they are incurred in line with the treatment of short-term employee benefits. No provisions are established in respect of defined contribution plans, as they do not generate future commitments.

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, by way of contractual obligations. The group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognised immediately in other comprehensive income. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in comprehensive income. The group recognises gains and losses on the settlement of a defined plan when the settlement occurs.

Medical benefits

No contributions are made to the medical aid of retired employees, except for a closed group of early retirees in respect of whom contributions are made. The present value of the post-retirement medical aid obligation for such early retirements is actuarially determined annually on the projected unit credit method and any deficit or surplus is immediately recognised in profit or loss.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.21 Employee benefits *continued*

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group and company recognise termination benefits when demonstrably committed to either:

- terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- provide termination benefits as a result of an accepted offer made to encourage voluntary redundancy in exchange for these benefits.

4.22 Provisions and contingent liabilities

Provisions

Provisions for asset retirement obligations, environmental remediation obligations, onerous contracts, restructuring costs, legal claims and similar obligations are recognised when:

- a present legal or constructive obligation exists as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to passage of time is recognised as accretion expenses within finance charges. Changes in the discount rate are recognised as finance charges, except for asset retirement obligations which are capitalised to property, plant and equipment.

Contingent liabilities

Legal claims are assessed to determine whether a present obligation exists and whether the obligations are measurable.

A present obligation, classified as a provision, is recognised as probable and is measured at the estimated loss of the outcome if it is more than 50% likely to occur.

For claims that are reasonably possible, being between 20% and 50% likely, the facts and circumstances of the possible loss and an estimate of the amount, if determinable, are disclosed.

Remote claims, being less than 20% likely, are not disclosed or provided for; however, voluntary disclosure may be made if the matter is significant.

4.23 Revenue recognition

Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's and company's activities. Revenue is shown net of value added tax, returns, rebates, discounts and, in the case of the group accounts, after eliminating sales within the group.

All amounts invoiced to a customer in a sale transaction related to distribution and handling costs are classified as revenue, with the costs related thereto shown as distribution and handling costs within other operating expenses.

The group and company recognise revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's and company's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group and company base such estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods are recognised based on the relevant delivery terms at which point the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract or the group and company have objective evidence that all criteria for acceptance have been satisfied.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.24 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred and are not straight-lined.

4.25 Borrowing costs

Qualifying borrowing costs calculated in accordance with the effective interest method and directly attributable to the acquisition, construction or production of qualifying assets, for those assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period incurred.

4.26 Share-based payments

Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Fair value determination of equity-settled share-based transactions is measured using the binomial matrix pricing model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's and company's estimate of the number of equity instruments that will eventually vest. At each statement of financial position date, the group and company revise their estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash-settled share-based payments

For cash-settled share-based payments, a liability equal to the portion of goods or services received is recognised as the current fair value at each date of the statement of financial position.

Vesting conditions

Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Features of a share-based payment that are not vesting conditions are included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions.

4.27 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Normal tax

The tax currently payable is based on taxable income or loss for the year. Taxable income or loss differs from income or loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

Withholding tax on dividends

Dividends received subject to withholding tax are shown inclusive of any withholding tax, as to show only the gross amount of the income received, which is subject to withholding tax in the hands of the receiving entity. The withholding tax amount is included in the tax charge for the reporting period.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

4. Significant accounting policies *continued*

4.28 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the period in which the dividends are approved by the company's board of directors.

4.29 Offset

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

4.30 Comparative figures

Where applicable, comparative figures have been adjusted to conform to changes in presentation in the current period.

5. Critical judgements and key estimates

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the annual financial statements where applicable.

6. Segment report

Segment information is presented only at group level, where it is most meaningful. Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker (the executive committee) in order to allocate resources to the segment and to assess its performance.

The group's reportable segments are as follows:

- Flat steel products consisting of the Vanderbijlpark Works, Saldanha Works and ArcelorMittal South Africa Distribution.
- Long steel products consisting of the Newcastle Works, Vereeniging Works and the decommissioned Maputo Works.
- Coke and Chemicals undertake the processing and marketing of by-products and the production and marketing of commercial-grade coking coal.
- Corporate and Other, consisting of sales and marketing functions, procurement and logistics activities, shared services, centres of excellence, the decommissioned Pretoria Works site, available-for-sale investments and the results of the non-trading consolidated subsidiaries and consolidated structured entities.

Segment profit/(loss) from operations represents the profit/(loss) earned/(incurred) by each segment without the allocation of after-tax profits of equity-accounted investments, net interest income, income from investments and income tax expenses.

All assets and liabilities are allocated to the operating segments, other than for the following items that are exclusively allocated to the Corporate and Other segment, reflecting the manner in which resource allocation is measured:

Assets not allocated to operating segments:

- Results of consolidated subsidiaries and structured entities, other than for Saldanha Works which is a subsidiary allocated to the Flat steel products segment;
- Investments in equity-accounted entities;
- Available-for-sale investments;
- Cash and cash equivalents; and
- Income tax, capital gains tax and value added tax related assets, as applicable.

Liabilities not allocated to operating segments are income tax, capital gains tax and value added tax related liabilities, as applicable.

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

6. Segment report *continued*

For the year ended 31 December 2014

	Flat Steel Products Rm	Long Steel Products Rm	Coke and Chemicals Rm	Corporate and Other Rm	Adjustments and eliminations Rm	Total – reconciling to the consolidated amounts Rm
Revenue						
– External customers	22 957	9 911	1 984	–	–	34 852
– Intersegment customers	1 484	2 500	60	–	(4 044)	–
Total revenue	24 441	12 411	2 044	–	(4 044)	34 852
Revenue to external customers distributed as:						
Local	16 087	8 054	1 984	–	–	26 125
Export	6 870	1 857	–	–	–	8 727
– Africa	5 512	1 031	–	–	–	6 543
– Europe	–	–	–	–	–	–
– Asia	1 013	800	–	–	–	1 813
– Other	345	26	–	–	–	371
Total	22 957	9 911	1 984	–	–	34 852
Results						
Earnings before interest, tax, depreciation and amortisation	535	16	428	289	(10)	1 258
Depreciation and amortisation	(1 064)	(342)	(35)	(20)	51	(1 410)
Provision for Tshikondeni mine closure costs	–	–	–	(50)	–	(50)
Provision for restructuring costs	–	–	–	(90)	–	(90)
Provision for onerous contract	–	–	–	(9)	–	(9)
(Loss)/profit from operations	(529)	(326)	393	120	41	(301)
Finance and investment income	4	3	1	9	–	17
Finance costs	(102)	(83)	(4)	(416)	–	(605)
Gain recognised on loss of interest over former associate	–	–	–	80	–	80
Income after tax from equity- accounted investments	–	–	–	191	–	191
(Loss)/profit before taxation	(627)	(406)	390	(16)	41	(618)
Income taxation credit	–	–	–	460	–	460
(Loss)/profit for the year	(627)	(406)	390	444	41	(158)
Segment assets	19 038	9 318	1 072	1 648	(2 081)	28 995
Investments in equity-accounted entities	–	–	–	4 031	–	4 031
Segment liabilities	5 895	2 741	189	3 680	(201)	12 304
Cash generated from operations	444	230	254	1 277	–	2 205
Capital expenditure	501	2 103	20	89	–	2 713
Number of employees at the end of the year	5 044	2 534	226	1 225	–	9 029

Notes to the group and company annual financial statements continued
for the year ended 31 December 20146. Segment report *continued*

For the year ended 31 December 2013

	Flat Steel Products Rm	Long Steel Products Rm	Coke and Chemicals Rm	Corporate and Other Rm	Adjustments and eliminations Rm	Total – reconciling to the consolidated amounts Rm
Revenue						
– External customers	19 922	10 616	1 883	–	–	32 421
– Intersegment customers	775	1 002	54	–	(1 831)	–
Total revenue	20 697	11 618	1 937	–	(1 831)	32 421
Revenue to external customers distributed as:						
– Local	15 099	8 194	1 881	–	–	25 174
Export	4 823	2 422	2	–	–	7 247
– Africa	4 317	1 792	1	–	–	6 110
– Europe	3	62	1	–	–	66
– Asia	341	438	–	–	–	779
– Other	162	130	–	–	–	292
Total	19 922	10 616	1 883	–	–	32 421
Results						
Earnings before interest, tax, depreciation and amortisation	135	1 198	514	(76)	(3)	1 768
Depreciation and amortisation	(1 255)	(301)	(35)	(18)	46	(1 563)
Provision for Tshikondeni mine closure costs	–	–	–	(158)	–	(158)
(Loss)/profit from operations	(1 120)	897	479	(252)	43	47
Impairment of financial assets	–	–	–	(72)	–	(72)
Impairment of property, plant and equipment	(1 269)	(551)	–	(58)	–	(1 878)
Finance and investment income	3	1	1	103	–	108
Finance costs	(82)	(16)	(3)	(267)	–	(368)
Income after tax from equity- accounted investments	–	–	–	(35)	–	(35)
(Loss)/profit before taxation	(2 468)	331	477	(581)	43	(2 198)
Income taxation credit	–	–	–	51	–	51
(Loss)/profit for the year	(2 468)	331	477	(530)	43	(2 147)
Segment assets	19 698	7 555	903	2 891	(2 069)	28 978
Investments in equity-accounted entities	–	–	–	3 737	–	3 737
Segment liabilities	4 659	2 483	174	4 934	(229)	12 021
Cash generated from operations	202	377	590	426	–	1 595
Capital expenditure	835	680	14	40	–	1 569
Number of employees at the end of the year	4 961	2 186	235	1 483	–	8 865

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

6. Segment report *continued*

		2014 Rm	2013 Rm
6.1	Revenue from major products and services		
	The group's revenue from its major products sold to external customers was as follows:		
	Flat Steel Products	22 957	19 922
	– Plate	1 101	850
	– Hot-rolled coil	13 276	11 692
	– Cold-rolled coil	1 835	1 753
	– Galvanised sheet	3 114	3 146
	– Coated sheet	1 149	797
	– Tin plate	1 704	1 336
	– Other	778	348
	Long Steel Products	9 911	10 616
	– Billets and blooms	42	75
	– Bars and rebars	2 496	2 448
	– Wire rod	2 926	3 167
	– Sections	2 504	3 128
	– Rails	35	67
	– Seamless tubular products	1 004	763
	– Forged	890	928
	– Other	14	40
	Coke and Chemicals	1 984	1 883
	– Coke	1 211	1 296
	– Tar	439	388
	– Other	334	199
	Total consolidated revenue	34 852	32 421
6.2	Geographical information		
	The group operates principally in South Africa. Export sales are primarily sold into sub-Saharan Africa and Asia.		
6.3	Information about major customers		
	Segmentation of the group's top three customers, as measured on total revenue, is as follows:		
	Flat steel products	7 151	8 777
	Long steel products	2 881	4 135
	Total revenue attributable to top three customers	10 032	12 912
	Expressed as a percentage of total consolidated revenue (%)	29	37
	Of these top three customers, one customer contributes more than 10% to total revenue	5 234	5 173
	Expressed as a percentage of total consolidated revenue (%)	15	15

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

7. Loss from operations

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Loss from operations has been arrived at after charging:				
Amortisation of intangible assets	(24)	(19)	(20)	(15)
Depreciation	(1 386)	(1 544)	(983)	(1 128)
Employee costs	(3 764)	(3 408)	(3 763)	(3 407)
– Salaries and wages	(3 455)	(3 026)	(3 454)	(3 025)
– Termination benefits	(96)	(5)	(96)	(5)
– Pension and medical costs	(190)	(358)	(190)	(358)
– Share-based payment expense	(23)	(19)	(23)	(19)
(Loss)/profit on disposal or scrapping of property, plant and equipment	(29)	37	(26)	39
Operating lease rentals	(110)	(144)	(109)	(143)
Railage and transport	(937)	(848)	(834)	(788)
Repairs and maintenance	(2 209)	(2 408)	(1 711)	(1 881)
Research and development costs	(126)	(78)	(126)	(78)
Reversal of write-down of inventory to net realisable value	90	17	46	46
Auditors' remuneration	(12)	(12)	(10)	(11)
– Audit fees	(11)	(11)	(9)	(10)
– Other services and expenses	(1)	(1)	(1)	(1)
Allowance for doubtful debts recognised on trade receivables	(1)	(1)	(2)	–
Other allowances on trade receivables	(87)	(37)	(87)	(37)
8. Finance and investment income				
Finance income				
Bank deposit and other interest income excluding interest income from subsidiaries and equity-accounted investments	11	7	12	7
Investment income				
Dividends received	–	–	60	124
Interest received from jointly controlled entities	6	5	1	1
Discount rate adjustment of the non-current provisions	–	96	–	96
Total	17	108	73	228
9. Finance costs				
Interest expense on bank overdrafts and loans	(321)	(109)	(319)	(109)
Interest expense on finance lease obligations	(52)	(60)	(33)	(39)
Net foreign exchange gains/(losses) on financing activities	8	(44)	(10)	(29)
Unwinding of the discounting effect in the present value carrying amount of the non-current provisions	(221)	(155)	(218)	(151)
Discount rate adjustment of the non-current provisions	(19)	–	(19)	–
Total	(605)	(368)	(599)	(328)

No borrowing costs qualified for capitalisation during the current or comparative year.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

10. Impairment of financial assets

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Impairment charged	-	(72)	(485)	(226)
Reversal of impairment of financial assets	-	-	-	58
Total	-	(72)	(485)	(168)
<p>The carrying amount of the investment in Vicva Investments and Trading Nine (Pty) Ltd has been assessed as being in excess of its recoverable amount, resulting in an impairment of R485 million (2013: R58 million reversal of impairment) in the company's annual financial statements.</p> <p>The impairment charge recognised in profit and loss in 2013 relates to the company's investment in Coal of Africa Ltd and Microsteel (Pty) Ltd. The carrying values of these investments were more than the recoverable amount at 31 December 2013.</p>				

11. Income taxation credit

Income tax recognised in profit or loss

Current tax expense	(106)	(144)	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	26	(83)	14	(73)
	(80)	(227)	14	(73)
Deferred tax income relating to the origination and reversal of temporary differences	372	171	302	97
Adjustment recognised in the current year in relation to the deferred tax of prior years	171	113	187	103
Withholding tax on foreign dividend	(3)	(6)	(3)	-
Total	460	51	500	127
<p>The total charge for the year can be reconciled to the accounting profit as follows:</p>				
Loss before taxation	(618)	(2 198)	(1 673)	(2 245)
Income tax credit calculated at 28%	173	615	468	629
Effect of income that is non-taxable/exempt	4	-	21	35
Effect of expenses that are not deductible	(20)	(578)	(153)	(567)
Effect of taxable income imputed from controlled foreign companies	(13)	-	(13)	-
Effect of (i) equity-accounted investments disclosed net of tax on the statement of comprehensive income and (ii) the effect of different tax rates of subsidiaries operating in other jurisdictions	122	(10)	(21)	-
Adjustments recognised in the current year in relation to the current tax and deferred tax of the prior year	197	30	201	30
Withholding tax on foreign dividend	(3)	(6)	(3)	-
Total income tax credit	460	51	500	127
Taxation as a percentage of loss before taxation (%)	(74.40)	(2.30)	(29.88)	(5.70)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

12. Loss per share

	Group	
	2014 Rm	2013 Rm
Basic loss per share is calculated by dividing loss attributable to the owners of the company by the weighted average number of ordinary shares held by third parties.		
• Loss attributable to owners of the company (Rm)	(158)	(2 147)
• Weighted average number of shares (thousands)	401 202	401 202
• Basic loss per share (cents)	(39)	(535)
Diluted loss per share is calculated by dividing the loss attributable to the owners of the company by the weighted average number of ordinary shares held by third parties, increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all outstanding share options/long-term incentive plan units representing dilutive potential ordinary shares. These shares do not have a dilutive effect.		
• Loss attributable to owners of the company (Rm)	(158)	(2 147)
• Weighted average number of diluted shares (thousands)	401 202	401 202
• Diluted loss per share (cents)	(39)	(535)
The calculation for headline loss per share is based on the basic loss per share calculation, reconciled as follows:		
Gross		
Loss attributable to owners of the company (Rm)	(618)	(2 198)
Add: Impairment charges (Rm)	–	1 950
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	29	–
Less: Profit on disposal or scrapping of property, plant and equipment (Rm)	–	(37)
Less: Gain recognised on loss of interest over former associate	(80)	–
Less: Profit on disposal of assets of associate	(16)	–
Headline loss (Rm)	(685)	(285)
Net of tax		
Loss attributable to owners of the company (Rm)	(158)	(2 147)
Add: Impairment charges (Rm)	–	1 950
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	21	–
Less: Profit on disposal or scrapping of property, plant and equipment (Rm)	–	(27)
Less: Gain recognised on loss of interest over former associate	(80)	–
Less: Profit on disposal of assets of associate	(10)	–
Headline loss net of tax (Rm)	(227)	(224)
Headline loss per share (cents)		
– Basic	(57)	(56)
– Diluted	(57)	(56)
The weighted average number of shares used in the computation of diluted earnings per share was determined as follows:		
Shares in issue held by third parties		
– Weighted average number of shares (thousands)	401 202	401 202
Weighted average number of diluted shares (thousands)	401 202	401 202

13. Dividend per share

Consistent with the group's dividend policy, no dividends were declared for the 2014 and 2013 financial years.

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

14. Property, plant and equipment

Group	Land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation Rm	Asset retirement obligation Rm	Leased assets Rm	Con-struction in progress Rm	Total Rm
For the year ended 31 December 2014								
Carrying amount at the beginning of the year	75	961	11 912	24	2	418	1 310	14 702
Additions	-	2	2 447	-	-	-	336	2 785
Disposals	-	-	(32)	-	-	-	-	(32)
Depreciation	-	(60)	(1 214)	(2)	(5)	(105)	-	(1 386)
Other movements	-	35	920	-	5	(68)	(960)	(68)
Carrying amount at the end of the year	75	938	14 033	22	2	245	686	16 001
At 31 December 2014								
Cost	77	2 401	31 066	102	203	5 048	687	39 584
Accumulated depreciation and impairment	(2)	(1 464)	(17 033)	(80)	(201)	(4 803)	-	(23 583)
Net carrying amount	75	937	14 033	22	2	245	687	16 001
For the year ended 31 December 2013								
Carrying amount at the beginning of the year	67	973	12 295	28	4	1 795	906	16 068
Additions	4	7	676	-	-	-	838	1 525
Disposals	-	-	(39)	-	-	-	-	(39)
Depreciation	-	(68)	(1 402)	(4)	(1)	(69)	-	(1 544)
Impairment	-	-	-	-	-	(1 878)	-	(1 878)
Other movements	4	49	382	-	(1)	570	(434)	570
Carrying amount at the end of the year	75	961	11 912	24	2	418	1 310	14 702
At 31 December 2013								
Cost	77	2 361	27 900	102	199	5 043	1 311	36 993
Accumulated depreciation and impairment	(2)	(1 401)	(15 988)	(78)	(197)	(4 625)	-	(22 291)
Net carrying amount	75	960	11 912	24	2	418	1 311	14 702

Notes to the group and company annual financial statements continued
for the year ended 31 December 201414. Property, plant and equipment *continued*

Company	Land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation Rm	Asset retirement obligation Rm	Leased assets Rm	Con-struction in progress Rm	Total Rm
For the year ended 31 December 2014								
Carrying amount at the beginning of the year	61	731	7 635	26	–	360	1 221	10 034
Additions	–	2	2 402	–	–	–	285	2 689
Disposals	–	–	(32)	–	–	–	–	(32)
Depreciation	–	(54)	(827)	(2)	(4)	(96)	–	(983)
Other movements	–	36	862	–	4	(68)	(902)	(68)
Carrying amount at the end of the year	61	715	10 040	24	–	196	604	11 640
At 31 December 2014								
Cost	61	1 985	20 924	102	198	4 838	605	28 713
Accumulated depreciation and impairment	–	(1 271)	(10 884)	(78)	(198)	(4 642)	–	(17 073)
Net carrying amount	61	714	10 040	24	–	196	605	11 640
For the year ended 31 December 2013								
Carrying amount at the beginning of the year	53	736	7 687	29	–	1 728	874	11 107
Additions	4	7	624	–	–	–	764	1 399
Disposals	–	–	(36)	–	–	–	–	(36)
Depreciation	–	(60)	(1 005)	(3)	–	(60)	–	(1 128)
Impairment	–	–	–	–	–	(1 878)	–	(1 878)
Other movements	4	48	365	–	–	570	(417)	570
Carrying amount at the end of the year	61	731	7 635	26	–	360	1 221	10 034
At 31 December 2013								
Cost	61	1 945	17 840	102	194	4 834	1 222	26 198
Accumulated depreciation and impairment	–	(1 215)	(10 205)	(76)	(194)	(4 474)	–	(16 164)
Net carrying amount	61	730	7 635	26	–	360	1 222	10 034

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

14. Property, plant and equipment *continued*

Land register and asset pledges

A register of land is available for inspection at the registered office of the company.

The group and company have not pledged property, plant and equipment to secure banking facilities granted.

Critical judgements and estimates

Useful lives and residual values of property, plant and equipment and intangible assets

The estimates of depreciation and amortisation rates and the residual lives of the assets are reviewed annually taking cognisance of:

- forecasted commercial and economic realities; and
- benchmarking within the greater ArcelorMittal group.

The useful lives of certain items of property, plant and equipment were reassessed and revised to reflect the current estimated life over which the group has the ability and intention to use such assets. The effect of these changes on the actual depreciation expense for the year ended 31 December 2014 is a reduction of approximately R109 million.

Useful life range

Land	Not depreciated
Buildings	10 to 50 years
Steel plant equipment	15 to 30 years
Other facilities	15 to 30 years
Vehicles and general equipment	5 to 20 years

These useful lives represent management's current best estimates.

Impairment of leased assets

The total impairment loss included in the profit or loss is Rnil (2013: R1 878 million) for the group and company.

On 5 November 2013, Kumba Iron Ore Ltd and ArcelorMittal South Africa Ltd announced the conclusion of the settlement and supply agreement between Sishen Iron Ore Company (Pty) Ltd and ArcelorMittal South Africa Ltd that terminates the 2001 Thabazimbi Iron Ore supply agreement and the 2001 Sishen supply agreement. In signing this agreement, the company ceased its involvement in management and operational decisions relating to the mining, production or processing of iron ore at the Thabazimbi mine on 1 January 2014, the effective date of the agreement. The carrying amount of the Thabazimbi mine assets which were previously recognised in the company's statement of financial position as leased assets were impaired in full.

Impairment indicator assessment for the carrying amount of the cash-generating units

An impairment indicator assessment was performed on all operating cash-generating units of the group including subsidiaries. Following this assessment, it was necessary to perform an impairment test on Vanderbijlpark Works and Saldanha Works.

Basis of the impairment model

An explicit forecast over a five-year period.

Terminal value based on:

- normalised five-year steel cycle; and
- Gordon growth model.

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014**14. Property, plant and equipment** *continued***Principal assumptions**

<i>General assumptions</i>	2014	2013
Weighted average cost of capital/discount rate (%)	9.8	10.1
Growth (%)	2.0	2.0
Exchange rate – weakening by 3.5% p.a. For 2013 (kept constant for first three years and weakens by 3.5% thereafter) (USD1:ZAR)	R11.60	R10.50
Iron ore prices – average (USD)/t	115	135
Electricity increase (%)	8.0	8.0
Raw material basket (RMB) used in terminal value (USD)	350	410
Spread (hot rolled coil over RMB terminal value)	386	370
<i>Vanderbijlpark-specific assumptions</i>		
Steel sales price range (average – USD/t)	704 to 808	767 to 843
Sales volume range (kt)	2 390 to 2 535	2 397 to 2 405
Capex accumulated (2015 – 2019) (USDm)	425	406
<i>Saldanha-specific assumptions</i>		
Steel sales price range (average – USD/t)	579 to 645	604 to 677
Sales volume range (kt)	1 066 to 1 322	1 083 to 1 283
Capex accumulated (2015 – 2019) (USDm)	173	146

15. Intangible assets

Group	Patents Rm	Non-integrated software Rm	Total Rm
For the year ended 31 December 2014			
Carrying amount at the beginning of the year	11	135	146
Additions	–	13	13
Amortisation	(2)	(22)	(24)
Carrying amount at the end of the year	9	126	135
At 31 December 2014			
Cost	38	386	424
Accumulated amortisation and impairment	(29)	(260)	(289)
Net carrying amount	9	126	135
For the year ended 31 December 2013			
Carrying amount at the beginning of the year	13	108	121
Additions	–	44	44
Amortisation	(2)	(17)	(19)
Carrying amount at the end of the year	11	135	146
At 31 December 2013			
Cost	38	373	411
Accumulated amortisation and impairment	(27)	(238)	(265)
Net carrying amount	11	135	146

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

15. Intangible assets *continued*

Company	Non-integrated software Rm	Total Rm
For the year ended 31 December 2014		
Carrying amount at the beginning of the year	127	127
Additions	13	13
Amortisation	(20)	(20)
Carrying amount at the end of the year	120	120
At 31 December 2014		
Cost	371	371
Accumulated amortisation and impairment	(251)	(251)
Net carrying amount	120	120
For the year ended 31 December 2013		
Carrying amount at the beginning of the year	98	98
Additions	44	44
Amortisation	(15)	(15)
Carrying amount at the end of the year	127	127
At 31 December 2013		
Cost	358	358
Accumulated amortisation and impairment	(231)	(231)
Net carrying amount	127	127

16. Equity-accounted investments

Details of the company's material associates and jointly controlled entities are as follows:

Name of the entity	Principal activity	Place of incorporation	Proportion ownership interest and voting power	
			2014	2013
Joint venture				
Macsteel International Holdings BV	Steel trading and shipping	Netherlands	50%	50%
Associate				
Coal of Africa Ltd (Note 1)	Exploration	Australia	7.89%	12.03%
Note 1				
Change of ownership interest in an associate			Rm	Rm
In November 2014, the company's ownership interest in Coal of Africa Ltd decreased to 7.89%. The decrease is as a result of a dilution of the company's interest after a direct investment in Coal of Africa Ltd by independent shareholders. As of that date, Coal of Africa Ltd ceased to be an associate of the company as the company no longer exercised significant influence. The dilution resulted in the recognition of a gain in profit or loss calculated as follows:				
Proceeds on the deemed disposal			71	101
Amounts reclassified to profit and loss			109	-
Less: Deemed disposal of carrying amount			(100)	(54)
Gain recognised			80	47

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

16. Equity-accounted investments *continued*

Summarised financial information

Associate

The summarised financial information below is in respect of the group's only material associate in 2013. As at 31 December 2014, Coal of Africa was no longer an associate due to the dilution of shareholding. Hence, there were no material associates as at 31 December 2014.

The summarised financial information below represents amounts shown in the entity's annual financial statements, adjusted by the group for equity-accounting purposes.

	Coal of Africa Ltd
	2013 Rm
Current assets	688
Non-current assets	1 592
Current liabilities	(323)
Non-current liabilities	(375)
Net assets	1 582
Revenue	1 104
Loss from continuing operations	(811)
After-tax loss from discontinued operations (Note 2)	(801)
Other comprehensive income	(222)
Total comprehensive income	(1 834)
Reconciliation of the net assets to the carrying amount	
Net assets of the associate	1 582
Ownership interest	12.03%
Impairment	(49)
Share of net assets in associate	190
Carrying amount	141

The carrying value of the investment in Coal of Africa was equal to the fair value of this investment at 31 December 2013.

The annual financial statements of Coal of Africa Ltd are presented in US dollars. The statement of financial position was converted to ZAR using the closing rate in 2013 of R10.429. The statement of comprehensive income and other comprehensive income was converted using an average rate in 2013 of R9.652.

At 31 December 2013, the group carrying amount of the investment in Coal of Africa Ltd was written down by R49 million to its recoverable amount of R141 million.

Note 2

The after-tax loss from discontinued operations is based on the results for the full year ended 30 June 2013.

	Other associates	
	2014 Rm	2013 Rm
Aggregate information of associates not individually material		
Profit after tax	3	–
Share of other comprehensive income	–	–
Share of total comprehensive income	3	–
Aggregate carrying amount	325	313

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

16. Equity-accounted investments *continued*

Summarised financial information

Joint venture

The summarised financial information below is in respect of the group's only material joint venture. The summarised financial information below represents amounts shown in the entity's annual financial statements, adjusted by the group for equity-accounting purposes.

	Macsteel International Holdings BV	
	2014	2013
	Rm	Rm
Current assets	10 652	8 301
Non-current assets	4 168	2 816
Current liabilities	(7 102)	(4 839)
Non-current liabilities	(638)	(156)
Net assets	7 080	6 122
<i>The above amounts of assets and liabilities include the following:</i>		
Cash and cash equivalents	1 581	1 377
Current financial liabilities (excluding trade, other payables and provisions)	(3 928)	(2 128)
Current non-financial liabilities (excluding trade, other payables and provisions)	(29)	(21)
Revenue	39 347	25 222
Profit after tax	499	299
Other comprehensive loss	(229)	(19)
Total comprehensive income	270	280
<i>Converted from US dollar to rand using the average exchange rate for the year</i>		
<i>Profit for the year includes the following:</i>		
Depreciation and amortisation	(15)	(19)
Interest income	123	68
Interest expense	(86)	(39)
Income tax expense	(72)	(48)
Reconciliation of the net assets to the carrying amount		
Net assets of the joint venture	7 080	6 122
Ownership interest	50%	50%
Carrying amount	3 540	3 061
	Other joint ventures	
	2014	2013
	Rm	Rm
Loss after tax	(8)	(3)
Share of other comprehensive income	1	(3)
Dividend paid	(4)	–
Share of total comprehensive income	(11)	(6)
Aggregate carrying amount	166	222
Total carrying amount of equity-accounted associates and joint ventures		
– Group	4 031	3 737
– Company	167	354

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

17. Investments in subsidiaries

Company	2014 Rm	2013 Rm
Shares at cost	302	302
Indebtedness	4 399	5 543
– by subsidiaries	4 493	5 637
– to subsidiaries	(94)	(94)
Total	4 701	5 845
Aggregate attributable after-tax profit/(losses)	275	(29)

The carrying value of the company's investment in subsidiaries consists largely of its investment in Saldanha Steel (Pty) Ltd, being the cost of shares and indebtedness, at the initial and subsequent acquisition dates.

Critical judgements and estimates

Consolidation of structured entities

Certain non-core services and corporate social development activities of the company are managed via two associations not for gain, namely the Vesco group and Vesco Community Enterprises. While the company has de facto control over both entities, these entities are not consolidated within the group results because they are not material to the group.

For reasons comparable to those described above, the results of the ArcelorMittal Foundation Trust, a public benefit organisation, are not included in the consolidated results of the group.

Iscor Management Share Trust is consolidated into the group results, with the cost of open market share purchases being included as a debit to the group's equity.

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

17. Investments in subsidiaries *continued*

	Country of incorporation ¹	Reporting currency	Number of ordinary shares issued	Interest of company			
				Shares at cost		Indebtedness	
				2014 R	2013 R	2014 Rm	2013 Rm
Property							
Yskor Landgoed (Pty) Ltd	RSA	ZAR	4 000	4 000	4 000	(94)	(94)
Manufacturing							
Iscor Building Systems (Pty) Ltd	RSA	ZAR	100	100	100	–	–
Saldanha Steel (Pty) Ltd ²	RSA	ZAR	2 000	1 009	1 009	2 944	3 621
Mining							
Lanzigyn Investments (Pty) Ltd	RSA	ZAR	100	–	85	–	–
Oakwood Trading 21 (Pty) Ltd	RSA	ZAR	100	100	100	299	290
October Wind Investments 91 (Pty) Ltd	RSA	ZAR	100	100	100	–	–
Service							
Ferrosure (Isle of Man) Insurance Co Ltd ³	IOM	USD	70	60 483 746	60 483 746	–	–
MSSA Investments BV	NEH	USD	134 669	241 105 200	241 105 200	–	–
Pybus Fifty-Seven (Pty) Ltd	RSA	ZAR	1	1 000	1 000	–	–
Vicva Investments and Trading Nine (Pty) Ltd	RSA	ZAR	1	1 000	1 000	1 177	1 662
Dombotema Mining Investments (Pty) Ltd	RSA	ZAR	100	100	100	–	–
ArcelorMittal South Africa Distribution (Pty) Ltd	RSA	ZAR	100	100	100	73	64
ArcelorMittal African Investments	Mauritius	USD	100	716	716	–	–
ArcelorMittal South Africa Operations (Pty) Ltd	RSA	ZAR	1	1	1	–	–
Total				301 597 172	301 597 257	4 399	5 543

⁽¹⁾ RSA – Republic of South Africa, IOM – Isle of Man and NEH – The Netherlands.

⁽²⁾ The indebtedness amount includes the shareholders' loan of R5 billion (2013: R8 billion) and intercompany balances in favour of Saldanha Steel (Pty) Ltd of R5 billion (2013: R4 billion).

⁽³⁾ Issued capital is non-voting redeemable preference shares.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

17. Investments in subsidiaries *continued*

Restatement

During the 2014 financial year, the company analysed its investments in subsidiaries to determine if there is any objective evidence that its investments may be impaired. As a consequence of this analysis and the subsequent impairment test performed, the carrying amount of the company's investment in its subsidiaries was assessed as being above its recoverable amount. Accordingly, an impairment was recognised in the company's financial statements and the prior period balances were restated in order to achieve fair presentation. The restatements did not have an impact on the previously reported group results.

	Company		
	2013 As previously stated	2013 Adjustments	2013 Restated
Statement of financial position			
Assets			
Investments in subsidiaries	8 414	(2 569)	5 845
Equity			
Retained income	21 685	(2 569)	19 116
Statement of comprehensive income			
Impairment of financial assets	(226)	58	(168)

18. Other financial assets

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Non-current				
Available-for-sale (AFS) investments carried at fair value				
– Equity instruments	58	17	48	–
Total	58	17	48	–
Current				
Financial assets carried at FVTPL				
– Held-for-trading	37	17	35	15
Total	37	17	35	15

Critical judgements and estimates

AFS investments

The company holds 10% of the ordinary share capital of Hwange Colliery Company Ltd, a coal, coke and by-products producer in Zimbabwe.

The shares of Hwange Colliery Company Ltd are traded on the Zimbabwe Stock Exchange. The carrying amount of the investment represents its market value at the reporting date of R10 million (2013: R17 million).

The company also holds 7.89% of the ordinary share capital of Coal of Africa Ltd. Coal of Africa Ltd is in the business of acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa.

The shares of Coal of Africa Ltd are traded on both the Australian Stock Exchange and the JSE Ltd. The carrying amount of the investment represents its market value at the reporting date of R48 million (2013: R141 million).

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

19. Inventories

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Finished products	2 600	2 237	2 384	1 912
Work-in-progress	4 143	4 426	4 043	4 315
Raw materials	3 125	3 179	2 827	2 752
Plant spares and consumable stores	816	711	651	576
Total	10 684	10 553	9 905	9 555

Included in the above are finished products of R261 million (2013: R614 million), work-in-progress of R212 million (2013: R485 million) and raw materials of R1 510 million (2013: R1 717 million) carried at net realisable value.

The group revised the method of estimation of net realisable value relating to general spare parts from that based on age to that based on the actual observed condition of the spares. This change resulted in the reversal of the previous write-down of inventory of R120 million.

20. Trade and other receivables

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Trade receivables				
– Local	952	1 397	797	1 310
– Exports	381	685	170	350
Total gross trade receivables	1 333	2 082	967	1 660
Allowance for doubtful debts				
– Local	(2)	(2)	(2)	(2)
– Exports	(10)	(9)	(10)	(8)
Total allowances for doubtful debts	(12)	(11)	(12)	(10)
Other allowances				
– Local	(297)	(210)	(297)	(210)
– Exports	(2)	(2)	(2)	(2)
Total other allowances	(299)	(212)	(299)	(212)
Net trade receivables				
– Local	653	1 185	498	1 098
– Exports	369	674	158	340
Total net trade receivables	1 022	1 859	656	1 438
Other receivables				
Other receivables	197	227	107	200
Inventory prepayment	132	–	132	–
Allowance for doubtful debts on other receivables	(22)	(42)	(20)	(40)
Net value-added tax receivable	233	150	141	42
Total other receivables	540	335	360	202
Total	1 562	2 194	1 016	1 640

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

20. Trade and other receivables *continued*

	Group		Company	
	2014	2013	2014	2013
Average credit period for trade receivables				
The sectoral split of the average credit period (in days) on sale of goods is as follows:				
– Local	31	30	31	30
– Exports	22	20	19	24

No interest is charged on trade receivables for the first 30 days from date of statement. Thereafter, interest is charged at prime plus 3% per annum on the outstanding balance.

Other receivables relate primarily to by-product sales, site rental due, prepayments, staff education and bursary loans. In determining the recoverability of trade and other receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Age of receivables past due and not impaired				
30 – 60 days	144	273	144	272
60 – 90 days	6	22	6	22
90 – 180 days	3	6	3	6
>180 days	22	1	22	1
Total	175	302	175	301

The following allowances exist:

Allowance for doubtful debts, which is based on the aging and recoverability of receivables. Customers handed over for collection are fully provided for unless insured, in which case the participation percentage of the insurer is deducted. Overdue customers without cover are fully provided for.

Other allowances relate to settlement discounts, price, quality, dispatch and related claims for which credit notes still have to be issued.

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Movement in other allowances				
Balance at the beginning of the year	(212)	(175)	(212)	(175)
Allowances raised	(1 290)	(1 440)	(1 284)	(1 439)
Allowances utilised	1 203	1 403	1 197	1 402
Closing balance	(299)	(212)	(299)	(212)

An allowance is also made for doubtful debts on other receivables that are more than 90 days overdue.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

20. Trade and other receivables *continued*

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Movement in allowances for doubtful debts on other receivables				
Balance at the beginning of the year	(42)	(22)	(40)	(22)
Impairment losses recognised	(24)	(29)	(23)	(27)
Amounts recovered during the year	44	9	43	9
Closing balance	(22)	(42)	(20)	(40)
Age of impaired trade receivables				
30 – 120 days	(1)	(1)	(1)	–
120 – 180 days	–	–	–	–
> 180 days	(11)	(10)	(11)	(10)
Total	(12)	(11)	(12)	(10)

Trade receivables with a carrying amount of R1 128 million (2013: R437 million) were transferred (sold) to unrelated third parties. This amount represents the outstanding receivables that were sold at 31 December 2014. This is referred to as the True Sales of Receivables Programme (TSR). At the date of the sale, ArcelorMittal South Africa transfers control and substantially all risks and rewards normally associated with ownership of these receivables. Therefore these trade receivables were derecognised at the date of sale. Expenses incurred under the TSR programmes (reflecting the discount granted to the acquirers of the accounts receivable) recognised in the statements of comprehensive income for the year ended 31 December 2014 are R306 million (2013: R1 million).

The credit risk management policy sets out the framework within which the customer credit risk is managed.

The objectives of the credit risk management policy are to:

- increase sales through investing in the customer base;
- avoid extensions that could lead to financial distress and default by customers;
- maintain productive customer relationships within the framework of prudent risk management;
- optimise cash collection periods; and
- diversify credit exposure over a broad client base.

The credit policy risk management is enacted by the credit management department. Credit management ensures that credit extension and management is conducted within the approved frameworks, and adequately assesses and reports all credit exposures, which includes the maintenance of appropriate collateral, financial guarantees and credit insurance.

Customer credit risk is assessed on a group-wide basis and refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the group.

Each customer's credit profile is determined by taking into account the customer's financial position, payment record, guarantees and other relevant information. Credit limits are monitored regularly and credit exposures are monitored on a daily basis.

Credit insurance is underwritten by Credit Guarantee Insurance Corporation of Africa Ltd under three different policies with a maximum liability of R9.425 billion on the largest policy. The insurance excess ranges from zero to 10%.

The group and company are exposed to three main customers. These top three customers operate in the domestic market. The table on page 41 details the cumulative credit limit and balances (both inclusive of value added tax) of the top three customers at the statement of financial position date for the group and company.

Notes to the group and company annual financial statements continued
for the year ended 31 December 201420. Trade and other receivables *continued*

	Rating	Credit limit		Balance	
		2014 Rm	2013 Rm	2014 Rm	2013 Rm
Top three customers by sales for the year					
Outstanding balance	B	2 165	2 000	487	287
% of net trade receivables					
– group				48%	15%
– company				74%	20%

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Credit risk exposure by class for the group and company is as follows:				
– Local	64	65	76	76
– Exports	36	35	24	24
Total	100	100	100	100

21. Cash and cash equivalents

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Cash and bank balances	454	1 298	285	1 279
Bank overdraft	–	(107)	–	(107)
Total	454	1 191	285	1 172

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding overdrafts.

Cash to the value of R154 million (2013: R3 million) is restricted. The restriction is limited to the amounts that would be required to meet the solvency requirements of Ferrosure Isle of Man Ltd.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

22. Stated capital

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Authorised				
Ordinary shares at no par value 1 200 000 000 (2013: 1 200 000 000)				
"C" redeemable preference shares @ R10 each 2 357 584 (2013: 2 357 584)				
Issued				
Ordinary shares at no par value 445 752 132 (2013: 445 752 132)	37	37	37	37
Total	37	37	37	37

The unissued ordinary shares are not under the control of the directors. As disclosed in the group statement of changes in equity, 9.995% of the issued shares are held by Vicva Investments and Trading Nine (Pty) Ltd, a subsidiary of ArcelorMittal South Africa Ltd, and are treated as treasury shares.

The analysis of ordinary shareholders can be found in the integrated annual report.

23. Finance lease obligations

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Secured – at amortised cost				
Non-current	256	757	156	644
Current	92	95	79	84
Total	348	852	235	728
The finance leases are embedded within supply arrangements with suppliers and have been assessed in terms of IFRIC 4 <i>Determining Whether an Arrangement Contains a Lease</i> .				
Maturity profile				
At 31 December				
Minimum lease payments				
Not later than one year	132	147	102	118
Later than one year and not later than five years	294	395	191	289
Later than five years	50	490	–	421
Total	476	1 032	293	828
Future finance charges	(128)	(180)	(58)	(100)
Present value of minimum lease payments	348	852	235	728

The lease liabilities are effectively secured, as the rights to the leased assets are embedded in the supply agreements, would generally revert to the lessor or supplier in the event of defaults.

There were no breaches or defaults in contracts during the current or comparative period.

Functional category	Term expiry	Effective interest rate (fixed)
Raw materials	2014 – 2016	0%
Gases	2016 – 2019	10.41% – 20.11%
Electricity and transport utilities	2018 – 2022	15.80% – 18.25%
Steel processing and foundry services	2015 – 2018	6% – 9.29%

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

24. Provisions

Group	Asset retirement obligation Rm	Environmental remediation Rm	Onerous contracts Rm	Tshikondeni mine closure Rm	Other ¹ Rm	Total Rm
For the year ended 31 December 2014						
At the beginning of the year	188	1 156	212	158	22	1 736
Charge to the statement of comprehensive income	7	120	38	50	87	302
Additions and scope changes	(14)	(76)	15	50	87	62
Discount rate change	1	17	1	–	–	19
Unwinding of the discount effect	20	179	22	–	–	221
Utilised during the year	(11)	(76)	(36)	(46)	(2)	(171)
Asset retirement obligation scope changes	5	–	–	–	–	5
Movement from finance lease liabilities – Thabazimbi mine environmental obligations	–	419	–	–	–	419
At the end of the year	189	1 619	214	162	107	2 291
Non-current	143	1 405	165	–	7	1 720
Current	46	214	49	162	100	571
Total	189	1 619	214	162	107	2 291

Company	Asset retirement obligation Rm	Environmental remediation Rm	Onerous contracts Rm	Tshikondeni mine closure Rm	Other ¹ Rm	Total Rm
For the year ended 31 December 2014						
At the beginning of the year	182	1 156	184	158	22	1 702
Charge to the statement of comprehensive income	6	120	33	50	87	296
Additions and scope changes	(14)	(76)	12	50	87	59
Discount rate change	1	17	1	–	–	19
Unwinding of the discount effect	19	179	20	–	–	218
Utilised during the year	(6)	(76)	(30)	(46)	(2)	(160)
Movement from finance lease liabilities – Thabazimbi mine environmental obligations	–	419	–	–	–	419
At the end of the year	182	1 619	187	162	107	2 257
Non-current	136	1 405	146	–	7	1 694
Current	46	214	41	162	100	563
Total	182	1 619	187	162	107	2 257

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

24. Provisions *continued*

Maturity profile

The present value maturity profile of the provisions is set out in the table below:

Group	Asset retirement obligation Rm	Environmental remediation Rm	Onerous contracts Rm	Tshikondeni mine closure Rm	Other Rm	Total Rm
At 31 December 2014						
Less than one year	46	214	49	162	100	571
More than one year, less than five years	118	795	165	–	4	1 082
Greater than five years	25	610	–	–	3	638
Total	189	1 619	214	162	107	2 291

Company	Asset retirement obligation Rm	Environmental remediation Rm	Onerous contracts Rm	Post-retirement medical benefits Rm	Other ¹ Rm	Total Rm
At 31 December 2014						
Less than one year	46	214	41	162	100	563
More than one year, less than five years	111	795	146	–	4	1 056
Greater than five years	25	610	–	–	3	638
Total	182	1 619	187	162	107	2 257

Other

Included in "other" is a provision for restructuring costs of R87 million (2013: Rnil). The restructuring provision relates to costs for the voluntary retrenchment packages and costs relating to restructuring of the corporate head office.

Asset retirement obligation and environmental remediation obligation provisions

Environmental obligations consist of asset retirement obligations and environmental remediation obligations.

Environmental remediation obligations represent the present value of the cost of remedial action to clean up and secure a site. These actions are primarily attributable to legacy waste disposal activities. Legal obligations exist to remediate these facilities.

Estimating the future cash flows associated with these obligations and the related asset components is complex. In particular, judgement is required in distinguishing between asset retirement obligations and environmental remediation obligations.

Existing laws and guidelines are not always clear as to the required end-state situation. The provisions are also affected by changing technologies, environmental, safety, business and legal considerations.

Management assesses long-term operational plans, technological and legislative developments, guidelines issued by the authorities, advice from external environmental experts and computations provided by quantity surveyors in order to derive an estimated future cash flow profile to serve as basis for the computation of the obligations and related assets.

The asset retirement obligations represent management's best estimate of the present value of costs that will be required to retire plant and equipment. The majority of the obligation relates to ancillary plant and equipment that will be retired as part of the clean-up and closure of those facilities to be remediated via the environmental remediation obligation. The net carrying amount of the asset retirement obligation asset component, included in note 14, amounts to R2 million (2013: R2 million) for the group and Rnil (2013: Rnil) for the company.

The term of the obligation assessment varies according to the site. The maximum term is 14 years.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

Average discount rates	2014	2013
	%	%
Asset retirement obligation	11.39	11.00
Environmental remediation obligation	11.73	11.60
Onerous contracts	9.59	9.90

The average escalation factor applied to the current cash flow estimates is 6.8% (2013: 5.66%).

Onerous contract provision

The provision includes the following:

An onerous operating lease contract embedded in a long-term, take-or-pay gas supply contract with Afrox. The unavoidability of the cost arose upon the 1997 decommissioning of steel-making facilities at Pretoria Works. The carrying amount at 31 December 2014 equalled R179 million (2013: R185 million). The unexpired term of the contract is five years.

An onerous take-or-pay contract for burnt dolomite and coal fines sourced from PPC Ltd. The take-or-pay obligation arose historically due to lower off-take on account of efficiency improvements and method changes. The carrying amount at 31 December 2014 equalled R26 million (2013: R27 million).

An onerous take-or-pay contract for rentals relating to the administrative offices. In terms of the lease agreement ArcelorMittal is required to pay for rental up to October 2018. The contract is now onerous due to the company no longer wishing to occupy the building. The carrying amount at 31 December 2014 equalled R9 million (2013: Rnil).

The sensitivity of the carrying amount of the obligations at 31 December 2014 in response to changes in key inputs is as follows:

Carrying amount at 31 December 2014	Asset retirement obligations Rm Increase/ (decrease)	Environmental remediation obligations Rm Increase/ (decrease)	Onerous contracts Rm Increase/ (decrease)
% change in all cash flows			
+10%	19	162	21
-10%	(19)	(162)	(21)
% change in cash flows in first five years			
+10%	16	101	21
-10%	(16)	(101)	(21)
Basis point change in discount rate			
+100 bps	(6)	(70)	(6)
-100 bps	6	70	6
Basis point change in discount rate in first five years			
+100 bps	(4)	(26)	(6)
-100 bps	4	26	6

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

25. Deferred income tax liability

Deferred tax liabilities/(assets) arise from the following:

Group	Temporary differences							
	Property, plant, equipment and intangible assets Rm	Employee costs Rm	Provisions Rm	Doubtful debts Rm	Finance lease obligations Rm	Other Rm	Unused tax losses and credits Rm	Total Rm
2014								
Temporary differences								
At the beginning of the year	2 903	(131)	(541)	(12)	(121)	(25)	(326)	1 747
Charged to income	250	91	(5)	5	24	(7)	(901)	(543)
At the end of the year	3 153	(40)	(546)	(7)	(97)	(32)	(1 227)	1 204
2013								
Temporary differences								
At the beginning of the year	3 069	(111)	(529)	(4)	(141)	(15)	(238)	2 031
Charged to income	(166)	(20)	(12)	(8)	20	(10)	(88)	(284)
At the end of the year	2 903	(131)	(541)	(12)	(121)	(25)	(326)	1 747

Company	Temporary differences							
	Property, plant, equipment and intangible assets Rm	Employee costs Rm	Provisions Rm	Doubtful debts Rm	Finance lease obligations Rm	Other Rm	Unused tax losses and credits Rm	Total Rm
2014								
Temporary differences								
At the beginning of the year	1 704	(131)	(531)	(11)	(86)	(22)	(326)	597
Charged to income	292	91	(6)	4	20	11	(901)	(489)
At the end of the year	1 996	(40)	(537)	(7)	(66)	(11)	(1 227)	108
2013								
Temporary differences								
At the beginning of the year	1 772	(111)	(518)	(4)	(103)	(8)	(231)	797
Charged to income	(68)	(20)	(13)	(7)	17	(14)	(95)	(200)
At the end of the year	1 704	(131)	(531)	(11)	(86)	(22)	(326)	597

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

26. Other payables

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Leave pay	361	372	361	372
Sundry	669	575	665	475
Total	1 030	947	1 026	847
Non-current	261	267	261	267
Current	769	680	765	580
Total	1 030	947	1 026	847

Leave pay benefits accrual

In terms of group and company policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle. The obligation is reviewed annually.

Sundry

Sundry payables primarily comprise of accruals for corporate fees, other general accruals and payroll-related payables.

27. Borrowings

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Unsecured – at amortised cost				
Loans	1 000	906	1 000	906

Loans

The group loans (2013: bank loans) matured on 30 January 2015 (2013: 1 January 2014). The weighted average interest rate payable on the loans is 7.97% (2013: 5.59%).

28. Other financial liabilities

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Current				
Financial liabilities carried at fair value through profit or loss (FVTPL)				
– Held-for-trading	11	–	7	–
Total	11	–	7	–

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

29. Notes to the statements of cash flows

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
29.1 Cash generated from operations				
(Loss)/profit from operations	(301)	47	(591)	(99)
Adjusted for non-cash movements				
– Depreciation	1 386	1 544	983	1 128
– Amortisation of intangible assets	24	19	20	15
– Unrealised profit on sales to joint ventures	(12)	–	–	–
– Share option and participation costs	23	19	23	19
– Movement in provisions	62	93	59	93
– Net losses/(gains) arising on financial assets and liabilities held-for-trading	10	3	(14)	(8)
– Reversal of write-down of inventory to net realisable value	(90)	(17)	(46)	(46)
– Asset retirement obligation scope changes	–	(1)	–	–
– Movements in trade and other receivable allowances	68	58	69	55
– Reconditionable spares usage	8	5	6	4
– Loss/(profit) on disposal or scrapping of property, plant and equipment	29	(37)	26	(39)
Working capital movements				
– Increase in inventories	(41)	(1 775)	(304)	(1 452)
– Decrease/(increase) in trade and other receivables	568	(576)	559	(224)
– Increase in trade payables	559	2 276	312	1 951
– Increase/(decrease) in other payables	83	28	179	(1)
– Utilisation of provisions	(171)	(91)	(160)	(82)
	2 205	1 595	1 121	1 314
29.2 Income tax (paid)/received				
Normal taxation recoverable at the beginning of the year	45	57	51	151
Amounts charged to the statement of comprehensive income	(83)	(233)	11	(73)
Normal taxation recoverable at the end of the year	(46)	(45)	(64)	(51)
	(84)	(221)	(2)	27
29.3 Investment to maintain operations				
Replacement of property, plant and equipment	(2 483)	(1 044)	(2 339)	(934)
Intangible assets	(13)	(44)	(13)	(44)
Environmental	(62)	(350)	(62)	(349)
Reconditionable spares	(82)	(62)	(56)	(47)
	(2 640)	(1 500)	(2 470)	(1 374)
29.4 Investment to expand operations				
Property, plant and equipment for expansion and new technology	(73)	(69)	(73)	(69)
Total capital expenditure	(2 713)	(1 569)	(2 543)	(1 443)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

30. Financial instruments and financial risk management

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
30.1 Categories of financial instruments				
Financial assets				
Fair value through profit or loss (FVTPL)				
– Held-for-trading	37	17	35	15
Loans and receivables carried at amortised cost				
– Cash and bank balances	454	1 298	285	1 279
– Trade and other receivables	1 329	2 044	875	1 598
Available-for-sale financial assets carried at fair value	58	17	48	–
Total financial assets	1 878	3 376	1 243	2 892
Financial liabilities				
Fair value through profit or loss				
– Held-for-trading	11	–	7	–
Liabilities carried at amortised cost				
– Borrowings	1 000	906	1 000	906
– Bank overdraft	–	107	–	107
– Finance lease obligations	348	852	235	728
– Trade payables	6 402	5 720	5 385	4 876
– Other payables	584	543	579	443
Total financial liabilities	8 334	8 128	7 199	7 060

30.2 Financial instruments carried at fair value

For financial instruments that are measured at fair value in the statement of financial position, the table below gives information about how the fair values of these financial assets and financial liabilities are determined:

	Valuation technique	Fair value hierarchy	Group		Company	
			2014 Rm	2013 Rm	2014 Rm	2013 Rm
Financial assets measured at FVTPL						
Held-for-trading	Quoted in active market	Level 1	37	17	35	15
Available-for-sale financial assets	Quoted in active market	Level 1	58	17	48	–
Total financial assets measured at fair value			95	34	83	15
Financial liabilities measured at FVTPL						
Held-for-trading liabilities	Quoted in active market	Level 1	11	–	7	–
Total financial liabilities measured at fair value			11	–	7	–

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.3 Financial instruments carried at amortised cost

Except as detailed in the table below, the carrying amounts of those financial assets and financial liabilities recorded at amortised cost in the statement of financial position approximate their fair values:

Group	Carrying value 2014 Rm	Fair value 2014 Rm	Carrying value 2013 Rm	Fair value 2013 Rm
Non-current liabilities	256	244	757	737
Finance lease obligations	256	244	757	737
Current liabilities	8 078	8 108	7 371	7 412
Borrowings	1 000	1 000	906	906
Bank overdraft	–	–	107	107
Finance lease obligations	92	122	95	136
Trade payables	6 402	6 402	5 720	5 720
Other payables	584	584	543	543
Total liabilities	8 334	8 352	8 128	8 149
Total borrowings	1 000	1 000	906	906
Bank overdraft	–	–	107	107
Total finance lease obligations	348	366	852	873
Trade payables	6 402	6 402	5 720	5 720
Other payables	584	584	543	543
Total liabilities	8 334	8 352	8 128	8 149
Company				
Non-current liabilities	156	145	644	631
Finance lease obligations	156	145	644	631
Current liabilities	7 043	7 058	6 416	6 442
Borrowings	1 000	1 000	906	906
Bank overdraft	–	–	107	107
Finance lease obligations	79	94	84	110
Trade payables	5 385	5 385	4 876	4 876
Other payables	579	579	443	443
Total liabilities	7 199	7 203	7 060	7 073
Borrowings	1 000	1 000	906	906
Bank overdraft	–	–	107	107
Total finance lease obligations	235	239	728	741
Trade payables	5 385	5 385	4 876	4 876
Other payables	579	579	443	443
Total liabilities	7 199	7 203	7 060	7 073

The directors consider that the carrying amounts of cash and cash equivalents and trade and other receivables recognised at amortised cost in the financial statements approximate their fair values.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.4 Financial risk management overview and objectives

The group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Financial risks to which the group and company are exposed consist of:

- Financial market risk, consisting of:
 - foreign currency risk;
 - commodity price risks;
 - interest rate risk; and
 - liquidity risk, being
 - cash flow volatility; and
 - fair value and cash flow interest rate risk.
- Capital management and gearing risk.
- Customer credit risk as detailed in note 20.

The treasury and financial risk management policy (treasury policy) details the framework within which financial risk (other than customer credit risk) of the group is managed. The policy is approved by the board of directors and is reviewed annually.

The treasury policy addresses market, liquidity, capital management and gearing risk through the direction of the following activities:

- Financing facilities.
- Financial guarantees and letters of credit.
- Market risk management through:
 - foreign currency risk management;
 - commodity risk management; and
 - interest rate management.
- Cash management through liquidity management.

The treasury policy is enacted by the treasury department (Treasury). Treasury identifies, evaluates and mitigates financial risks in close cooperation with the group's and company's operating units. Board-approved written policies cover the specific activities noted above and address risk limits, the use of derivative and non-derivative financial instruments to hedge certain exposures, and the approval framework governing transaction levels.

30.5 Financial market risk

Through its activities, the group is exposed primarily to the financial risks of changes in commodity prices, foreign currency exchange rates, interest rates and potential liquidity constraints.

The group manages currency risk through economic hedging of foreign exchange rates primarily relating to capital procurement, trade imports and exports exposures.

Due to the limited scope of the programme, the forward contract derivatives were not designated within hedge accounting relationships.

Regarding other exposures, markets continue to be monitored in order to determine the most opportune time to commence hedging.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.6 Foreign currency risk management

The carrying amount in ZAR, as translated at the closing exchange rate, of the foreign currency denominated monetary assets and monetary liabilities at the reporting date is:

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Monetary assets				
United States dollar (USD)				
Loans and receivables				
– Cash and cash equivalents	333	1 283	178	1 279
– Trade and other receivables (related parties)	400	597	83	207
Financial assets at FVTPL				
– Held-for-trading	37	–	35	–
Euro (EUR)				
Financial assets at FVTPL				
– Held-for-trading	–	17	–	15
Total foreign denominated monetary assets	770	1 897	296	1 501
Monetary liabilities				
USD				
Carried at amortised cost				
– Trade payables (related parties)	(1 779)	(1 090)	(1 568)	(898)
– Trade payables (unrelated parties)	(311)	(69)	(274)	(66)
EUR				
Carried at amortised cost				
– Trade payables (related parties)	(156)	(226)	(156)	(164)
– Trade payables (unrelated parties)	(62)	(62)	(43)	(36)
Financial liabilities at FVTPL				
– Held-for-trading	(11)	–	(7)	–
Total foreign denominated monetary liabilities	(2 319)	(1 447)	(2 048)	(1 164)
Total net foreign denominated monetary assets/(liabilities)	(1 549)	450	(1 752)	337

Foreign currency sensitivity

The following table details the sensitivity to a 10% strengthening in the ZAR against the respective foreign currencies. As the risks are symmetrical in nature, weakening of the ZAR would result in an equal but opposite amount to that detailed in the sensitivity below.

A positive number indicates an increase in profit where the ZAR strengthens against the relevant currency.

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
USD				
Profit or loss	136	(72)	158	(37)
EUR				
Profit or loss	22	29	20	20
Total	158	(43)	178	(17)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.6 Foreign currency risk management *continued*

Economic hedging using derivative contracts

The selective foreign exchange hedging programme using derivative contracts described in note 30.5 as outstanding at the end of the reporting period is as follows:

Unmatured instruments

FC: foreign currency

	Average price FC/R	Contract value FCm	Fair value favourable Rm	Profit or loss Rm
Group				
2014				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	14.62	23	(11)	(11)
– Buy USD	11.24	91	37	37
2013				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	14.02	25	17	17
Company				
2014				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	14.56	14	(7)	(7)
– Buy USD	11.23	85	35	35
2013				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	14.02	20	15	15

30.7 Interest rate risk management

Sources of interest rate risk are:

- interest expenses, on drawn financing facilities, and promissory notes issued to trade vendors as well as arrangements to fund the construction of assets either in the form of bona fide borrowing arrangements or through supply arrangements containing financial lease structures at fixed interest rates; and
- interest income, due to the group's and company's net cash position and the investment thereof at variable interest rates.

When compared with the comparative reporting period the group's and company's sensitivity to interest rates has increased due to a deterioration of the cash holdings and the increased need to draw against financial facilities.

Notes to the group and company annual financial statements *continued* for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's and company's short, medium and long-term funding and liquidity management requirements.

The objectives of the liquidity management policy are as follows:

- maintenance of adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities;
- optimise the account and domestic cash pool structures;
- minimise bank charges;
- optimise the availability and use of short-term liquidity positions across the group without compromising the day-to-day cash needs;
- optimise the net interest result; and
- minimise the number of bank accounts.

Details of additional undrawn financing facilities that the group and company has at their disposal to reduce liquidity risk are as follows:

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Short-term facilities at the end of the reporting period – amount undrawn	3 626	5 135	3 626	5 135

During the reporting period, the maximum drawn amount at any given point equalled R5 552 million (2013: R2 918 million). No financing agreements were breached during the current or comparative reporting period.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.8 Liquidity risk and management *continued*

Liquidity risk and interest risk tables

Contractual maturity for its non-derivative financial liabilities

The following table details the group's and company's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows:

Group	Annual effective interest rate ¹ %	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	> 5 years Rm	Discount Rm	Carrying amount Rm
For the year ended 31 December 2014							
Non-interest bearing							
– Trade payables	0.7	6 448	–	–	–	(46)	6 402
– Other payables	0.0	584	–	–	–	–	584
Finance lease obligations	12.1	73	59	294	50	(128)	348
Borrowings	7.97	1 000	–	–	–	–	1 000
Total		8 105	59	294	50	(174)	8 334
For the year ended 31 December 2013							
Non-interest bearing							
– Trade payables	1.0	5 775	–	–	–	(55)	5 720
– Other payables	0.0	543	–	–	–	–	543
Finance lease obligations	3.6	73	74	395	490	(180)	852
Borrowings	5.6	906	–	–	–	–	906
Bank overdraft	4.6	107	–	–	–	–	107
Total		7 404	74	395	490	(235)	8 128

The group and company have access to financing facilities as noted earlier of which R5 826 million (2013: R4 122 million) was undrawn at the end of the reporting date. The group and company expect to meet most of its other obligations from operating cash flows and proceeds from maturing financial assets.

Notes to the group and company annual financial statements *continued*
for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.8 Liquidity risk management *continued*

Liquidity risk and interest risk tables continued

Contractual maturity for its non-derivative financial liabilities

Company	Annual effective interest rate ¹ %	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	> 5 years Rm	Discount Rm	Carrying amount Rm
For the year ended 31 December 2014							
Non-interest bearing							
– Trade payables	0.9	5 431	–	–	–	(46)	5 385
– Other payables	0.0	579	–	–	–	–	579
Finance lease obligations	10.2	58	44	191	–	(58)	235
Borrowings	7.97	1 000	–	–	–	–	1 000
Total		7 068	44	191	–	(104)	7 199
For the year ended 31 December 2013							
Non-interest bearing							
– Trade payables	1.0	4 931	–	–	–	(55)	4 876
– Other payables	0.0	443	–	–	–	–	443
Finance lease obligations	2.2	59	59	289	421	(100)	728
Borrowings	5.6	906	–	–	–	–	906
Bank overdraft	4.6	107	–	–	–	–	107
Total		6 446	59	289	421	(155)	7 060

¹ Calculated over the remaining tenure of the non-derivative financial liability.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.8 Liquidity risk management *continued*

Liquidity risk and interest risk tables *continued*

Expected maturity of non-derivative financial assets

The following table details the group's and company's expected maturity for non-derivative financial assets.

The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets:

Group	Annual effective interest rate ¹ %	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	> 5 years Rm	Discount Rm	Carrying amount Rm
For the year ended 31 December 2014							
Non-interest bearing							
– Trade and other receivables ²	0.7	1 338	–	–	–	(9)	1 329
Fixed and variable interest rate cash holdings							
– Cash and bank balances ³	1.3	454	–	–	–	–	454
Total		1 792	–	–	–	(9)	1 783
For the year ended 31 December 2013							
Non-interest bearing							
– Trade and other receivables ²	0.3	2 050	–	–	–	(6)	2 044
Fixed and variable interest rate cash holdings							
– Cash and bank balances ³	0.2	1 298	–	–	–	–	1 298
Total		3 348	–	–	–	(6)	3 342

¹ Calculated over the remaining tenure of the non-derivative financial asset.

² Fixed-rate interest applicable on overdue accounts.

³ Fixed and variable rates applicable to call and short-term deposit holdings. Maturity profile reflects the synthesised availability of the cash and bank balances on hand at the end of the reporting period, and the expected annual interest income to be earned thereon.

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.8 Liquidity risk management *continued*

Liquidity risk and interest risk tables continued

Expected maturity of non-derivative financial assets continued

Company	Annual effective interest rate ¹ %	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	> 5 years Rm	Discount Rm	Carrying amount Rm
For the year ended 31 December 2014							
Non-interest bearing							
– Trade and other receivables ²	1.00	884				(9)	875
Fixed and variable interest rate cash holdings							
– Cash and bank balances ³	1.3	285					285
Total		1 169	–	–	–	(9)	1 160
For the year ended 31 December 2013							
Non-interest bearing							
– Trade and other receivables ²	0.40	1 604	–	–	–	(6)	1 598
Fixed and variable interest rate cash holdings							
– Cash and bank balances ³	0.2	1 279	–	–	–	–	1 279
Total		2 883	–	–	–	(6)	2 877

¹ Calculated over the remaining tenure of the non-derivative financial asset.

² Fixed rate interest applicable on overdue accounts.

³ Fixed and variable rates applicable to call and short-term deposit holdings. Maturity profile reflects the synthesised availability of the cash and bank balances on hand at the end of the reporting period, and the expected annual interest income to be earned thereon.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.8 Liquidity risk management *continued*

Liquidity risk and interest risk tables *continued*

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments.

The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net cash-settled basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rate and foreign currency forward curves existing at the reporting date:

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	> 5 years Rm	Discount Rm	Carrying amount Rm
Financial assets						
Group						
For the year ended 31 December 2014						
Net cash-settled foreign currency derivatives	37	–	–	–	–	37
Total	37	–	–	–	–	37
For the year ended 31 December 2013						
Net cash-settled foreign currency derivatives	15	2	–	–	–	17
Total	15	2	–	–	–	17
Company						
For the year ended 31 December 2014						
Net cash-settled foreign currency derivatives	35	–	–	–	–	35
Total	35	–	–	–	–	35
For the year ended 31 December 2013						
Net cash-settled foreign currency derivatives	13	2	–	–	–	15
Total	13	2	–	–	–	15
Financial liabilities						
Group						
For the year ended 31 December 2014						
Net cash-settled foreign currency derivatives	9	2	–	–	–	11
Total	9	2	–	–	–	11
Company						
For the year ended 31 December 2014						
Net cash-settled foreign currency derivatives	7	–	–	–	–	7
Total	7	–	–	–	–	7

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

30. Financial instruments and financial risk management *continued*

30.9 Capital risk management

The group and company objectives when managing capital are:

- to safeguard the ability to continue as a going concern, so as to be able to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The amount of capital is set in proportion to risk. The capital structure is managed and adjusted in light of changes in economic conditions within the domestic and global steel industry and the risk characteristics of the underlying assets.

The group and company overall strategy remained unchanged in 2014.

Consistent with others in the industry, the group and company monitor capital on a debt-to-total shareholders' equity basis.

Net debt is total interest-bearing borrowings including finance lease obligations and bank overdraft less cash and cash equivalents. Total shareholders' equity is as per the statement of financial position.

	Group		Company	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Cash and bank balances	454	1 298	285	1 279
Interest-bearing borrowings, bank overdraft and finance lease obligations	(1 348)	(1 865)	(1 235)	(1 741)
Net debt	(894)	(567)	(950)	(462)
Total shareholders' equity	20 722	20 694	17 963	19 137
Gearing ratio (%)	4.31	2.74	5.29	2.41

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

31. Related-party transactions

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sales and purchase transactions with its jointly controlled entities, its associates and other entities within the greater ArcelorMittal group. These transactions occurred under terms that are no less favourable to the company than those arranged with third parties.

Companies within the greater ArcelorMittal group

The company purchased goods and services to the value of R4 801 million (2013: R4 588 million) from, and sold goods to the value of R65 million (2013: R36 million) to other companies in the ArcelorMittal group.

The outstanding balances at year-end are as follows:

- Included in trade receivables: R45 million (2013: R50 million)
- Included in trade payables: R1 676 million (2013: R1 310 million)

Included in trade payables is the corporate service fee of R124 million (2013: R64 million) payable to ArcelorMittal group for corporate services rendered and the fee for research and development of R118 million to ArcelorMittal Investigation (2013: R99 million).

The group loan of R1 000 million (2013: Rnil) was outstanding at the end of the year. The accumulated interest expense for the year, of R132 million (2013: R8 million), was incurred on the group loan.

Jointly controlled entities and associates

Interest income for the group from jointly controlled entities and associates of R6 million (2013: R5 million) is included in note 8.

The group purchased goods and services to the value of R229 million (2013: R72 million) from, and sold goods to the value of R7 544 million (2013: R5 711 million) to its equity-accounted entities.

The outstanding balances at year-end are as follows:

- Included in trade and other receivables: R303 million (2013: R542 million)
- Included in trade payables: R1 million (2013: R14 million)

Included in the carrying value of jointly controlled entities are non-current loans of R171 million (2013: R207 million).

Subsidiaries

Details of income from investments and indebtedness in subsidiaries are disclosed in note 17.

ArcelorMittal South Africa Ltd received a management fee of R253 million (2013: R234 million) from Saldanha Steel (Pty) Ltd for ArcelorMittal South Africa Ltd employees employed at Saldanha Works.

Directors

Executive directors are defined as key senior management. Details relating to directors' remuneration and shareholdings (including share options and LTIP units) in the company are disclosed in note 34.

Senior employees and prescribed officers

Details relating to option and share transactions are disclosed in note 33.

Shareholders

The principal shareholders of the company are detailed in the "Analysis of shareholders" schedule in the integrated annual report.

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

32. Post-employment benefits

32.1 Pensions

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of the financial year the following funds were in existence:

- ArcelorMittal South Africa Selector Pension Fund (Reg No 12/8/35421) and ArcelorMittal South Africa Selector Provident Fund (Reg No 12/8/35423), both operating as defined contribution plans.
- Iscor Employees' Provident Fund (Reg No 12/8/27484), operating as a defined contribution plan.
- ArcelorMittal South Africa Pension Fund (Reg No 12/8/363), operating as a defined benefit plan. This plan is closed to new entrants.
- Iscor Retirement Fund (Reg No 12/8/5751), operating as a defined benefit plan. This plan is closed to new entrants.

The assets of these plans are held separately from those of the group and are in funds under the control of the trustees. All funds are governed by the South African Pension Funds Act of 1956, as amended.

Defined contribution plans

Membership of each fund and employer contributions to each fund recognised in the statement of comprehensive income were as follows:

	Working members		Employer contributions	
	2014 number	2013 number	2014 Rm	2013 Rm
ArcelorMittal South Africa Selector Pension and Provident Funds	4 626	4 347	116	119
Iscor Employees' Provident Fund	3 779	3 753	64	63
Total	8 405	8 100	180	182

Defined benefit plans

ArcelorMittal South Africa Pension Fund

The company provides pension benefits for qualifying employees through the ArcelorMittal South Africa Pension Fund, a wholly funded defined benefit plan. The fund is administered by Sanlam Employee Benefits. Contribution rates based on pensionable earnings for active members are 7% and 10%, by the member and ArcelorMittal South Africa respectively.

The normal retirement age for members is 63 years. A member's pension entitlement is calculated as a percentage scale of final average salary for each year of pensionable service. The percentage scale ranges from 1.7% to 2.5%, and the average final salary is the pensionable salary over the 24 months which precede the member's retirement.

The last statutory actuarial valuation was performed at 31 December 2013. The actuaries were of the opinion that the fund was adequately funded. The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The trustees' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next 12 months.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

32. Post-employment benefits *continued*

Defined benefit plans *continued*

Iscor Retirement Fund

The company provides benefits for qualifying employees through the Iscor Retirement Fund, a wholly funded defined benefit plan. The fund is administered by Retirement Fund Solutions Administrators (Pty) Ltd.

The normal retirement age for members is 63 years. A member's pension entitlement is calculated as 43% of notional past-service contributions, plus 43% of the employer's and member's contributions.

The last full statutory actuarial valuation was performed at 31 December 2013. The actuaries were of the opinion that the fund was adequately funded.

Membership	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund	
	2014	2013	2014	2013
As at 31 December				
Active members	27	29	–	–
Pensioner members	6 863	7 198	981	993
Contingent pensioner members ¹	–	–	–	8

¹ Fund rules have been amended to transfer all unclaimed members from the fund to an unclaimed benefit fund.

Pension fund assets	Rm	Rm	Rm	Rm
The major categories of plan assets are as follows:				
Fixed income securities (including cash)	4 574	4 522	193	187
Equity securities	3 289	3 335	128	139
Real estate	53	–	2	2
Total	7 916	7 857	337	328

Principal actuarial assumptions

Weighted average assumptions used for the purposes of the actuarial valuations determined in consultation with independent actuaries for both of the funds are the same.

	2014 %	2013 %
At valuation date		
Discount rate	8.1	8.3
General inflation rates	6.3	6.6
Salary inflation	6.8	7.6

Notes to the group and company annual financial statements *continued*
for the year ended 31 December 2014

32. Post-employment benefits *continued*

Defined benefit plans *continued*

	ArcelorMittal South Africa Pension Fund		Iskor Retirement Fund		Total	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
Service cost						
– Current service cost	2	1	–	–	2	1
– Settlement (gains)/losses	–	–	–	(42)	–	(42)
Net finance income	–	1	–	–	–	1
Administration costs	4	9	–	–	4	9
Sub-total	6	11	–	(42)	6	(31)
Asset restriction adjustment	(6)	(10)	–	44	(6)	34
Employee costs	–	1	–	2	–	3
Amounts recognised in other comprehensive income in respect of the defined benefit plans are as follows:						
Remeasurement (gains)/losses						
– Return on plan assets (excluding amounts recognised in net interest expense)	(190)	(750)	(24)	(35)	(214)	(785)
– Changes in the irrecoverable surplus in excess of interest	220	805	4	52	224	857
– Actuarial gains and losses arising from changes in demographic assumptions	–	–	–	–	–	–
– Actuarial (gains) and losses arising from changes in financial assumptions	35	(197)	–	(7)	35	(204)
– Actuarial (gains) and losses arising from experience adjustments	(71)	131	20	32	(51)	163
– Adjustments for restrictions on the defined benefit asset	–	–	–	–	–	–
Components of defined benefit costs recognised in other comprehensive income	(6)	(11)	–	42	(6)	31
Asset restriction adjustment	6	11	–	(42)	6	(31)
Total	–	–	–	–	–	–

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014**32. Post-employment benefits** *continued*Defined benefit plans *continued*

Reconciliation of the funded status to amounts recognised in the statement of financial position

	ArcelorMittal South Africa Pension Fund		IsCOR Retirement Fund		Total	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
For the year ended 31 December						
Projected benefit obligation	6 532	6 784	251	252	6 783	7 036
Fair value of plan assets	(7 916)	(7 857)	(337)	(328)	(8 253)	(8 185)
Surplus	(1 384)	(1 073)	(86)	(76)	(1 470)	(1 149)
Asset restriction adjustment ¹	1 384	1 073	86	76	1 470	1 149
Net (asset)/liability recognised	-	-	-	-	-	-

¹ Fund rules do not give the employer an unconditional right to the surplus in the fund.

Movement in present value of benefit obligation

	ArcelorMittal South Africa Pension Fund		IsCOR Retirement Fund		Total	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
For the year ended 31 December						
Projected benefit obligation at the beginning of the year	6 784	7 061	252	423	7 036	7 484
Interest cost	535	530	20	18	555	548
Current service cost	2	1	-	-	2	1
Benefits paid	(753)	(742)	(41)	(44)	(794)	(786)
Settlements	-	-	-	(170)	-	(170)
Remeasurement (gains)/losses						
- Return on plan assets (excluding amounts recognised in net interest expense)	-	-	-	-	-	-
- Actuarial gains and losses arising from changes in demographic assumptions	-	-	-	-	-	-
- Actuarial (gains) and losses arising from changes in financial assumptions	35	(197)	-	(7)	35	(204)
- Actuarial (gains) and losses arising from experience adjustments	(71)	131	20	32	(51)	163
- Adjustments for restrictions on the defined benefit asset	-	-	-	-	-	-
Projected benefit obligation at the end of the year	6 532	6 784	251	252	6 783	7 036

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

32. Post-employment benefits *continued*

Defined benefit plans *continued*

Movement in present value of plan assets

	ArcelorMittal South Africa Pension Fund		IsCOR Retirement Fund		Total	
	2014 Rm	2013 Rm	2014 Rm	2013 Rm	2014 Rm	2013 Rm
For the year ended 31 December						
Fair value of plan assets at the beginning of the year	7 857	7 307	328	442	8 185	7 749
Interest income on plan assets	625	550	26	24	651	574
Expected return	190	750	24	35	214	785
Contributions – employer	1	1	–	–	1	1
Administration cost of plan assets	(4)	(9)	–	–	(4)	(9)
Benefits paid	(753)	(742)	(41)	(44)	(794)	(786)
Settlements	–	–	–	(129)	–	(129)
Actuarial gains/(losses)	–	–	–	–	–	–
Fair value of plan assets at the end of the year	7 916	7 857	337	328	8 253	8 185

The plan assets of the ArcelorMittal South Africa Pension Fund include ordinary shares of ArcelorMittal South Africa with a fair value of Rnil (2013: R2 million). The IsCOR Retirement Fund has no direct shareholding in ArcelorMittal South Africa Ltd.

Contributions

Funding is based on the actuarially determined contributions. The expected pension contributions for the 2014 financial year are R1 million (2013: R1 million) to the ArcelorMittal South Africa Pension Fund and Rnil (2013: Rnil) to the IsCOR Retirement Fund.

Sensitivity analysis

2014

ArcelorMittal South Africa Pension Fund

	Expected longevity	Salary inflation	Salary inflation	Discount rate	Discount rate
Percentage increase/(decrease) (%)		1	(1)	1	(1)
Increase by number of years	1				
Ending net surplus	22	1	(1)	25	(32)

IsCOR Retirement Fund

	Expected longevity	Discount rate	Discount rate
Percentage (decrease)/increase (%)		(1)	1
Increase by number of years	1		
Ending net surplus/(deficit)	1	(1)	1

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

32. Post-employment benefits *continued*

32.2 Medical benefits

The company contributes to medical aid schemes for the benefit of retired employees and their dependants, where those qualifying retirees accepted early retirement in 1994. At 31 December 2014 there were 27 qualifying retirees (2013: 34).

On the basis of current practice, which is reviewed annually, the group provides for the actuarially determined present value of post-retirement medical aid obligations. These obligations are unfunded. The group has no further post-retirement medical aid obligations for current or retired employees.

33. Share-based payments

Equity-settled share plan – local employees

Long-term incentive plans

The long-term incentive plan (LTIP) was adopted for the first time in 2012. The LTIP scheme was designed to replace the existing equity-settled share option plan. An LTIP is a conditional award of company shares offered to eligible senior employees. The shares only vest after a predetermined period over which certain grant conditions must be met. The extent to which these grant conditions are met, governs the number of shares that vest.

The number of LTIP shares granted is calculated in accordance with the employees grading within the group and is approved by the board remuneration, social and ethics committee.

Designated members of the executive committee and senior management are eligible for participation in the scheme. LTIP shares granted to senior management will vest after three years. LTIP to the executive committee members only vest after three years provided that the prescribed performance conditions are met. Senior management receives shares subject to ongoing employment and individual performance. Proportionate awards will be made in the event of change of effective control of the company, retrenchment, retirement or death.

Upon vesting of the award, the company shall deliver the number of shares that have vested to the participating employee. The unvested units carry neither rights to dividends nor voting rights until the date of vesting.

The fair value of each equity-settled unit is determined using the market value at measurement date.

ArcelorMittal South Africa Share Option Plan

The group and company operate the Management Share Trust, consisting of an option share plan for the benefit of the group's and company's senior management including executive directors.

This scheme was effective from 12 December 2005 to 30 November 2011. Share options are offered at market prices on the grant date and are released in three annual tranches of 33.3%, 33.3% and 33.4% respectively, commencing on the first anniversary of the offer date and expiring after 10 years. This is an open plan.

The option plans are equity-settled as each share option converts into one ordinary share of ArcelorMittal South Africa Ltd on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with employees' role grading within the company and group as approved by the remuneration committee of ArcelorMittal South Africa and as incorporated within the trust deed of the Management Share Trust. Upon resignation, the share options lapse immediately. Upon death, the options lapse within six months.

The administration of participant transactions of both the share option and the long-term incentive plans are outsourced to EOH Human Capital Solutions (Pty) Ltd, an external service provider.

There were no share option grants made in 2014 (2013: Nil), and as at 31 December 2014, all share options had vested.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

33. Share-based payments *continued*

Key assumptions

For the purposes of valuing the LTIP grant, the following assumptions were made:

	LTIP		Share options	
	2014	2013	2014	2013
Weighted average fair value on grant date (R)*	35.22	40.47	n/a	n/a
Expected attrition rate (%)	11.81	12.01	11.81	12.01
Charge to statement of comprehensive income (Rm)	20	10	1	9

* Market value of ArcelorMittal South Africa (which takes dividends into account) is used as the fair value.

Shares available for distribution

	2014 million	2013 million
Opening balance	38.4	39.2
Utilisation	(0.5)	(1.1)
Revision of shares available	(22.3)	–
Releases, forfeitures, resignations	–	0.3
Closing balance	15.6	38.4

Reconciliation of outstanding LTIP units/share options

	LTIP		Share options	
	2014 million	2013 million	2014 million	2013 million
Outstanding at the beginning of the year	2.1	1.0	4.2	4.5
Granted	1.4	1.1	–	–
Expired/cancelled/forfeited	(0.2)	–	(0.7)	(0.3)
Outstanding at the end of the year	3.3	2.1	3.5	4.2

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014**33. Share-based payments** *continued*

Exercisable options/units	LTIP		Share options	
	2014	2013	2014	2013
Weighted average remaining contractual life in days at year-end				
Average days until fully vested	679	895	n/a	197
Average days until expiry	n/a	n/a	1 645	2 754
Weighted average prices applicable per transaction type				
Granted (R/unit)	35.22	40.47	–	–
Exercised strike price (R/unit)	26.73	–	–	–
Lapsed/cancelled (R/unit)	36.00	–	94.11	96.54
Outstanding (R/unit)	28.81	32.50	88.50	88.29

Details of outstanding options/LTIP units as at 31 December are as follows:

	LTIP		Share options	
	2014	2013	2014	2013
Latest expiry date	n/a	n/a	2 021	2 021
Exercise price range (R)	n/a	n/a	53.38 – 250	53.38 – 250
Number of outstanding units/options	3 253 100	2 066 038	3 500 415	4 238 033
Total proceeds to employees if exercised immediately (Rm)	86	77	–	–
Total intrinsic value of out of the money options (Rm)*	–	–	(217)	(216)
ArcelorMittal South Africa closing price at 31 December (R)	26.41	37.30	26.41	37.30

* Hypothetically, if all options were to be exercised on 31 December, all options are out of the money.

Terms of the options outstanding at the reporting date are as follows:

For year ended 31 December	Options			
	Exercise price range 2014 R	Outstanding numbers 2014 Units	Exercise price range 2013 R	Outstanding numbers 2013 Units
Expiry date details				
2015	53.38	224 345	53.38	242 883
2016	54.19 – 83.88	422 813	54.19 – 83.88	458 570
2017	97.72 – 140	453 346	97.72 – 140	516 589
2018	73.75 – 250	488 968	73.75 – 250	640 018
2019	95.50 – 121.50	477 080	95.5 – 121.50	610 040
2020	76.88 – 85.10	28 640	76.88 – 85.10	37 540
2021	59 – 87.20	1 405 223	59 – 87.20	1 732 393
Total	3 500 415	4 238 033		

Notes to the group and company annual financial statements continued for the year ended 31 December 2014

33. Share-based payments *continued*

International executive share plans

Executive International Mobility Share Option Plan

The ArcelorMittal group issued equity-settled share options over its own shares, denominated in USD, to its executive employees seconded to ArcelorMittal South Africa. The charge to the group and company statement of comprehensive income for the year amounted to Rnil (2013: R0.4 million). The plan was replaced in 2012.

Details of outstanding options as at 31 December are as follows¹:

	2014	2013
Latest expiry date	2020	2020
Exercise price range (USD)	27.31 – 78.44	27.31 – 78.44
Number of outstanding instruments	184 324	184 324
Total intrinsic value of out of the money options at 31 December (Rm) ²	(74)	(62)

¹ Includes, at the reporting dates, those outstanding options received before and during the participants' tenure as employees of ArcelorMittal South Africa.

² Hypothetical scenario, assuming all instruments were to vest on 31 December 2014. Translated to ZAR using the closing exchange rate at 31 December 2014. All options are out of the money as at 31 December 2014.

	Share options			
	Exercise price range per option 2014 USD	Outstanding option numbers 2014	Exercise price range per option 2013 USD	Outstanding option numbers 2013
Expiry date details				
2015	27.3	14 717	27.3	14 717
2016	32.1	23 057	32.1	23 057
2017	61.1	30 400	61.1	30 400
2018	78.4	34 600	78.4	34 600
2019	36.4	39 450	36.4	39 450
2020	30.7	42 100	30.7	42 100
Total		184 324		184 324

Details related to the individual holdings are contained in the directors' remuneration report.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

33. Share-based payments *continued*

Restricted/performance stock unit plan

The ArcelorMittal group commenced with the restricted/performance stock unit plan in 2011. The stock units are issued for the benefit of senior executives of the group seconded to ArcelorMittal South Africa. The restricted stock unit entitles the holder of the unit to receive one ArcelorMittal group share on or after the vesting date of the restricted stock unit, subject to the vesting conditions being met. Restricted stock units vest after three years of continued employment within the group. Performance stock units vest upon continued employment as well as specific performance conditions being met. This plan replaces the Executive International Mobility Share Option Plan. The charge to the group and company statement of comprehensive income for the year amounted to R1.6 million (2013: R0.2 million).

	Group and company	
	2014	2013
Latest vesting date	17 December 2017	27 December 2016
Number of units outstanding	51 525	35 250
Units fully vested	9 125	Nil
Weighted average fair value at grant date (USD)	12.42	14.59
Average days until fully vested	842	724

Reconciliation of outstanding restricted stock units

	Units	Units
Outstanding at the beginning of the year	35 250	6 000
Granted	24 000	26 125
Transfers	(600)	3 125
Exercised	(7 125)	–
Outstanding at the end of the year	51 525	35 250

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

34. Remuneration of directors and prescribed officers

This is a summary of the remuneration of directors, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Ltd. For a more detailed analysis, refer to the remuneration report contained in the integrated report.

	Notes	Salary R	Retirement funding R	Short-term incentives ¹ R	Equity incentives ² R	Other ³ R	Total remuneration 2014 R	Total remuneration 2013 R
Executive directors								
PS O'Flaherty	4	1 722 691	142 985	–	116 683	5 279	1 998 733	–
MJ Wellhausen	5	3 218 672	–	1 260 000	518 841	713 547	5 711 060	3 321 796
N Nyembezi-Heita	4	540 147	44 833	–	–	5 651 237	6 240 365	5 539 396
Sub-total		5 481 510	187 818	1 260 000	635 524	6 370 063	13 950 158	8 861 192
Prescribed officers and highest paid employees								
WA Nel		2 155 676	178 924	1 318 167	431 680	149 582	4 260 222	2 967 940
TG Nkosi		2 084 048	172 978	589 500	314 457	27 514	3 214 690	2 701 206
RH Torlage		2 018 469	171 444	1 001 167	200 065	257 253	3 721 679	2 678 238
HL Rosenstock		2 373 804	–	675 000	425 562	447 126	3 921 492	2 660 894
KS Kumar		2 051 037	–	572 000	312 385	101 192	3 084 995	2 491 044
JM Lotter		1 621 610	134 596	446 000	251 150	134 035	2 587 391	1 854 257
Sub-total		12 304 644	657 942	4 601 834	1 935 299	1 116 702	20 790 469	15 353 579
Total		17 786 154	845 760	5 861 834	2 570 823	7 486 765	34 740 627	24 214 771

¹ The short-term incentives relate to benefits for the December 2013 financial year, paid in April 2014.

² Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.

³ Other includes medical benefits, separation payments, leave encashments, business travel claims, settlement allowance, housing benefits, international mobility allowance and hardship allowance. Included in other is a separation payment of R4 653 838 and leave entitlement of R992 490 paid to N Nyembezi-Heita.

⁴ N Nyembezi-Heita resigned as chief executive officer effective 18 February 2014. PS O'Flaherty was appointed chief executive officer with effect from 1 July 2014.

⁵ MJ Wellhausen resigned as an executive director and chief financial officer of the company with effect from 15 March 2015. Gerhard van Zyl has been appointed as acting chief financial officer with effect from 15 March 2015.

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014

34. Remuneration of directors and prescribed officers *continued*

	Directors' fees R	Committee fees R	Other R	Total remuneration 2014 R	Total remuneration 2013 R
Non-executive directors					
DCG Murray	153 912	332 010	1 985	487 907	452 046
FA du Plessis	153 912	223 872	97 165	474 949	381 914
LP Mondl	⁶ 153 912	115 434	–	269 346	264 998
NP Mnxasana	⁷ 153 912	158 576	–	312 488	90 948
PM Makwana	⁸ 1 113 654	76 956	–	1 190 610	880 000
JRD Modise	⁹ 153 912	233 200	–	387 112	128 260
ND Orleyn	¹⁰ –	–	–	–	247 651
M Macdonald	¹¹ –	–	–	–	164 792
MJN Njeke	¹¹ –	–	–	–	85 556
Total	1 883 214	1 140 048	99 150	3 122 412	2 696 165

Directors' remuneration is not paid to the non-executive directors in the employment of the ArcelorMittal group and have therefore not been disclosed in this note.

⁶ LP Mondl's remuneration is paid directly to the Industrial Development Corporation.

⁷ Appointed on 1 October 2013.

⁸ MJN Njeke retired as non-executive director and chairman of the board on 4 February 2013. PM Makwana joined the board as independent non-executive director and chairman with effect from 5 February 2013.

⁹ Appointed on 1 October 2013.

¹⁰ Resigned on 1 October 2013.

¹¹ Retired on 29 May 2013.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

34. Remuneration of directors and prescribed officers *continued*

34.1 ArcelorMittal South Africa equity-settled share option and long-term incentive plans

Options issued to directors, prescribed officers and the highest paid senior employees (who are not directors), which form part of the 15.9 million (2013: 38.4 million) shares allocated to the Management Share Trust, are as follows:

The following table reflects the status of unexercised options held by executive directors, prescribed officers and the highest paid senior employees, the gains by them as a result of past awards during the year ended 31 December 2014:

Names of executives	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price (R)	Present value of unvested share units at the end of the year (R)
PS O'Flaherty	LTIP	05/08/2014	–	53 473	53 473	–	35.80	1 412 222
			–	53 473	53 473	–		1 412 222
WA Nel	Share options	10/02/2011	14 010	–	14 010	14 010	87.20	–
		07/11/2011	17 310	–	17 310	17 310	67.00	–
	LTIP	14/11/2013	94 096	–	94 096	–	40.47	2 485 075
		27/05/2014	–	81 263	81 263	–	34.89	2 146 156
				125 416	81 263	206 679	31 320	
TG Nkosi	Share options	10/02/2011	18 650	–	18 650	18 650	87.20	–
		07/11/2011	13 840	–	13 840	13 840	67.00	–
	LTIP	14/11/2013	84 728	–	84 728	–	40.47	2 237 666
		27/05/2014	–	52 131	52 131	–	34.89	1 376 780
			117 218	52 131	169 349	32 490		3 614 446
RH Torlage	Share options	08/11/2006	29 563	–	29 563	29 563	83.88	–
		12/12/2006	2 946	–	2 946	2 946	82.02	–
	20/11/2007	16 770	–	16 770	16 770	133.50	–	
	10/11/2008	16 770	–	16 770	16 770	73.75	–	
	02/11/2009	15 250	–	15 250	15 250	106.50	–	
	29/09/2011	53 500	–	53 500	53 500	59.00	–	
	07/11/2011	35 153	–	35 153	35 153	67.00	–	
	LTIP	14 /11/2013	31 304	–	31 304	–	40.47	826 739
		27/05/2014	–	51 669	51 669	–	34.89	1 364 578
			201 256	51 669	252 925	169 952		2 191 317
JM Lotter	LTIP	14/11/2013	70 452	–	70 452	–	40.47	1 860 637
		27/05/2014	–	40 938	40 938	–	34.89	1 081 173
			70 452	40 938	111 390	–		2 941 810

Notes

- Share options vest within three years and are exercisable within 10 years from the date of issue.
- Only those share options granted since the date of becoming an executive director or prescribed officer have been disclosed in this note.
- No options were exercised during the year.
- All share options have vested at the end of the period. All share options are "out of the money", therefore the present value is nil at 31 December 2014.

Notes to the group and company annual financial statements continued
for the year ended 31 December 2014**34. Remuneration of directors and prescribed officers** *continued***34.2 Restricted stock unit (RSU) and performance stock unit (PSU) plans**

The following table reflects the number of restricted and performance stock units allocated to executive directors, prescribed officers and the highest paid senior employees who belong to the ArcelorMittal group share-based payment scheme:

Names of executives	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Present value of unvested share units at the end of the year (USD)	
							Issue price (USD)	
MJ Wellhausen	RSU	29/03/2013	2 500	–	2 500	–	13	27 800
		27/09/2013	2 500	–	2 500	–	14	27 800
		17/12/2014	–	4 000	4 000	–	11	44 480
	PSU	29/03/2013	1 500	–	1 500	–	13	16 680
		27/09/2013	2 750	–	2 750	–	14	30 580
		17/12/2014	–	4 000	4 000	–	11	44 480
			9 250	8 000	17 250		191 820	
HL Rosenstock	RSU	29/03/2013	2 000	–	2 000	–	13	22 240
		27/09/2013	2 000	–	2 000	–	14	22 240
		17/12/2014	–	4 000	4 000	–	11	44 480
	PSU	27/09/2013	800	–	800	–	14	8 896
		17/12/2014	–	4 000	4 000	–	11	44 480
			4 800	8 000	12 800		142 336	
KS Kumar	RSU	01/09/2011	2 000	–	2 000	–	21	22 240
		29/03/2013	2 000	–	2 000	–	13	22 240
		27/09/2013	2 000	–	2 000	–	14	22 240
		17/12/2014	–	2 000	2 000	–	11	22 240
	PSU	27/09/2013	800	–	800	–	14	8 896
		17/12/2014	–	2 000	2 000	–	11	22 240
			6 800	4 000	10 800		120 096	

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

35. Contingent liabilities

	Group		Company	
	2014 R	2013 Rm	2014 Rm	2013 Rm
35.1 Financial guarantees				
The value of financial guarantee contracts issued in the normal course of business from which it is anticipated that no material liabilities will arise are:				
Total	1	1	24	24

35.2 Litigation matters

1st wire rod matter – alleged price discrimination

In January 2007, the Commission referred a case to the Tribunal for prosecution. In the referral papers, the Commission alleged that ArcelorMittal engaged in price discrimination on wire rod in contravention of section 9(1) of the Competition Act, No 89 of 1998 (the Competition Act). The Commission requested the Tribunal to find ArcelorMittal South Africa guilty of engaging in this alleged conduct.

ArcelorMittal South Africa duly filed an answering affidavit on the matter; the pleadings have now closed and the Commission is expected to have same set down for hearing before the Tribunal once its application for consolidation – referred to in the report on the 2nd wire rod matter below – has been finalised.

2nd wire rod matter – alleged price discrimination

In November 2012, the Commission referred another case relating to alleged price discrimination on wire rod to the Tribunal for prosecution. This case is essentially the same as the case that was referred in January 2007. The parties and the issues are identical save for the fact that the contravention alleged in this case is alleged to have taken place during a later period being 2004 to 2006. ArcelorMittal South Africa filed an answering affidavit on this matter as well, and pleadings have also closed.

The Commission has, however, filed an application with the Tribunal to have this matter consolidated with the 1st wire rod matter in order for both matters to be heard as one matter. This application is yet to be heard by the Tribunal.

Long steel matter – alleged cartel conduct

In September 2009, the Commission referred a case against ArcelorMittal South Africa and other primary steel manufacturers to the Tribunal for prosecution. In the referral papers, the Commission alleged that the respondents fixed prices and allocated markets in respect of certain long steel products, in contravention of section 4(1)(b) of the Competition Act. The Commission requested the Tribunal to find ArcelorMittal South Africa guilty of the alleged contraventions and to impose an administrative penalty of up to 10% of its turnover for the year preceding the Tribunal's decision on the matter.

Subsequent to the referral, ArcelorMittal South Africa wrote to the Commission requesting copies of the documents that make up the Commission's investigation record to enable it to draft and file its answering affidavit. This request was declined by the Commission, prompting ArcelorMittal South Africa to file an application with the Tribunal in December 2009 for an order compelling the Commission to provide these documents. In September 2010, the Tribunal handed down judgment refusing ArcelorMittal South Africa access to a bulk of the requested documents for reasons of privilege and confidentiality. ArcelorMittal South Africa subsequently appealed this decision to the Competition Appeal Court (CAC). In April 2012, the CAC ruled essentially that the matter be referred back to the Tribunal for a hearing to properly determine the validity of the privilege and confidentiality claims. The Commission appealed this ruling to the Supreme Court of Appeal (SCA). On 31 May 2013, the SCA handed down judgment effectively concurring with the CAC and further ordering the Commission to pay ArcelorMittal South Africa's legal costs for the appeal.

Before the matter could be set down for hearing before the Tribunal, ArcelorMittal South Africa wrote to the Commission enquiring if it would be amenable to availing the investigation record without there being a need to convene a Tribunal hearing.

The Commission agreed, subject to ArcelorMittal South Africa giving certain confidentiality undertakings in regard to those documents in the record claimed to be confidential and legally privileged. These undertakings having been given, the Commission duly provided a copy of its investigation record to ArcelorMittal South Africa. ArcelorMittal South Africa is currently conducting an in-depth analysis of the same.

Meanwhile, ArcelorMittal South Africa has since withdrawn an application previously lodged with the Tribunal to have the entire referral set aside on technical grounds.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2014

35. Contingent liabilities continued

35.2 Litigation matters continued

Flat steel matter – alleged conscious parallelism

On 30 March 2012, the Commission referred a case against ArcelorMittal South Africa and Evraz Highveld Steel and Vanadium Ltd (Highveld Steel) to the Tribunal for prosecution. In the referral papers, the Commission alleged that Highveld Steel and ArcelorMittal South Africa fixed prices and other trading conditions in respect of certain flat steel products in contravention of section 4(1) of the Competition Act. The form of price fixing alleged by the Commission in this instance is one based on the "conscious parallelism" phenomenon. This mainly relates to Highveld Steel increasing its prices each time ArcelorMittal South Africa increased its prices. The Commission requested the Tribunal to find ArcelorMittal South Africa guilty of the alleged contravention and to impose an administrative penalty of up to 10% of its turnover for the year preceding the Tribunal's decision on the matter.

Subsequent to the referral, ArcelorMittal South Africa wrote to the Commission requesting copies of the documents that make up the Commission's investigation record to enable it to draft and file its answering affidavit. The Commission reverted with a proposal on the disclosure of these documents to both ArcelorMittal South Africa's and Highveld Steel's legal representatives. This proposal is, however, the subject of an ongoing dispute between the Commission and Highveld Steel's legal representatives.

Scrap purchase – alleged cartel conduct

On 8 August 2013, the Commission referred a case against ArcelorMittal South Africa and other primary steel manufacturers to the Tribunal for prosecution. In the referral papers, the Commission alleged that the respondents fixed the purchase price and other trading conditions for scrap metal, a secondary input product in steel making, in contravention of section 4(1)(b) of the Competition Act. The Commission requested the Tribunal to find ArcelorMittal South Africa guilty of the alleged contravention and to impose an administrative penalty of up to 10% of its turnover for the year preceding the Tribunal's decision on the matter.

ArcelorMittal South Africa duly filed an answering affidavit on the matter; the pleadings have now closed and the Commission is in the process of setting the matter down for hearing before the Tribunal. Pre-trial processes are, in the meantime, under way.

In addition, the Commission is formally investigating one further complaint against ArcelorMittal South Africa relating to alleged excessive pricing of tinplate and flat steel in general. Joined to this investigation is an investigation into alleged excessive pricing arising from the iron ore surcharge introduced by ArcelorMittal South Africa for the period May 2010 to July 2010. ArcelorMittal South Africa is cooperating fully with the Commission in this investigation and continues to deliver all information and documentation as and when called upon to do so.

ArcelorMittal South Africa rejects the allegations made in each of the cases above and is accordingly defending itself.

36. Commitments

	Group		Company	
	2014 R	2013 Rm	2014 Rm	2013 Rm
Capital expenditure commitments				
Capital expenditure contracted for property, plant and equipment	377	1 170	222	1 156
Capital expenditure authorised but not contracted for property, plant and equipment	798	1 258	739	1 204
Total	1 175	2 428	961	2 360
Operating lease commitments				
Plant, equipment, vehicles and buildings				
The future minimum payments under non-cancellable, stand-alone and embedded operating leases are as follows:				
– Less than one year	53	99	52	98
– More than one year and less than five years	133	153	129	145
– More than five years	–	–	–	–
Total	186	252	181	243

37. Subsequent events

The directors are not aware of any matter or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in the group and company financial statements, that would significantly affect the operations, the results and the financial position of the group and company.

Corporate information

Company registration

ArcelorMittal South Africa Ltd
Registration number 1989/002164/06
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ISIN: ZAE000134961

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