Audited Annual Financial Statements 2015

ArcelorMittal

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FINANCIAL REPORTS AND OPINIONS

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

To the shareholders of ArcelorMittal South Africa Ltd

The board of directors (directors) are required to maintain adequate accounting records and are responsible for the content and integrity of the consolidated 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 2015, 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 D Subramanian, 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 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 consolidated 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's financial budgets for the year to 31 December 2016. In light of their review of the current financial position and existing borrowing facilities, they consider it appropriate that the consolidated and company annual financial statements continue to be prepared on the going concern basis. Refer to note 37 for further details.

The annual financial statements for the year ended 31 December 2015 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 consolidated and company annual financial statements which were approved by the board of directors on 3 February 2016 and are signed on its behalf by:

PS O'Flaherty
Chief executive officer

D Subramanian
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.

Nomonde Bam
Company secretary
3 February 2016

Directors' report

The directors have pleasure in submitting their report together with ArcelorMittal South Africa Ltd's consolidated and company's annual financial statements for the year ended 31 December 2015.

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 Johannesburg Stock Exchange Ltd in South Africa, and is a subsidiary of ArcelorMittal Holdings AG, which is part of the ArcelorMittal group. 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 2015.

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 2015 the group had a net asset value per share of 3 358 cents (2014: 5 165 cents). The net asset value per share was calculated using a net asset value of R13 472 million (2014: R20 722 million). Refer to note 10 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 2015 and 2014 financial years.

Property, plant and equipment

Details of capital expenditure are provided in note 28 and in the statements of cash flows.

Authorised and issued share capital

Details of the authorised and issued share capital are set out in note 21 of the annual financial statements.

Shareholders

ArcelorMittal Holdings AG, as controlling shareholder, had an effective shareholding of 52.02% at 31 December 2015 prior to the rights issue in January 2016. Details of the registered and beneficial shareholders of the company are set out in the integrated annual report. Details of beneficial shareholders in excess of 5% are disclosed in note 21.

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 33 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:

	2015			2014		
Director	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
DCG Murray	–	5 557	5 557	–	1 557	1 557
JRD Modise	5 025	–	5 025	5 025	–	5 025
Total	5 025	5 557	10 582	5 025	1 557	6 582

No other director holds any direct or indirect beneficial interest in the share capital of the company. Since the end of the financial year ended 31 December 2015 and the date of this report. DCG Murray's indirect shareholding is 14 667 shares after the rights issue.

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 14 and 15 of the annual financial statements.

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 directorate have taken place:

- Following D Subramanian's appointment as chief financial officer (CFO) on 1 August 2015. GJ van Zyl, who was appointed as interim CFO on 1 July 2015, was relieved from the position as interim CFO on 1 August 2015.
- MJ Wellhausen resigned as CFO and executive director on 15 March 2015.
- S Maheshwari resigned as non-executive director on 31 March 2015.
- G Urquijo resigned as non-executive director on 8 June 2015.
- MAM Vereecke was appointed as a non-executive director on 11 June 2015.
- R Kothari was appointed as a non-executive director on 11 June 2015.

Directors' report continued

- F du Plessis resigned as independent non-executive director on 22 July 2015.
- NF Nicolau was appointed as an independent non-executive director on 10 September 2015.
- LC Cele was appointed as an independent non-executive director on 4 January 2016.
- In December 2015, PS O'Flaherty announced his resignation as Chief Executive Officer (CEO). It is proposed that PS O'Flaherty will be appointed as a non-executive director with effect from 1 March 2016.
- The recruitment process for a new CEO is well advanced. D Subramanian has been appointed as acting CEO until the new CEO is appointed and takes office. GJ van Zyl will act as CFO until D Subramanian resumes his position as CFO.

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 (AGM):

- PM Makwana;
- JRD Modise;
- NP Mnxasana; and
- LP Mondi.

Shareholders will be requested to confirm the following directors' appointment as directors at the forthcoming annual general meeting:

- D Subramanian;
- NF Nicolau;
- LC Cele (appointed from 4 January 2016);
- MAM Vereecke;
- R Kothari; and
- PS O'Flaherty.

Going concern

As at 31 December 2015, the current liabilities of group and company exceeded its current assets by R838 million for the group and R848 million for the company. However, following the rights offer on 15 January 2016, R3 200 million of borrowings, which were included in current liabilities were converted into equity, reversing this position.

The group's funding plan for the next 12 months takes into account improved sales volumes due to a decrease in imports as a result of the imposition of required import tariffs in quarter two of 2016 and the current weak rand:US dollar exchange rate, continued efforts in cost reduction, the cut-back of non-essential capital expenditure, the sale of redundant assets, the continuation of the current facilities in place and the continued support from ArcelorMittal group as and when required.

The group's funding plan includes the successful rights offer concluded on 15 January 2016, which resulted in a net R1 300 million cash injection into the group. In addition, the group is well advanced in introducing black economic ownership at the equity level which should ensure further capital injection.

The group is also intending to convert its short-term borrowing facilities to medium-term debt and is looking at a number of options in this regard with the full support of the ArcelorMittal group.

Based on the above plans and initiatives, the board believes that the group and company is a going concern over the next 12 months as its expected working capital resources, by way of cash generated from operations together with current facilities as well as specific cash initiatives outlined above, are sufficient to meet the group and company's present working capital and capital expenditure needs during that period.

Shareholders are cautioned that, due to material uncertainty around timing relating to import tariffs, fair pricing and steel localisation, the steel industry and ArcelorMittal South Africa Ltd would need to undertake significant structural changes should these government interventions not materialise in the next 12 months.

Independent auditors

Deloitte & Touche continued in office as auditors of the group. At the forthcoming annual general meeting to be held on Wednesday 25 May 2016, shareholders will be requested to reappoint Deloitte & Touche as the independent auditors of the group and the appointment of M Mantyi as the 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 34 of the annual financial statements.

Company secretary

N Bam was appointed as the company secretary on 1 August 2015. On 17 April 2015 the services of Premium Corporate Consulting Services Proprietary Ltd were terminated and M Adam was appointed as the acting company secretary until the appointment of N Bam.

Subsequent events

Rights issue

A successful rights offer for R4 500 million was concluded on 15 January 2016. ArcelorMittal group has underwritten the rights issue in its entirety, through repayment of an outstanding intra-group loan of R3 200 million and made an additional cash injection of approximately R460 million. The intra-group loan is being repaid in two tranches; the first has been repaid and the second will be paid in quarter two of 2016.

B-BBEE transaction

As part of ArcelorMittal South Africa's Ltd initiatives in transforming the company, it is proposed that the B-BBEE transaction is undertaken to achieve a sustainable black ownership in the company in order for the company to maximise its score under the B-BBEE Codes of Good Practice. ArcelorMittal South Africa Ltd has now finalised the selection of a potential B-BBEE partner/s with whom to commence negotiations to conclude the transaction for an equity interest in the company.

No further events have come to the attention of management that warrant disclosure as of the day of this report.

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 of the following members at the date of this report:

- DCG Murray;
- JRD Modise; 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 experience and qualifications of the members are set out in the integrated annual report.

The board notes the retirement of the chairman of the committee, DCG Murray, with effect from the date of the AGM. LC Cele will be elected as the replacement member of the committee. Shareholders will be required, at the AGM, to authorise the audit committee members to elect a chairperson from amongst the members.

Functions of the committee

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.

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 auditors and after conducting its own review, is satisfied with the independence and objectivity of Deloitte & Touche as external auditors and M Mantyi, as the designated auditor. The committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement and pre-approving the 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 2015 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 and financial pronouncements as issued by the Financial Reporting Standards Council.

Internal financial controls

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 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 newly appointed chief financial officer, D Subramanian, has the appropriate expertise and experience.

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 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 on the integrity of these reports, recommends the integrated annual report and the consolidated and company annual financial statements for approval by the board of directors.

DCG Murray
Chairman
3 February 2016

Report of the independent auditor

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 65, which comprise the statements of financial position as at 31 December 2015, 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 consolidated 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 2015, and its consolidated and separate financial performance and its 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.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 37 to the consolidated and separate financial statements which sets out the directors' plans and initiatives along with other matters, which, should they not materialise, indicate the existence of a material uncertainty which may cast significant doubt on the company's and group's ability to continue as a going concern.

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 2015, we have read the directors' report, the audit and risk committee's 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.

Report on other legal and regulatory requirements
In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of ArcelorMittal South Africa Ltd for 11 years. We are independent of the group in accordance with the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Deloitte & Touche

Deloitte and Touche
Registered Auditor
Per: Mandisi Mantyi
Partner
4 February 2016

National executive: *LL Bam Chief Executive, *AE Swiegers Chief Operating Officer, *GM Pinnock Audit, DL Kennedy Risk Advisory, *NB Kader Tax, TP Pillay Consulting, *K Black Clients & Industries , *JK Mazzocco Talent & Transformation, *MJ Jarvis Finance, *M Jordan Strategy, S Gwala Managed Services, * TJ Brown Chairman of the Board, *MJ Comber Deputy Chairman of the Board
** Partner and registered auditor.*

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of The Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Group and company statements of comprehensive income

for the year ended 31 December 2015

		Group		Company	
	Notes	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
Revenue		**31 141**	34 852	**27 160**	29 565
Raw materials and consumables used		**(19 183)**	(21 339)	**(16 792)**	(19 126)
Employee costs	5	**(4 027)**	(3 764)	**(4 026)**	(3 763)
Energy		**(3 824)**	(3 466)	**(2 766)**	(2 401)
Movement in inventories of finished goods and work-in-progress		**(457)**	292	**(566)**	472
Depreciation	5	**(1 346)**	(1 386)	**(986)**	(983)
Amortisation of intangible assets	5	**(23)**	(24)	**(20)**	(20)
Other operating expenses	5	**(7 017)**	(5 466)	**(7 494)**	(4 335)
Loss from operations	5	**(4 736)**	(301)	**(5 490)**	(591)
Finance and investment income	6	**175**	17	**284**	73
Finance costs	7	**(1 208)**	(605)	**(1 161)**	(599)
Impairment of other assets	8	**(310)**	–	**(2 260)**	(485)
Impairment of property, plant, equipment and intangible assets	12, 13	**(3 944)**	–	**(370)**	–
Gain/(loss) recognised on loss of interest over former associate		**–**	80	**–**	(71)
Income after tax from equity-accounted investments		**195**	191	**–**	–
Loss before taxation		**(9 828)**	(618)	**(8 997)**	(1 673)
Income taxation credit	9	**1 193**	460	**106**	500
Loss for the year		**(8 635)**	(158)	**(8 891)**	(1 173)
Other comprehensive income/(loss)		**1 330**	163	**20**	(24)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		**1 232**	445	**–**	–
Income/(losses) on available-for-sale investment taken to equity		**19**	(29)	**20**	(24)
Share of other comprehensive income/(loss) of equity-accounted investments		**79**	(253)	**–**	–
Total comprehensive (loss)/income for the year		**(7 305)**	5	**(8 871)**	(1 197)
Loss attributable to:					
Owners of the company		**(8 635)**	(158)	**(8 891)**	(1 173)
Total comprehensive (loss)/income attributable to:					
Owners of the company		**(7 305)**	5	**(8 871)**	(1 197)
Attributable loss per share (cents)					
– Basic	10	**(2 152)**	(39)		
– Diluted	10	**(2 152)**	(39)		

Group and company statements of financial position

as at 31 December 2015

		Group		Company	
	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Assets					
Non-current assets					
Property, plant and equipment	12	11 859	16 001	11 269	11 640
Intangible assets	13	112	135	108	120
Equity-accounted investments	14	5 090	4 031	169	167
Investments in subsidiaries	15	–	–	1 096	4 701
Other financial assets	16	573	58	564	48
		17 634	20 225	13 206	16 676
Current assets					
Inventories	17	9 385	10 684	8 503	9 905
Trade and other receivables	18	1 666	1 562	1 342	1 016
Taxation		75	64	64	64
Other financial assets	16	38	37	32	35
Cash and bank balances	19	2 164	454	2 150	285
		13 328	12 801	12 091	11 305
Total assets		30 962	33 026	25 297	27 981
Equity and liabilities					
Equity					
Stated capital	21	37	37	37	37
Reserves		175	(1 294)	58	(17)
Retained income		13 260	21 979	9 052	17 943
		13 472	20 722	9 147	17 963
Non-current liabilities					
Finance lease obligations	22	193	256	109	156
Provisions	23	2 895	1 720	2 865	1 694
Deferred income tax liability	24	–	1 204	–	108
Other payables	25	236	261	236	261
		3 324	3 441	3 210	2 219
Current liabilities					
Trade payables		7 761	6 402	6 587	5 385
Taxation		–	18	–	–
Other financial liabilities	27	14	11	14	7
Borrowings	26	5 029	1 000	5 029	1 000
Finance lease obligations	22	63	92	47	79
Provisions	23	541	571	515	563
Other payables	25	758	769	748	765
		14 166	8 863	12 940	7 799
Total equity and liabilities		30 962	33 026	25 297	27 981

Group and company statements of cash flows

for the year ended 31 December 2015

		Group		Company	
	Notes	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Cash (utilised in)/generated from operations	28.1	(264)	2 205	(1 643)	1 121
Interest income		9	12	9	12
Finance cost		(554)	(372)	(536)	(353)
Income tax paid	28.2	(40)	(84)	(4)	(2)
Realised foreign exchange movements		(258)	(17)	(258)	(17)
Cash flows from operating activities		(1 107)	1 744	(2 432)	761
Investment to maintain operations	28.3	(1 164)	(2 640)	(1 045)	(2 470)
Investment to expand operations	28.4	(92)	(73)	(84)	(73)
Investment in associates and cell captive insurance		(8)	37	(8)	42
Proceeds on disposal or scrapping of assets		2	1	5	–
Dividend from equity-accounted investments		114	61	114	64
Interest income from investments		8	6	1	1
Cash flows from investing activities		(1 140)	(2 608)	(1 017)	(2 436)
Borrowings raised		4 029	94	4 030	94
Finance lease obligation repaid		(92)	(17)	(79)	(6)
Decrease in loans to subsidiaries and contributions to management share trust		–	–	1 352	659
Cash flows from financing activities		3 937	77	5 303	747
Increase/(decrease) in cash and cash equivalents		1 690	(787)	1 854	(928)
Effect of foreign exchange rate changes on cash and cash equivalents		20	50	11	41
Cash and cash equivalents at the beginning of the year		454	1 191	285	1 172
Cash and cash equivalents at the end of the year	19	2 164	454	2 150	285

Group and company statement of changes in equity

for the year ended 31 December 2015

Group	Stated capital Rm	Retained income Rm	Reserves: Treasury share equity reserve[1] Rm	Reserves: Management Share Trust reserve[2] Rm	Reserves: Share-based payment reserve[3] Rm	Reserves: Attributable reserves of equity-accounted investments Rm	Reserves: Other reserves[4] Rm	Total equity Rm
Balance at 1 January 2014	37	22 271	(3 918)	(285)	246	1 370	973	20 694
Total comprehensive (loss)/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**
Total comprehensive (loss)/income for the year	**–**	**(8 635)**	**–**	**–**	**–**	**79**	**1 251**	**(7 305)**
Share-based payment expense	**–**	**–**	**–**	**–**	**55**	**–**	**–**	**55**
Transfer between reserves	**–**	**(84)**	**–**	**–**	**–**	**84**	**–**	**–**
Balance at 31 December 2015	**37**	**13 260**	**(3 918)**	**(285)**	**324**	**1 414**	**2 640**	**13 472**

Company	Stated capital Rm	Retained income Rm	Reserves: Treasury share equity reserve[1] Rm	Reserves: Management Share Trust reserve[2] Rm	Reserves: Share-based payment reserve[3] Rm	Reserves: Attributable reserves of equity-accounted investments Rm	Reserves: Other reserves[4] Rm	Total equity Rm
Balance at 1 January 2014	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**
Total comprehensive (loss)/income for year	**–**	**(8 891)**	**–**	**–**	**–**	**–**	**20**	**(8 871)**
Share-based payment expense	**–**	**–**	**–**	**–**	**55**	**–**	**–**	**55**
Balance at 31 December 2015	**37**	**9 052**	**–**	**(285)**	**324**	**–**	**19**	**9 147**

Refer to notes 1 to 4 on page 10.

Dividends per share (cents)
2015: Rnil
2014: Rnil

Group and company statement of changes in equity continued

for the year ended 31 December 2015

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

1. Treasury share equity reserve

In 2009 the company implemented a share buy-back arrangement and acquired 9.995% of the shareholding of each shareholder. In the current year the Ikageng Broad Based Employee Share Trust was created, to hold in trust the shares for the Employee Share Ownership Plan, and purchased 4.7% of ArcelorMittal South Africa Ltd shareholding from Vicva Investments and Trading Nine (Pty) Ltd, through a contribution from the company. The trust is controlled by the company and therefore the trust is consolidated in accordance with IFRS 10 *Consolidated Financial Statements*. The shares will continue to remain in issue as treasury shares.

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 long-term incentive plan units in terms of IFRS 2 *Share-based Payments*, which are all equity-settled.

4. Other reserves

Other reserves consist of the following:

Capital redemption reserve of R23 million (2014: 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 R1 million debit (2014: R20 million debit) 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 Coal of Africa Ltd.

Translation of foreign operation reserve of R2 618 million (2014: R1 386 million) for the group. The translation of foreign operation reserve consists of:

- reserves relating to equity-accounted investments of R2 276 million (2014: R1 175 million); and
- other group-related translation reserves of R342 million (2014: R211 million).

Notes to the group and company annual financial statements

for the year ended 31 December 2015

1. General information

ArcelorMittal South Africa Ltd (the company) and its subsidiaries are consolidated in these annual financial statements to reflect "the group" annual financial statements. ArcelorMittal South Africa Ltd 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 Johannesburg Stock Exchange.

2. Standards and interpretations in issue at 31 December 2015 and not yet effective for periods ended 31 December 2015

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these annual 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:

Effective for the financial year commencing 1 January 2016

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, other comprehensive income of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

Effective for the financial year commencing 1 January 2018

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have an impact on the group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The group is currently in the process of performing a more detailed assessment of the impact of this standard on the group.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have an impact on the group, which will include changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which could increase the provision for bad debts recognised in the group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

3. 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.

3.1 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 2015.

3.2 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.

3.3 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 2015

3. Significant accounting policies continued

3.4 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.

3.5 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 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.

3.6 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 nor 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 2015

3. Significant accounting policies continued

3.6 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.

3.7 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.

3.8 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 recognised in the statement of comprehensive income and are taken to shareholders' equity.

3.9 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 group and 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 2015

3. Significant accounting policies continued

3.10 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 rate 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, whilst those to be settled within 12 months of the statement of financial position date are classified as current finance lease obligations.

3.11 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.

3.12 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 (Wacc) 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 2015

3. Significant accounting policies continued

3.13 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.

3.14 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 2015

3. Significant accounting policies continued

3.14 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.

3.15 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.*

3.16 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.

3.17 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.

3.18 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 debited 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 2015

3. Significant accounting policies continued

3.19 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.

3.20 Deferred income tax

Deferred income tax is provided for 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. Deductible temporary differences are therefore recognised to the extent that taxable temporary differences exist or it is probable that taxable economic benefits will flow to the entity.

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.

3.21 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 services 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 cumulative 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 significant 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 other 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 other comprehensive income. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

3. Significant accounting policies continued

3.21 Employee benefits continued

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.

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.

3.22 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 provisions due to the 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.

3.23 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 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 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 2015

3. Significant accounting policies continued

3.24 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.

3.25 Borrowing costs

Qualifying borrowing costs calculated in accordance with the effective interest rate 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.

3.26 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 share price as reference point.

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.

3.27 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Normal tax

The current tax 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 (deferred tax). 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. The withholding tax amount is included in the tax charge for the reporting period.

3.28 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.

3.29 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

4. 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 undertaking 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 consolidated 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 2015

4. Segment report continued

For the year ended 2015

	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	19 483	9 949	1 709	–	–	31 141
– Intersegment customers	424	923	90	–	(1 437)	–
Total revenue	19 907	10 872	1 799	–	(1 437)	31 141
Revenue to external customers distributed as:						
Local	14 797	7 763	1 709	–	–	24 269
Export	4 686	2 186	–	–	–	6 872
– Africa	4 386	1 503	–	–	–	5 889
– Asia	247	390	–	–	–	637
– Other	53	293	–	–	–	346
Total	19 483	9 949	1 709	–	–	31 141
Results						
Earnings before interest, tax, depreciation and amortisation	(1 269)	(348)	427	(1 131)	1 512	(809)
Depreciation and amortisation	(973)	(391)	(35)	(20)	50	(1 369)
Thabazimbi mine closure costs	(429)	(253)	–	–	–	(682)
Provision for Tshikondeni mine closure costs	–	–	–	23	–	23
Vereeniging closure costs	–	(86)	–	–	–	(86)
Competition Commission settlement	–	–	–	(1 245)	–	(1 245)
Payment in advance	(420)	(148)	–	–	–	(568)
(Loss)/profit from operations	(3 091)	(1 226)	392	(2 373)	1 562	(4 736)
Impairment	(3 574)	(370)	–	(2 570)	2 260	(4 254)
Finance and investment income	2	1	–	172	–	175
Finance costs	(117)	(38)	(2)	(1 051)	–	(1 208)
Profit after tax from equity-accounted investments	–	–	–	195	–	195
(Loss)/profit before taxation	(6 780)	(1 633)	390	(5 627)	3 822	(9 828)
Income taxation credit	–	–	–	1 193	–	1 193
(Loss)/profit for the year	(6 780)	(1 633)	390	(4 434)	3 822	(8 635)
Segment assets (excluding investments in equity-accounted investments)	14 414	8 236	960	3 262	(1 000)	25 872
Investments in equity-accounted entities	–	–	–	5 090	–	5 090
Segment liabilities	4 877	2 647	186	9 782	(2)	17 490
Cash (utilised in)/generated from operations	(1 270)	140	554	312	–	(264)
Capital expenditure	601	625	57	(27)	–	1 256
Number of employees at the end of the year	5 570	3 104	254	598	–	9 526

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

4. Segment report continued

For the year ended 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
– 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
Profit 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 (excluding investments in equity-accounted investments)	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 2015

4. Segment report continued

	2015 Rm	2014 Rm
4.1 Revenue from major products and services		
The group's revenue from its major products sold to external customers was as follows:		
Flat Steel Products	19 483	22 957
– Plate	985	1 101
– Hot-rolled coil	10 266	13 276
– Cold-rolled coil	1 475	1 835
– Galvanised sheet	3 618	3 114
– Coated sheet	1 132	1 149
– Tin plate	1 411	1 704
– Other	596	778
Long Steel Products	9 949	9 911
– Billets and blooms	282	42
– Bars and rebars	2 486	2 496
– Wire rod	3 024	2 926
– Sections	2 524	2 504
– Rails	62	35
– Seamless tubular products	503	1 004
– Forged	1 043	890
– Other	25	14
Coke and Chemicals	1 709	1 984
– Coke	1 129	1 211
– Tar	398	439
– Other	182	334
Total consolidated revenue	31 141	34 852
4.2 Geographical information		
The group operates principally in South Africa. Export sales are primarily sold into sub-Saharan Africa and Asia.		
4.3 Information about major customers		
Segmentation of the group's top three customers, as measured on total revenue, is as follows:		
Flat Steel products	8 737	7 151
Long Steel Products	3 021	2 881
Total revenue attributable to top three customers	11 758	10 032
Expressed as a % of total consolidated revenue (%)	38	29
Of these top three customers, one customer contributes more than 10% to total revenue	4 902	5 234
Expressed as a % of total consolidated revenue (%)	16	15

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

5. Loss from operations

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Loss from operations includes:				
Amortisation of intangible assets	**(23)**	(24)	**(20)**	(20)
Depreciation	**(1 346)**	(1 386)	**(986)**	(983)
Employee costs	**(4 027)**	(3 764)	**(4 026)**	(3 763)
– Salaries and wages	**(3 609)**	(3 455)	**(3 608)**	(3 454)
– Termination benefits	**(232)**	(96)	**(232)**	(96)
– Pension and medical costs	**(131)**	(190)	**(131)**	(190)
– Share-based payment expense	**(55)**	(23)	**(55)**	(23)
Loss on disposal or scrapping of property, plant and equipment	**(5)**	(29)	**(2)**	(26)
Operating lease rentals	**(50)**	(110)	**(49)**	(109)
Railage and transport	**(994)**	(937)	**(887)**	(834)
Repairs and maintenance	**(2 358)**	(2 209)	**(1 876)**	(1 711)
Research and development costs	**(152)**	(126)	**(152)**	(126)
(Write-down)/reversal of write-down of inventory to net realisable value	**(187)**	90	**(57)**	46
Auditors' remuneration	**(15)**	(12)	**(13)**	(10)
– Audit fees	**(12)**	(11)	**(11)**	(9)
– Other services and expenses	**(3)**	(1)	**(2)**	(1)
Allowance for doubtful debts recognised on trade receivables	**10**	(1)	**10**	(2)
Other allowances on trade receivables	**(48)**	(87)	**(48)**	(87)

6. Finance and investment income

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Finance income				
Bank deposit and other interest income excluding interest income from subsidiaries and equity-accounted investments	**9**	11	**9**	12
Investment income				
Dividends received	**–**	–	**114**	60
Interest received from jointly-controlled entities	**6**	6	**1**	1
Discount rate adjustment of the non-current provisions	**160**	–	**160**	–
Total	**175**	17	**284**	73

7. Finance costs

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Interest expense on bank overdrafts and loans	**(515)**	(321)	**(514)**	(319)
Interest expense on finance lease obligations	**(39)**	(52)	**(22)**	(33)
Net foreign exchange (losses)/gains on financing activities	**(437)**	8	**(412)**	(10)
Unwinding of the discounting effect in the present value carrying amount of the non-current provisions	**(217)**	(221)	**(213)**	(218)
Discount rate adjustment of the non-current provisions	**–**	(19)	**–**	(19)
Total	**(1 208)**	(605)	**(1 161)**	(599)

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

8. Impairment of other assets

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Impairment of equity-accounted investments	**(8)**	–	**(8)**	–
Impairment of investment in subsidiaries	**–**	–	**(3 611)**	(485)
Impairment of non-current asset held-for-sale	**(302)**	–	**(308)**	–
Reversal of impairment	**–**	–	**1 667**	–
Total	**(310)**	–	**(2 260)**	(485)

Impairment of investment in subsidiaries
Impairment of 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 measured at fair value less cost to sell (level 1). Therefore the investment is impaired by R880 million (2014: R485 million) in the company's annual financial statements. With the sale of 4.7% of the treasury shares held by Vicva Investments and Trading Nine (Pty) Ltd, R1 667 million became recoverable and the impairment was reversed. During the year, the investment in Saldanha Steel (Pty) Ltd was impaired by R2 731 million. This impairment of the investment to its recoverable amount being its value in use (refer to note 12 for significant judgements made) was made due to poor international steel export prices and the extremely high local electricity tariffs. The future of the operation is currently being reviewed, and is expected to be concluded within the next six to nine months.

Non current asset held for sale
The carrying amount of R308 million at company and R302 million at group for the investment in the Northern Cape Iron Ore Mining Operations Ltd (that forms part of the Corporate and Other operating segment) was written down to its recoverable amount of Rnil. The recoverable amount of the investment was its value-in-use which resulted in an impairment primarily due to depressed iron ore prices.

Impairment of equity accounted investments
The investment in ArcelorMittal Analytical Laboratories (Pty) Ltd, a joint venture with Coal of Africa Ltd of R8 million was impaired. The entity ceased all operations in the current year.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

9. Income taxation credit

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Income tax recognised in profit or loss				
Current tax expense	–	(106)	2	–
Adjustments recognised in the current year in relation to the current tax of prior years	–	26	–	14
	–	(80)	2	14
Deferred tax income relating to the origination and reversal of temporary differences	1 265	372	175	302
Adjustment recognised in the current year in relation to the deferred tax of prior years	(61)	171	(66)	187
Withholding tax on foreign dividend and securities transfer tax	(11)	(3)	(5)	(3)
Total	1 193	460	106	500
The total charge for the year can be reconciled to the accounting profit as follows:				
Loss before taxation	(9 828)	(618)	(8 997)	(1 673)
Income tax credit calculated at 28%	2 752	173	2 519	468
Effect of income that is non-taxable/exempt	519	4	32	21
Effect of expenses that are not deductible	(445)	(20)	(983)	(153)
Effect of taxable income imputed from controlled foreign companies	(16)	(13)	(16)	(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	17	122	–	(21)
Adjustments recognised in the current year in relation to the current tax and deferred tax of the prior year	(61)	197	(66)	201
Effect of timing differences not recognised in the current year in relation to unrecognised deferred tax asset	(1 564)	–	(1 378)	–
Vat interest and penalties	2	–	3	–
Withholding tax on foreign dividend and securities transfer tax	(11)	(3)	(5)	(3)
Total income tax credit	1 193	460	106	500
Taxation as a percentage of loss before taxation (%)	(12.10)	(74.40)	(1.20)	29.88

The effective tax rate of negative 12% (compared to the statutory rate of 28%) for the year ended 31 December 2015 is primarily as a result of not recognising the deferred tax asset on the available income tax losses. This reduces the effective tax rate by approximately 16%. Management believes that the turnaround initiatives will result in the company returning to profitability at some point in the future. However, based on considerations presented, management believes it is premature to conclude at this stage that it is more likely than not for sufficient future taxable profits to be available against which the full proposed deferred tax asset can be utilised.

The effective tax rate of negative 74% (compared to the statutory rate of 28%) for the year ended 31 December 2014 is primarily as a result of adjustments recognised in 2014 in relation to prior year income tax benefits, post-tax income from equity-accounted investments, the investment in Ferrosure Isle of Man Ltd and non-deductible expenses.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

10. Loss per share

	Group 2015 Rm	Group 2014 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)	**(8 635)**	(158)
– Weighted average number of shares (thousands)	**401 202**	401 202
– Basic loss per share (cents)	**(2 152)**	(39)
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)	**(8 635)**	(158)
– Weighted average number of diluted shares (thousands)	**401 202**	401 202
– Diluted loss per share (cents)	**(2 152)**	(39)
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)	**(9 828)**	(618)
Add: Impairment charges (Rm)	**4 254**	–
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	**5**	29
Less: Profit on disposal or scrapping of property, plant and equipment (Rm)	**–**	–
Less: Gain recognised on loss of interest over former associate	**–**	(80)
Less: Profit on disposal of assets of associate	**–**	(16)
Headline loss before tax (Rm)	**(5 569)**	(685)
Net of tax		
Loss attributable to owners of the company (Rm)	**(8 635)**	(158)
Add: Impairment charges (Rm)	**3 261**	–
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	**4**	21
Less: Profit on disposal or scrapping of property, plant and equipment (Rm)	**–**	–
Less: Gain recognised on loss of interest over former associate	**–**	(80)
Less: Profit on disposal of assets of associate	**–**	(10)
Headline loss after tax (Rm)	**(5 370)**	(227)
Headline loss per share (cents)		
– Basic	**(1 338)**	(57)
– Diluted	**(1 338)**	(57)
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

11. Dividend per share

Consistent with the group's dividend policy, no dividends were declared for the 2015 and 2014 financial years.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

12. 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 2015								
Carrying amount at the beginning of the year	75	937	14 033	22	2	245	687	16 001
Additions	–	34	813	–	–	–	304	1 151
Disposals	–	–	(12)	–	–	–	–	(12)
Depreciation	–	(76)	(1 210)	(2)	(1)	(57)	–	(1 346)
Impairment	(1)	(177)	(3 752)	–	–	–	(5)	(3 935)
Other movements	–	20	166	–	7	–	(193)	–
Carrying amount at the end of the year	74	738	10 038	20	8	188	793	11 859
At 31 December 2015								
Cost	77	2 455	31 534	102	210	5 048	798	40 224
Accumulated depreciation and impairment	(3)	(1 717)	(21 496)	(82)	(202)	(4 860)	(5)	(28 365)
Net carrying amount	74	738	10 038	20	8	188	793	11 859
For the year ended 31 December 2014								
Carrying amount at beginning of year	75	960	11 912	24	2	418	1 311	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	937	14 033	22	2	245	687	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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

12. 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 2015								
Carrying amount at the beginning of the year	**61**	**714**	**10 040**	**24**	**–**	**196**	**605**	**11 640**
Additions	**–**	**34**	**753**	**–**	**–**	**–**	**209**	**996**
Disposals	**–**	**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**
Depreciation	**–**	**(73)**	**(861)**	**(2)**	**–**	**(50)**	**–**	**(986)**
Impairment	**–**	**(22)**	**(343)**	**–**	**–**	**–**	**(5)**	**(370)**
Other movements	**–**	**14**	**113**	**–**	**–**	**–**	**(127)**	**–**
Carrying amount at the end of the year	**61**	**667**	**9 691**	**22**	**–**	**146**	**682**	**11 269**
At 31 December 2015								
Cost	**61**	**2 021**	**21 235**	**102**	**198**	**4 838**	**687**	**29 142**
Accumulated depreciation and impairment	**–**	**(1 354)**	**(11 544)**	**(80)**	**(198)**	**(4 692)**	**(5)**	**(17 873)**
Net carrying amount	**61**	**667**	**9 691**	**22**	**–**	**146**	**682**	**11 269**
For the year ended 31 December 2014								
Carrying amount at the beginning of the year	61	730	7 635	26	–	360	1 222	10 034
Additions	–	2	2 402	–	–	–	285	2 689
Disposals	–	–	(32)	–	–	–	–	(32)
Depreciation	–	(54)	(827)	(2)	(4)	(96)	–	(983)
Impairment	–	–	–	–	–	–	–	–
Other movements	–	36	862	–	4	(68)	(902)	(68)
Carrying amount at the end of the year	61	714	10 040	24	–	196	605	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

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

12. Property, plant and equipment continued

In 2014 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 2015 is Rnil and for December 2014 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
Non-integrated software	1 to 50 years
Patents	20 years

These useful lives represent management's current best estimates.

Impairment of assets

Impairment losses relating to property plant and equipment included in profit and loss is R3 935 million (2014: Rnil) for group and R370 million for company. This relates to the impairment of the Saldanha cash generating unit of R3 574 million, allocated to property plant and equipment of R3 565 million and intangible assets of R9 million (refer to note 13). A further impairment of R370 million at group and company relate to the redundant assets from the Vaal Meltshop and certain areas of the Forge at Vereeniging Works being placed under care and maintenance.

An impairment indicator assessment was performed on all cash generating units of the group. Following this assessment, an impairment test was performed on all cash generating units. In accordance with IAS 36 *Impairment of Assets*, an asset is impaired if the carrying amount of the asset is greater than the recoverable amount of the asset. The recoverable amount of the unit was determined using a discounted cash flow model and an explicit forecast period for five years. These cash flows are US dollar based. Cash flows assume price protection and the carbon tax has not been taken into account when determining the recoverable amount. To determine the terminal value, the Gordon growth model was used, year five was taken into perpetuity while in 2014 a normalised steel cycle was used. The outcome of the impairment test was that the Saldanha cash generating unit was impaired by 84% and the Vanderbijlpark cash generating unit was sensitive to exchange rates.

The other major assumptions in arriving at the present value of future cash flows are as follows:

	Saldanha		Vanderbijlpark	
Major assumptions	**2015**	2014	**2015**	2014
Wacc/discount rate (% USD-based)	**11**	10	**11**	10
Growth rate (%)	**2**	2	**2**	2
Exchange rate range (ZAR/USD)*	**13.50 – 18.44**	11.58 – 13.37	**13.50 – 18.44**	11.58 – 13.37
Iron ore prices – average (USD)/t*	**42.50 – 48.10**	60 – 68	**42.50 – 48.10**	60 – 68
Electricity increase (%)	**12**	8	**12**	8
Steel sales price range (average – USD/t)*	**404 – 454**	579 – 645	**563 – 689**	704 – 755
Sales volume range (kt)*	**548 – 1 080**	1 066 – 1 322	**2 320 – 2 455**	2 390 – 2 535
Capex accumulated (5 year forecast) USDm	**167**	173	**439**	425

**Average over the initial period of 2016 to 2020 (2014: 2015 to 2019).*

Saldanha

Saldanha is impaired primarily due to the poor international steel export prices and the extremely high local electricity tariffs. Consequently the future of the operation is currently being reviewed.

	2015	
Vanderbijlpark – Sensitivities	**Coverage* %**	Impact on coverage %
Coverage on the base-basket pricing	**219**	n/a
Impact on coverage – % change from the base model		
5% stronger exchange rate per annum from 2017	**166**	(53)
10% decrease in forecast sales volumes	**162**	(57)
5% reduction in basket pricing	**146**	(73)

**Coverage represents the recoverable amount as a % over the carrying amount.*

Vereeniging Works

Due to the Vaal Meltshop and certain areas of the Forge being placed under care and maintenance, property, plant and equipment to the value of R370 million was impaired to a recoverable amount of Rnil. These are mainly consumable stock that cannot be utilised any further.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

13. Intangible assets

Group	Patents Rm	Non-integrated software Rm	Total Rm
For the year ended 31 December 2015			
Carrying amount at the beginning of the year	9	126	135
Additions	–	11	11
Other movements	–	(2)	(2)
Amortisation	(2)	(21)	(23)
Impairment	(5)	(4)	(9)
Carrying amount at the end of the year	2	110	112
At 31 December 2015			
Cost	38	386	424
Accumulated amortisation and impairment	(36)	(276)	(312)
Net carrying amount	2	110	112
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

Intangible assets

An impairment of R9 million (2014: Rnil) was allocated to the intangible assets of Saldanha Works relating to the impairment of the Saldanha cash generating unit. Refer to note 12.

Company	Non-integrated software Rm	Total Rm
For the year ended 31 December 2015		
Carrying amount at the beginning of the year	120	120
Additions	11	11
Other movements	(3)	(3)
Amortisation	(20)	(20)
Carrying amount at the end of the year	108	108
At 31 December 2015		
Cost	371	371
Accumulated amortisation and impairment	(263)	(263)
Net carrying amount	108	108
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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

14. 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 2015	2014
Joint venture				
Macsteel International Trading BV	Steel trading and shipping	Netherlands	**50%**	50%

Summarised financial information

Associates

	Other associates	
Aggregate information of associates not individually material		
Profit after tax	**3**	3
Share of total comprehensive income	**3**	3
Aggregate carrying amount		
– Group	**33**	325
– Company	**16**	16

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 for the year ended 31 December, adjusted by the group for equity-accounting purposes.

	Macsteel International Trading BV 2015 Rm	2014 Rm
Current assets	**11 016**	10 652
Non-current assets	**5 717**	4 168
Current liabilities	**(6 164)**	(7 102)
Non-current liabilities	**(776)**	(638)
Net assets	**9 793**	7 080
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**2 058**	1 581
Current financial liabilities (excluding trade, other payables and provisions)	**(3 768)**	(3 928)
Current non-financial liabilities (excluding trade, other payables and provisions)	**(43)**	(29)
Revenue	**34 723**	39 347
Profit after tax	**411**	499
Other comprehensive income/(loss)	**116**	(229)
Total comprehensive income	**527**	270

* *Converted from USD to ZAR using the average exchange rate for the year.*

	2015	2014
Profit for the year includes the following:		
Depreciation and amortisation	**(13)**	(15)
Interest income	**169**	123
Interest expense	**(124)**	(86)
Income tax expense	**(69)**	(72)
Reconciliation of the net assets to the carrying amount		
Net assets of the joint venture	**9 793**	7 080
Ownership interest	**50%**	50%
Carrying amount	**4 896**	3 540

	Other joint ventures	
Aggregate information of joint ventures not individually material		
Loss after tax	**(4)**	(8)
Share of other comprehensive income	**–**	1
Dividend paid	**–**	(4)
Share of total comprehensive income	**(4)**	(11)
Aggregate carrying amount	**160**	166
Total carrying amount of equity-accounted associates and joint ventures		
– Group	**5 090**	4 031
– Company	**169**	167

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

15. Investments in subsidiaries

	Company 2015 Rm	Company 2014 Rm
Shares at cost	**241**	302
Indebtedness	**855**	4 399
– by subsidiaries	**949**	4 493
– to subsidiaries	**(94)**	(94)
Total	**1 096**	4 701
Aggregate attributable after tax (losses)/profit	**(3 376)**	275

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 accounts 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.

Ikageng Broad Based Employee Share Trust

In the current year the Ikageng Broad Based Employee Share Trust (Ikageng) was created to give effect to the Employee Share Ownership Plan (ESOP). Ikageng holds the investment in shares in ArcelorMittal South Africa for the benefit of the company's employees; until such time that they vest. The ESOP was created by ArcelorMittal South Africa to facilitate black economic empowerment and meaningful wealth for its employees. The trust is controlled by the company and is therefore consolidated in accordance with IFRS 10 *Consolidated Financial Statements*.

The Trust acquired the 4.7% share in ArcelorMittal South Africa Ltd from the treasury shares held by Vicva Investments and Trading Nine Investments (Pty) Ltd (Vicva), through a contribution from the company.

				Interest of company			
				Shares at cost		Indebtedness	
	Country of incorporation[1]	Reporting currency	Number of ordinary shares issued	2015 R	2014 R	2 015 R	2014 R
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	**766**	2 944
Mining							
Oakwood Trading 21 (Pty) Ltd	RSA	ZAR	100	**100**	100	**–**	299
October Wind Investments 91 (Pty) Ltd[4]	RSA	ZAR	100	**–**	100	**–**	–

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

15. Investments in subsidiaries continued

	Country of incorporation[1]	Reporting currency	Number of ordinary shares issued	Interest of company – Shares at cost 2015 R	Shares at cost 2014 R	Indebtedness 2 015 R	Indebtedness 2014 R
Service							
Ferrosure (Isle of Man) Insurance Co Ltd[3]	IOM	USD	70	**–**	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	**1**	–
Vicva Investments and Trading Nine (Pty) Ltd	RSA	ZAR	1	**1 000**	1 000	**106**	1 177
Dombotema Mining Investments (Pty) Ltd	RSA	ZAR	100	**100**	100	**–**	–
ArcelorMittal South Africa Distribution (Pty) Ltd	RSA	ZAR	100	**100**	100	**76**	73
ArcelorMittal African Investments	Mauritius	USD	100	**716**	716	**–**	–
ArcelorMittal South Africa Operations (Pty) Ltd	RSA	ZAR	1	**1**	1	**–**	–
Total				**241 113 326**	301 597 172	**855**	4 399

[1] *RSA – Republic of South Africa, IOM – Isle of Man and NEH – The Netherlands.*
[2] *The indebtedness amount includes the shareholders loan of R4 922 million (2014: R7 653 million) and intercompany balances in favour of Saldanha Steel (Pty) Ltd of R4 156 million (2014: R4 709 million).*
[3] *Ferrosure (Isle of Man) Insurance Co Ltd was deconsolidated during the year ended 2015.*
[4] *October Wind Investments 91 (Pty) Ltd was deregistered during the year ended 2015.*

16. Other financial assets

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014
Non-current				
Available-for-sale (AFS) investments carried at fair value				
– Equity instruments	**78**	58	**69**	48
Loans and receivables				
Amortised cost				
– Ferrosure Isle of Man Insurance Captive Company Limited	**495**	–	**495**	–
Total	**573**	58	**564**	48
Current				
Financial assets carried at FVTPL				
– Held-for-trading	**38**	37	**32**	35
Total	**38**	37	**32**	35

Critical judgements and estimates

AFS investments

Hwange Colliery Company Ltd

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 dollarised Zimbabwe Stock Exchange. The carrying amount of the investment represents its market value at the reporting date of R9 million (2014: R10 million).

Coal of Africa Ltd

The company holds 126 133 423 shares (6.54%) in Coal of Africa Ltd a company primarily listed on the Australian Stock Exchange and dually listed on the Johannesburg Stock Exchange. The shares are valued at a fair value of R0.55 per share and therefore is valued at the market value of R69 million (2014: R48 million).

Amortised cost

Ferrosure Isle of Man

The investment in Ferrosure Isle of Man represents the company's insurance captive situated in the Isle of Man.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

17. Inventories

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Finished products	**2 665**	2 600	**2 370**	2 384
Work-in-progress	**3 773**	4 143	**3 603**	4 043
Raw materials	**2 091**	3 125	**1 844**	2 827
Plant spares and consumable stores	**856**	816	**686**	651
Total	**9 385**	10 684	**8 503**	9 905

Vereeniging Works

Inventory, mainly consumable stock of R51 million (2014: Rnil) was written down to its net realisable value of Rnil due to the Vaal Meltshop and certain areas of the Forge being under care and maintenance.

Thabazimbi run of mine stock

As a result of the closure of the Thabazimbi mine, run of mine stock of R297 million was written down to its net realisable value of R64 million, resulting in a net realisable value adjustment of R233 million.

Included in the above are finished products of R1 054 million (2014: R261 million), work-in-progress of R931 million (2014: R212 million) and raw materials of R1 612 million (2014: R1 510 million) carried at net realisable value.

In 2014 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 in 2014.

18. Trade and other receivables

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Trade receivables				
– Local	**1 153**	952	**1 074**	797
– Exports	**293**	381	**166**	170
Total gross trade receivables	**1 446**	1 333	**1 240**	967
Allowance for doubtful debts				
– Local	**(2)**	(2)	**(2)**	(2)
– Exports	**–**	(10)	**–**	(10)
Total allowances for doubtful debts	**(2)**	(12)	**(2)**	(12)
Other allowances				
– Local	**(273)**	(297)	**(273)**	(297)
– Exports	**(74)**	(2)	**(74)**	(2)
Total other allowances	**(347)**	(299)	**(347)**	(299)
Net trade receivables				
– Local	**878**	653	**799**	498
– Exports	**219**	369	**92**	158
Total net trade receivables	**1 097**	1 022	**891**	656
Other receivables				
Other receivables	**314**	197	**261**	107
Inventory prepayment	**–**	132	**–**	132
Rebates	**71**	–	**71**	–
Allowance for doubtful debts on other receivables	**(33)**	(22)	**(31)**	(20)
Net value added tax receivable	**217**	233	**150**	141
Total other receivables	**569**	540	**451**	360
Total	**1 666**	1 562	**1 342**	1 016

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

18. Trade and other receivables continued

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Average credit period for trade receivables				
The sectoral split of the average credit period (in days) on sale of goods is as follows:				
– Local	39	31	39	31
– Exports	22	22	25	19

No interest is charged on trade receivables for the first 30 days from date of statement. Thereafter, interest is charged at prime + 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	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Age of receivables past due and not impaired				
30 – 60 days	114	144	114	144
60 – 90 days	18	6	18	6
90 – 180 days	7	3	7	3
>180 days	15	22	15	22
Total	154	175	154	175

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	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Movement in inventory prepayment				
Opening balance	132	–	132	–
Deferred stripping in the period	436	132	436	132
Derecognition charge	(568)	–	(568)	–
Total	–	132	–	132

Inventory prepayments represented the contribution ArcelorMittal South Africa Ltd made towards the stripping costs of the Sishen mine in terms of the agreement. In accordance with the amended pricing formulae in the draft amended agreement, the terms of which have been agreed with Sishen Iron Ore Company (Pty) Ltd, ArcelorMittal South Africa Ltd will pay a market price for iron ore and as a result no further prepayments towards stripping costs would be made. The asset of R568 million was therefore derecognised and written off.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Movement in other allowances				
Balance at the beginning of the year	(299)	(212)	(299)	(212)
Allowances raised	(1 292)	(1 290)	(1 292)	(1 284)
Allowances utilised	1 244	1 203	1 244	1 197
Closing balance	(347)	(299)	(347)	(299)

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 2015

18. Trade and other receivables continued

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Movement in allowances for doubtful debts on other receivables				
Balance at the beginning of the year	(22)	(42)	(20)	(40)
Impairment losses recognised	(19)	(24)	(18)	(23)
Amounts recovered during the year	9	44	8	43
Closing balance	(32)	(22)	(30)	(20)
Age of impaired trade receivables				
30 – 120 days	–	(1)	–	(1)
120 – 180 days	–	–	–	–
> 180 days	(2)	(11)	(2)	(11)
Total	(2)	(12)	(2)	(12)

Trade receivables with a carrying amount of R1 520 million (2014: R1 128) were transferred (sold) to unrelated third parties. This amount represents the outstanding receivables that were sold at 31 December 2015. 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 2015 is R68 million (2014: R306 million).

Rebates relate to the amount owed to the company for payments made for iron ore in excess of the market price.

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;
- optimising cash collection periods; and
- diversifying 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 R3.8 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 below 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:

Customer	Rating	Credit limit		Balance	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Top three customers by sales for the year					
Outstanding balance	B	1 450	2 165	543	487
% of net trade receivables					
– group				49%	48%
– company				61%	74%

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

18. Trade and other receivables continued

	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Credit risk exposures by class for the group and company is as follows:				
– Local	80	64	90	76
– Exports	20	36	10	24
Total	100	100	100	100

19. Cash and cash equivalents

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Cash and bank balances	2 164	454	2 150	285
Total	2 164	454	2 150	285

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

No cash restrictions apply to the group or company in 2015 as Ferrosure Isle of Man Insurance Company Ltd was deconsolidated in 2015. In 2014 cash to the value of R154 million was restricted to meet the solvency requirements of Ferrosure Isle of Man Insurance Company Ltd.

20. Non-current assets held-for-sale

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Opening balance	–	–	–	–
Reclassification	302	–	308	–
Impairment losses (Refer to note 8)	(302)	–	(308)	–
Total	–	–	–	–

The investment in the Northern Cape Iron Ore Mining Operations (that form part of the corporate and other operating segment) previously disclosed as an investment in equity-accounted investments was reclassified to a non-current asset held-for-sale in the current year. The investment of R302 million at group and R308 million in company was impaired in full due to the current iron ore prices. Despite management remaining committed to the sale of the investment, the sale is unlikely to be completed within one year. Therefore, the investment ceased to be classified as a non-current asset held-for-sale and at 31 December 2015, the investment was reclassified to investments in equity-accounted investments.

21. Stated capital

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Authorised				
Ordinary shares at no par value 1 200 000 000 (2014: 1 200 000 000)				
"C" redeemable preference shares @ R10 each 2 357 584 (2014: 2 357 584)				
Issued				
Ordinary shares at no par value 445 752 132 (2014: 445 752 132)	37	37	37	37
Total	37	37	37	37

The unissued ordinary shares are not under the control of the directors. Of the issued shares 5.2% is held by Vicva Investments and Trading Nine (Pty) Ltd and the Ikageng Broad Based Employee Share Trust (Ikageng) holds 4.7%. Ikageng holds the shares in the company for the benefit of the employees until such time they vest. Vicva Investments and Trading Nine (Pty) Ltd and Ikageng Broad Based Employee Share Trust are subsidiaries of the company and the shares are treated as treasury shares.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

21. Stated capital continued

The analysis of ordinary shareholders below represents a summary of beneficial shareholders with a holding greater than 5% of issued shares as at 31 December 2015.

Beneficial shareholder	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
– ArcelorMittal Holdings AG	2	0.01	208 700 402	46.82
– Investec Asset Management	24	0.10	37 817 279	8.48
– Industrial Development Corporation	1	–	35 252 586	7.91
– Coronation Fund Managers*	136	0.58	27 313 841	6.13
– Government Employees Pension fund (GEPF)	3	0.01	24 608 405	5.52
– Vicva Investments and Trading Nine (Pty) Ltd	1	–	23 447 036	5.26
Total	**167**	**0.70**	**357 139 549**	**80.12**

**Includes funds under management excluding those managed on behalf of the GEPF.*

22. Finance lease obligations

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Secured – at amortised cost				
Non-current	193	256	109	156
Current	63	92	47	79
Total	**256**	**348**	**156**	**235**
The finance leases are embedded within supply arrangements with suppliers and have been assessed in terms of IFRIC 4 *Determining Whether an Arrangement Contains a Lease.*				
Maturity profile				
At 31 December				
Minimum lease payments				
Not later than one year	94	132	64	102
Later than one year and not later than five years	219	294	127	191
Later than five years	31	50	–	–
Total	344	476	191	293
Future finance charges	(88)	(128)	(35)	(58)
Present value of minimum lease payments	**256**	**348**	**156**	**235**

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 year.

Functional category	Term expiry	Effective interest rate (fixed)
Gasses	2016 – 2019	10.41% – 22.00%
Electricity and transport utilities	2018 – 2022	15.80% – 18.25%
Steel processing and foundry services	2015 – 2018	6% – 8.16%

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

23. Provisions

	Tshikondeni mine Rm	Competition Commission Rm	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Thabazimbi mine closure Rm	Other Rm	Total Rm
Group								
For the year ended 31 December 2015								
At the beginning of the year	162	–	189	1 619	214	–	107	2 291
Charge to the statement of comprehensive income	(23)	1 245	(13)	(65)	33	449	42	1 668
Additions and scope changes	(23)	1 245	(21)	(105)	23	449	42	1 610
Discount rate change	–	–	(12)	(137)	(10)	–	–	(159)
Unwinding of the discount effect	–	–	20	177	20	–	–	217
Utilised during the year	(139)	–	(3)	(73)	(60)	(168)	(87)	(530)
Asset retirement obligation scope changes	–	–	7	–	–	–	–	7
At the end of the year	–	1 245	180	1 481	187	281	62	3 436
Non-current	–	1 245	151	1 367	122	–	10	2 895
Current	–	–	29	114	65	281	52	541
Total	–	1 245	180	1 481	187	281	62	3 436

	Tshikondeni mine Rm	Competition Commission Rm	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Thabazimbi mine closure Rm	Other Rm	Total Rm
Company								
For the year ended 31 December 2015								
At the beginning of the year	162	–	182	1 619	187	–	107	2 257
Charge to the statement of comprehensive income	(23)	1 245	(15)	(65)	12	449	40	1 643
Additions and scope changes	(23)	1 245	(21)	(105)	4	449	40	1 589
Discount rate change	–	–	(12)	(137)	(10)	–	–	(159)
Unwinding of the discount effect	–	–	18	177	18	–	–	213
Utilised during the year	(139)	–	(2)	(73)	(51)	(168)	(87)	(520)
At the end of the year	–	1 245	165	1 481	148	281	60	3 380
Non-current	–	1 245	136	1 367	107	–	10	2 865
Current	–	–	29	114	41	281	50	515
Total	–	1 245	165	1 481	148	281	60	3 380

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

23. Provisions continued

Maturity profile

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

	Tshikondeni mine Rm	Competition Commission Rm	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Thabazimbi Rm	Other Rm	Total Rm
Group								
At 31 December 2015								
Less than one year	–	–	29	114	65	281	52	541
More than one year, less than five years	–	1 245	118	779	122	–	10	2 274
Greater than five years	–	–	33	588	–	–	–	621
Total	–	1 245	180	1 481	187	281	62	3 436
Company								
At 31 December 2015								
Less than one year	–	–	29	114	41	281	50	515
More than one year, less than five years	–	1 245	110	779	107	–	10	2 251
Greater than five years	–	–	26	588	–	–	–	614
Total	–	1 245	165	1 481	148	281	60	3 380

Thabazimbi mine closure

Due to the slope failure at the Thabazimbi mine, it is expected that the mine will cease all mining activities in 2016. In accordance with the settlement and supply agreement, a provision of R200 million and R249 million was recognised for developmental and retrenchment costs respectively. The developmental cost represents the provisional amount as indicated by Sishen Iron Ore (Pty) Ltd which is still subject to review before the final amount is determined.

Competition Commission

As reported in prior periods, and dating back to 2007, the Competition Commission (the Commission) has referred five cases to the Competition Tribunal and is formally investigating one further complaint against ArcelorMittal South Africa Ltd. The company has since engaged with the Commission and has made significant progress regarding a possible overall settlement and is in the process of finalising a detailed settlement agreement.

Whilst the draft settlement agreement is still subject to final approval by the Commission and the Competition Tribunal, a provision of R1 245 million representing the present value of a proposed administrative penalty of R1 500 million has been recognised.

The company has, subject to certain conditions being agreed upon with the Commission, proposed to pay the administrative penalty over a period of five years subject to appropriate interest.

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 assess 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 12, amounts to R8 million (2014: R2 million) for the group and Rnil (2014: Rnil) for the company.

A Compliance Notice/Directive was issued to the Newcastle Works by the National Department of Environmental Affairs (DEA) in December 2015. Newcastle Works implemented the necessary actions in full compliance with the instructions specified in the notice.

The term of the obligation assessment varies according to the site. The maximum term is 13 years.

Thabazimbi environmental rehabilitation

Included in the environmental rehabilitation provision is a provision for the rehabilitation of the Thabazimbi mine of R450 million (2014: R459 million). In accordance with the settlement and supply agreement, upon closure, the company is required to rehabilitate the mine. This provision is based on the latest estimate from Sishen Iron Ore Company (Pty) Ltd relating to the 31 December 2014 period. Independent consultants have been appointed to reassess the rehabilitation liability for discussion between the Company and Sishen Iron Ore Company (Pty) Ltd in order to finalise a closure plan.

Tshikondeni mine

The sale of the mine assets at the Tshikondeni mine were used to settle the closure costs of the mine and the balance of the provision was released in the year.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

23. Provisions continued

	2015 %	2014 %
Average discount rates		
Asset retirement obligation	**12.72**	11.39
Environmental remediation obligation	**13.36**	11.73
Onerous contracts	**11.82**	9.59

The average escalation factor applied to the current cash flow estimates is 6.8% (2014: 6.8%).

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 2015 equalled R146 million (2014: R179 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 2015 equalled R40 million (2014: R26 million).

Other

Vereeniging closure costs

In the current year, the Vaal Meltshop and parts of the Forge plants at Vereeniging Works were placed under care and maintenance. As a result, a provision for voluntary severance packages of R35 million was recognised.

Other provisions decreased mainly due to the utilisation of the provision raised in 2014 for corporate restructure costs.

The sensitivity of the carrying amount of the obligations at 31 December 2015 in response to changes in key inputs is as follows:

	Asset retirement obligations Rm Increase/ (decrease)	Environmental remediation obligations Rm Increase/ (decrease)	Onerous contracts Rm Increase/ (decrease)
Carrying amount at 31 December 2015			
% change in all cash flows			
+10%	**18**	**158**	**17**
-10%	**(18)**	**(158)**	**(17)**
% change in cash flows in first five years			
+10%	**15**	**98**	**17**
-10%	**(15)**	**(98)**	**(17)**
Basis point change in discount rate			
+100 bps	**(6)**	**(55)**	**(5)**
-100 bps	**6**	**55**	**5**
Basis point change in discount rate in first five years			
+100 bps	**(4)**	**(16)**	**(6)**
-100 bps	**4**	**16**	**6**

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

24. 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
2015								
Temporary differences								
At the beginning of the year	**3 153**	**(40)**	**(546)**	**(7)**	**(97)**	**(32)**	**(1 227)**	**1 204**
Charged to income	**(1 103)**	**(613)**	**79**	**(2)**	**25**	**(112)**	**522**	**(1 204)**
At the end of the year	**(2 050)**	**(653)**	**(467)**	**(9)**	**(72)**	**(144)**	**(705)**	**–**
2014								
Temporary differences								
At beginning of 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

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
2015								
Temporary differences								
At the beginning of the year	**1 996**	**(40)**	**(537)**	**(7)**	**(66)**	**(11)**	**(1 227)**	**108**
Charged to income	**(27)**	**(613)**	**86**	**–**	**22**	**(73)**	**497**	**(108)**
At the end of the year	**1 969**	**(653)**	**(451)**	**(7)**	**(44)**	**(84)**	**(730)**	**–**
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

	Group		Company	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Unrecognised deferred tax asset	**5 599**	–	**4 921**	–

Management believes that the turnaround initiatives will result in the company and group returning to profitability but also considers the timing and uncertainty of these initiatives. With the difficulty of accurately measuring the possible future effects management believes it is premature to conclude at this stage that it is more likely than not for sufficient future taxable profits to be available against which the full proposed deferred tax asset can be utilised. Therefore, the recognition of the deferred tax asset is capped to the availability of deferred tax liabilities at the reporting date.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

25. Other payables

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Leave pay	298	361	297	361
Sundry	696	669	687	665
Total	994	1 030	984	1 026
Non-current	236	261	236	261
Current	758	769	748	765
Total	994	1 030	984	1 026

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

26. Borrowings

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Unsecured – at amortised cost				
Loans	5 029	1 000	5 029	1 000
– Group loans	3 268	1 000	3 268	1 000
– Banks	1 761	–	1 761	–

Loans

The group loan will be repaid in two tranches; the first has been repaid and the second will be paid in quarter two of 2016. The weighted average interest rate payable on the loans is 8.40% (2014: 7.97%).

No loan covenants were breached during the year ended 31 December 2015.

27. Other financial liabilities

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Current				
Financial liabilities carried at fair value through profit or loss (FVTPL)				
– Held-for-trading	14	11	14	7
Total	14	11	14	7

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

28. Notes to the statement of cash flows

		Group		Company	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
28.1	**Cash generated from operations**				
	Loss from operations	(4 736)	(301)	(5 490)	(591)
	Adjusted for non-cash movements				
	– Depreciation	1 346	1 386	986	983
	– Amortisation of intangible assets	23	24	20	20
	– Unrealised losses/(profit) on sales to joint ventures	18	(12)	–	–
	– Share option and participation costs	55	23	55	23
	– Movement in provisions	1 632	62	1 611	59
	– Net (gains)/losses arising on financial assets and liabilities held-for-trading	(426)	10	(425)	(14)
	– Write-down/(reversal of write-down) of inventory to net realisable value	187	(90)	57	(46)
	– Asset retirement obligation scope changes	(21)	–	(21)	–
	– Movements in trade and other receivable allowances	1	68	(1)	69
	– Reconditionable spares usage	5	8	4	6
	– Loss on disposal or scrapping of property, plant and equipment	5	29	2	26
	Working capital movements				
	– Decrease/(increase) in inventories	1 112	(41)	1 345	(304)
	– (Increase)/decrease in trade and other receivables	(87)	568	(314)	559
	– Increase in trade payables	1 188	559	1 091	312
	– (Decrease)/increase in other payables	(36)	83	(43)	179
	– Utilisation of provisions	(530)	(171)	(520)	(160)
		(264)	2 205	(1 643)	1 121
28.2	**Income tax paid**				
	Normal taxation recoverable at the beginning of the year	46	45	64	51
	(Amounts charged)/credited to the statement of comprehensive income	(11)	(83)	(3)	11
	Normal taxation recoverable at the end of the year	(75)	(46)	(65)	(64)
		(40)	(84)	(4)	(2)
28.3	**Investment to maintain operations**				
	Replacement of property, plant and equipment	(1 004)	(2 483)	(913)	(2 339)
	Intangible assets	(11)	(13)	(11)	(13)
	Environmental	(65)	(62)	(65)	(62)
	Reconditionable spares	(84)	(82)	(56)	(56)
		(1 164)	(2 640)	(1 045)	(2 470)
28.4	**Investment to expand operations**				
	Property, plant and equipment for expansion and new technology	(92)	(73)	(84)	(73)
		(92)	(73)	(84)	(73)
	Total capital expenditure	(1 256)	(2 713)	(1 129)	(2 543)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

29. Financial instruments and financial risk management

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
29.1 Categories of financial instruments				
Financial assets				
Fair value through profit or loss				
– Held-for-trading	38	37	32	35
Loans and receivables carried at amortised cost				
– Cash and bank balances	2 164	454	2 150	285
– Trade and other receivables	1 448	1 329	1 191	875
Available-for-sale financial assets	573	58	564	48
Total financial assets	4 223	1 878	3 937	1 243
Financial liabilities				
Fair value through profit or loss				
– Held-for-trading	14	11	14	7
Liabilities carried at amortised cost				
– Borrowings	5 029	1 000	5 029	1 000
– Finance lease obligations	256	348	156	235
– Trade payables	7 761	6 402	6 587	5 385
– Other payables	795	584	784	579
Total financial liabilities	13 855	8 345	12 570	7 206

29.2 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.

Financial assets measured at FVTPL	**Valuation technique**	**Fair value hierarchy**	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Held-for-trading	Quoted in active market	Level 1	38	37	32	35
Available-for-sale financial assets	Quoted in active market	Level 1	78	58	69	48
Total financial assets measured at fair value			116	95	101	83
Financial liabilities measured at FVTPL	**Valuation technique**	**Fair value hierarchy**				
Held-for-trading liabilities	Quoted in active market	Level 1	14	11	14	7
Total financial liabilities measured at fair value			14	11	14	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 2015

29. Financial instruments and financial risk management continued

29.3 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.

	Carrying value 2015 Rm	Fair value 2015 Rm	Carrying value 2014 Rm	Fair value 2014 Rm
Group				
Non-current liabilities	193	193	256	244
Finance lease obligations	193	193	256	244
Current liabilities	13 648	13 648	8 078	8 108
Borrowings	5 029	5 029	1 000	1 000
Finance lease obligations	63	63	92	122
Trade payables	7 761	7 761	6 402	6 402
Other payables	795	795	584	584
Total liabilities	13 841	13 841	8 334	8 352
Total borrowings	5 029	5 029	1 000	1 000
Total finance lease obligations	256	256	348	366
Trade payables	7 761	7 761	6 402	6 402
Other payables	795	795	584	584
Total liabilities	13 841	13 841	8 334	8 352
Current assets				
– Ferrosure Isle of Man Insurance Captive	495	495	–	–
Total assets	495	495	–	–
Company				
Non-current liabilities	109	109	156	145
Finance lease obligations	109	109	156	145
Current liabilities	12 447	12 447	7 043	7 058
Borrowings	5 029	5 029	1 000	1 000
Finance lease obligations	47	47	79	94
Trade payables	6 587	6 587	5 385	5 385
Other payables	784	784	579	579
Total liabilities	12 556	12 556	7 199	7 203
Borrowings	5 029	5 029	1 000	1 000
Total finance lease obligations	156	156	235	239
Trade payables	6 587	6 587	5 385	5 385
Other payables	784	784	579	579
Total liabilities	12 556	12 556	7 199	7 203
Current assets				
– Ferrosure Isle of Man Insurance Captive	495	495	–	–
Total assets	495	495	–	–

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 2015

29. Financial instruments and financial risk management continued

29.4 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 18.

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 co-operation with the group 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.

29.5 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 2015

29. Financial instruments and financial risk management continued

29.6 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	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Monetary assets				
United States dollar (USD)				
Loans and receivables				
– Cash and cash equivalents	**1**	333	**1**	178
– Trade and other receivables (related parties)	**295**	400	**117**	83
EURO (EUR)				
Financial assets at FVTPL				
– Held-for-trading	**38**	37	**32**	35
Metica (MZN)				
Loans and receivable				
Cash and cash equivalents	**13**	13	**–**	–
Total foreign denominated monetary assets	**347**	783	**150**	296
Monetary liabilities				
USD				
Carried at amortised cost				
– Trade payables (related parties)	**(2 237)**	(1 779)	**(1 934)**	(1 568)
– Trade payables (unrelated parties)	**(32)**	(311)	**(32)**	(274)
EUR				
Carried at amortised cost				
- Trade payables (related parties)	**(194)**	(156)	**(194)**	(156)
- Trade payables (unrelated parties)	**(60)**	(62)	**(38)**	(43)
Financial liabilities at FVTPL				
– Held-for-trading	**(10)**	(11)	**(10)**	(7)
Total foreign denominated monetary liabilities	**(2 533)**	(2 319)	**(2 208)**	(2 048)
Total net foreign denominated monetary (liabilities)	**(2 186)**	(1 536)	**(2 058)**	(1 752)

Only notable currency holdings are disclosed.

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	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
USD				
Profit or loss	**197**	136	**185**	158
EUR				
Profit or loss	**25**	22	**23**	20
Total	**222**	158	**208**	178

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

29. Financial instruments and financial risk management continued

29.6 Foreign currency risk management continued

Economic hedging using derivative contracts

The selective foreign exchange hedging programme using derivative contracts described in note 29.5 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				
2015				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	**15.62**	**29**	**28**	**28**
– Sell USD	**15.44**	**22**	**(4)**	**(4)**
2014				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	14.62	23	(11)	(11)
– Buy USD	11.24	91	37	37
Company				
2015				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	**15.57**	**26**	**22**	**22**
– Sell USD	**15.44**	**22**	**(4)**	**(4)**
2014				
Forward contracts held-for-trading at FVTPL				
– Buy EUR	14.56	14	(7)	(7)
– Buy USD	11.23	85	35	35

29.7 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. Refer to note 29.9 for interest rate sensitivity.

29.8 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

29. Financial instruments and financial risk management continued

29.8 Liquidity risk management continued

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

	Group		Company	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Short-term facilities at the end of the reporting period – amount undrawn	**–**	3 626	**–**	3 626

During the reporting period, the maximum drawn amount at any given point equalled R5 539 million (2014: R5 552 million). No financing agreements were breached during the current or comparative reporting period.

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.

	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
Group							
For the year ended 31 December 2015							
Non-interest bearing							
– Trade payables	**0.9**	**7 833**	**–**	**–**	**–**	**(72)**	**7 761**
– Other payables	**0.0**	**795**	**–**	**–**	**–**	**–**	**795**
Finance lease obligations	**12.4**	**47**	**47**	**218**	**32**	**(88)**	**256**
Borrowings	**8.4**	**5 029**	**–**	**–**	**–**	**–**	**5 029**
Total		**13 704**	**47**	**218**	**32**	**(160)**	**13 841**
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	8.0	1 000	–	–	–	–	1 000
Total		8 105	59	294	50	(174)	8 334

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

The group and company has access to financing facilities as noted earlier of which Rnil (2014: R5 862 million) were 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 2015

29. Financial instruments and financial risk management continued

29.8 Liquidity risk management continued

Liquidity risk and interest risk tables continued

Contractual maturity for its non-derivative financial liabilities continued

	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
Company							
For the year ended 31 December 2015							
Non-interest bearing							
– Trade payables	1.1	6 659	–	–	–	(72)	6 587
– Other payables	0.0	784	–	–	–	–	784
Finance lease obligations	10.7	32	32	127	–	(35)	156
Borrowings	8.4	5 029	–	–	–	–	5 029
Total		12 504	32	127	–	(107)	12 556
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	8.0	1 000	–	–	–	–	1 000
Total		7 068	44	191	–	(104)	7 199

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

Liquidity risk and interest risk tables

Expected maturity of non-derivative financial assets

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

The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	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
Group							
For the year ended 31 December 2015							
Non-interest bearing							
– Trade and other receivables[2]	0.5	1 455	–	–	–	(7)	1 448
Fixed and variable interest rate cash holdings							
– Cash and bank balances[3]	0.4	2 164	–	–	–	–	2 164
Total		3 619	–	–	–	(7)	3 612
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

[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 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 2015

29. Financial instruments and financial risk management continued

29.8 Liquidity risk management continued

Liquidity risk and interest risk tables continued

Expected maturity of non-derivative financial assets continued

	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
Company							
For the year ended 31 December 2015							
Non-interest bearing							
– Trade and other receivables[2]	**0.6**	**1 198**	**–**	**–**	**–**	**(7)**	**1 191**
Fixed and variable interest rate cash holdings							
– Cash and bank balances[3]	**0.4**	**2 150**	**–**	**–**	**–**	**–**	**2 150**
Total		**3 348**	**–**	**–**	**–**	**(7)**	**3 341**
For the year ended 31 December 2014							
Non-interest bearing							
– Trade and other receivables[2]	1.0	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

[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 bank balances on hand at the end of the reporting period, and the expected annual interest income to be earned thereon.*

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 2015						
Net cash-settled foreign currency derivatives	**20**	**18**	**–**	**–**	**–**	**38**
Total	**20**	**18**	**–**	**–**	**–**	**38**
For the year ended 31 December 2014						
Net cash-settled foreign currency derivatives	37	–	–	–	–	37
Total	37	–	–	–	–	37
Company						
For the year ended 31 December 2015						
Net cash-settled foreign currency derivatives	**13**	**19**	**–**	**–**	**–**	**32**
Total	**13**	**19**	**–**	**–**	**–**	**32**
For the year ended 31 December 2014						
Net cash-settled foreign currency derivatives	35	–	–	–	–	35
Total	35	–	–	–	–	35

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

29. Financial instruments and financial risk management continued

29.8 Liquidity risk management continued

Liquidity risk and interest risk tables continued

Derivative financial instruments continued

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	> 5 years Rm	Discount Rm	Carrying amount Rm
Financial liabilities						
Group						
For the year ended 31 December 2015						
Net cash-settled foreign currency derivatives	5	9	–	–	–	14
Total	5	9	–	–	–	14
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 2015						
Net cash-settled foreign currency derivatives	5	9	–	–	–	14
Total	5	9	–	–	–	14
For the year ended 31 December 2014						
Net cash-settled foreign currency derivatives	7	–	–	–	–	7
Total	7	–	–	–	–	7

29.9 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 2015.

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 less cash and cash equivalents. Total shareholders' equity is as per the statement of financial position.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Cash and bank balances	2 164	454	2 150	285
Interest-bearing borrowings, bank overdraft and finance lease obligations	(5 285)	(1 348)	(5 185)	(1 235)
Net debt	(3 121)	(894)	(3 035)	(950)
Total shareholders' equity	13 472	20 722	9 147	17 963
Gearing ratio (%)	23.17	4.31	33.18	5.29
Estimated impact on profit and loss based on a 100 basis point change in interest rate				
– 100 basis point increase	(31.21)	(8.94)	(30.35)	(9.5)
– 100 basis point decrease	31.21	8.94	30.35	9.5

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

30. 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 products and services to the value of R4 228 million (2014: R4 801 million) from, and sold goods to the value of R42 million (2014: R65 million) to other companies in the ArcelorMittal group.

The outstanding balances at year-end are as follows:
- Included in trade receivables, R49 million (2014: R45 million).
- Included in trade payables, R2 433 million (2014: R1 676 million).

Included in trade payables is the corporate service fee of R372 million (2014: R124 million) payable to ArcelorMittal group for corporate services rendered and the fee for research and development of R145 million to ArcelorMittal Investigation (2014: R118 million).

Included in borrowings is a loan of R3 268 million (2014: R1 000 million) (refer to note 26) with the holding company.

Jointly controlled entities and associates

Interest income for the group from jointly controlled entities of R6 million (2014: R6 million) is included in note 6.

The group purchased goods and services to the value of R190 million (2014: R229 million) from, and sold goods to the value of R5 646 million (2014: R7 544 million) to its equity-accounted entities.

The outstanding balances at year-end are as follows:
- Included in trade and other receivables, R199 million (2014: R303 million).
- Included in trade payables, Rnil (2014: R1 million).

Included in the carrying value of jointly controlled entities are non-current loans of R138 million (2014: R171 million).

Subsidiaries

Details of income from investments and indebtedness in subsidiaries are disclosed in note 15.

ArcelorMittal South Africa Ltd received a management fee of R271 million (2014: R253 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 33.

Senior employees and prescribed officers

Details relating to option and share transactions are disclosed in note 32.

Shareholders

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

31. Post-employment benefits

31.1 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 (Registration number 12/8/35421) and ArcelorMittal South Africa Selector Provident Fund (Registration number 12/8/35423), both operating as defined contribution plans.
- Iscor Employees' Provident Fund (Registration number 12/8/27484), operating as a defined contribution plan.
- Iscor Retirement Fund (Registration number 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	
	2015 number	2014 number	**2015 Rm**	2014 Rm
ArcelorMittal South Africa Selector Pension and Provident Funds	**5 220**	4 626	**100**	116
Iscor Employees' Provident Fund	**3 588**	3 779	**63**	64
Total	**8 808**	8 405	**163**	180

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

31. Post-employment benefits continued

31.1 Pensions continued

Defined benefit plans

ArcelorMittal South Africa Pension Fund

The fund is administered by Sanlam Employee Benefit. 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 precedes the member's retirement.

On 9 November 2015, the Financial Services Board of South Africa approved the amendment to the rules such that the company will no longer participate in the fund. Effective 1 April 2015, the company's participation in the fund was terminated and the company is no longer required to make any further contributions to the fund in the event of a shortfall. Therefore from 1 April 2015, the pension fund obligation ceased to be accounted for as a liability. AMSA has derecognised the liability on its balance sheet in full and ceased to disclose the ArcelorMittal South Africa Pension Fund in these disclosure notes to the financial statements from 1 April 2015.

The last statutory actuarial valuation was performed at 31 March 2015. 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.

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 2014. The actuaries were of the opinion that the fund was adequately funded.

	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund	
Membership	**2015**	2014	**2015**	2014
As at 31 December				
Active members	**–**	27	**–**	–
Pensioner members	**6 488**	6 863	**637**	981
Pension fund assets	**Rm**	Rm	**Rm**	Rm
The major categories of plan assets are as follows:				
Fixed income securities (including cash)	**–**	4 574	**171**	193
Equity securities	**–**	3 289	**102**	128
Real estate	**–**	53	**7**	2
Total	**–**	7 916	**280**	323

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.

	2015 %	2014 %
At valuation date		
Discount rate	**9.6**	8.1
General inflation rates	**7.7**	6.3
Salary inflation	**7.1**	6.8

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

31. Post-employment benefits continued

31.1 Pensions continued

Defined benefit plans continued

Amounts recognised in comprehensive income in respect of the defined benefit plans are as follows:

	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund		Total	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
Service cost						
– Current service cost	**–**	2	**–**	–	**–**	2
Enhancer	**14**	–	**–**	–	**14**	–
Net finance income	**–**	–	**–**	–	**–**	–
Administration costs	**–**	4	**–**	–	**–**	4
Sub-total	**14**	6	**–**	–	**14**	6
Asset restriction adjustment	**(14)**	(6)	**–**	–	**(14)**	(6)
Employee costs	**–**	–	**–**	–	**–**	–

Amounts recognised in other comprehensive income in respect of the defined benefit plans are as follows:

	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund		Total	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
Remeasurement (gains)/losses						
– Return on plan assets (excluding amounts recognised in net interest expense)	**1 374**	(190)	**37**	(24)	**1 411**	(214)
– Changes in the irrecoverable surplus in excess of interest	**(1 413)**	220	**(47)**	4	**(1 460)**	224
– Actuarial losses arising from changes in financial assumptions	**48**	35	**–**	–	**48**	35
– Actuarial (gains) and losses arising from experience adjustments	**(23)**	(71)	**9**	20	**(14)**	(51)
Components of defined benefit costs recognised in other comprehensive income	**(14)**	(6)	**(1)**	–	**(15)**	(6)
Asset restriction adjustment	**14**	6	**1**	–	**15**	6
Total	**–**	–	**–**	–	**–**	–

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

31. Post-employment benefits continued

31.1 Pensions 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	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
For the year ended 31 December						
Projected benefit obligation	**–**	6 532	**233**	251	**233**	6 783
Fair value of plan assets	**–**	(7 916)	**(280)**	(337)	**(280)**	(8 253)
Surplus	**–**	(1 384)	**(47)**	(86)	**(47)**	(1 470)
Asset restriction adjustment[1]	**–**	1 384	**47**	86	**47**	1 470
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	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
For the year ended 31 December						
Projected benefit obligation at the beginning of the year	**6 532**	6 784	**251**	252	**6 783**	7 036
Interest cost	**124**	535	**19**	20	**143**	555
Current service cost	**–**	2	**–**	–	**–**	2
Benefits paid	**(189)**	(753)	**(46)**	(41)	**(235)**	(794)
Enhancer	**14**	–	**–**	–	**14**	–
Derecognition of fund	**(6 506)**	–	**–**	–	**(6 506)**	–
Remeasurement (gains)/losses						
– Actuarial losses arising from changes in financial assumptions	**48**	35	**–**	–	**48**	35
– Actuarial (gains) and losses arising from experience adjustments	**(23)**	(71)	**9**	20	**(14)**	(51)
Projected benefit obligation at the end of the year	**–**	6 532	**233**	251	**233**	6 783

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

31. Post-employment benefits continued

31.1 Pensions continued

Defined benefit plans continued

Movement in present value of plan assets

	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund		Total	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
For the year ended 31 December						
Fair value of plan assets at the beginning of the year	**7 916**	7 857	**337**	328	**8 253**	8 185
Interest income on plan assets	**153**	625	**26**	26	**179**	651
Expected return	**(1 418)**	190	**(41)**	24	**(1 459)**	214
Contributions – employer	**–**	1	**–**	–	**–**	1
Administration cost of plan assets	**–**	(4)	**–**	–	**–**	(4)
Benefits paid	**(189)**	(753)	**(46)**	(41)	**(235)**	(794)
Derecognition of fund	**(6 506)**	–	**–**	–	**(6 506)**	–
Actuarial gains	**44**	–	**4**	–	**48**	–
Fair value of plan assets at the end of the year	**–**	7 916	**280**	337	**280**	8 253

The plan assets of the ArcelorMittal South Africa Pension Fund include ordinary shares of ArcelorMittal South Africa with a fair value of Rnil (2014: Rnil). 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 2015 financial year are Rnil (2014: R1 million) to the ArcelorMittal South Africa Pension Fund and Rnil (2014: Rnil) to the Iscor Retirement Fund.

Sensitivity analysis

2015

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	**–**	**–**	**–**	**–**	**–**

Iscor Retirement Fund

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

31.2 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 2015 there were 27 qualifying retirees (2014: 27).

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

32. Share-based payments

Equity-settled share plan – local employees

Long-term incentive plan

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 receive shares subject to ongoing employment and individual performance. New grants to senior management since 2015 will also vest depending on ongoing employment, prescribed performance conditions and individual performance conditions. 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 2014. 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.

There were no share option grants made in 2015 or 2014 and as at 31 December 2015, all share options had vested.

Employee share ownership plan (ESOP)

On 1 October 2015 the employee share ownership plan (ESOP) became effective. 21 million shares were granted to qualifying employees that will vest after five years of continued service in the company. However 3 114 001 shares remain outstanding and have not yet become effective. All permanent employees who do not qualify for the company's LTIP programme, qualify to participate in the ESOP.

The employee share ownership plan is equity-settled. The relevant employees will, during the life span of the scheme, benefit proportionately in the dividends earned from the ArcelorMittal shares that will be the subject of the scheme.

There are no performance targets for vesting and qualifying employees are not required to pay any consideration to participate in the scheme. The only vesting requirement is five years continued employment in the company.

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, and the ESOP to Computershare Investor Services (Pty) Ltd.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

32. Share-based payments continued

Key assumptions

For the purposes of valuing the different grants the following assumptions were made:

	ESOP		LTIP		Share options	
	2015	2014	**2015**	2014	**2015**	2014
Weighted average fair value on grant date (R)*	**9.13**	n/a	**27.40**	35.22	**n/a**	n/a
Expected attrition rate (%)	**6.99**	n/a	**7.69**	11.81	**7.69**	11.81
Charge to statement of comprehensive income (Rm)	**8**	n/a	**44**	20	**–**	1

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

Shares available for distribution

	2015 million	2014 million
Opening balance	**15.6**	38.4
Utilisation	**(0.01)**	(0.5)
Revision of shares available	**(2.7)**	(22.3)
Releases, forfeitures, resignations	**0.7**	–
Closing balance	**13.6**	15.6

Reconciliation of outstanding LTIP units/share options/shares

	ESOP		LTIP		Share options	
	2015 million	2014 million	**2015 million**	2014 million	**2015 million**	2014 million
Outstanding at the beginning of the year	**–**	–	**3.3**	2.1	**3.5**	4.2
Granted/reinstatement	**20.0**	–	**2.8**	1.4	**–**	–
Expired/cancelled/forfeited/exercised	**–**	–	**(0.3)**	(0.2)	**(0.5)**	(0.7)
Outstanding at the end of the year	**20.0**	–	**5.8**	3.3	**3.0**	3.5

Exercisable options/units

	ESOP		LTIP		Share options	
	2015 million	2014 million	**2015 million**	2014 million	**2015 million**	2014 million
Weighted average remaining contractual life in days at year-end						
Average days until fully vested	**1 735**	n/a	**571**	679	**n/a**	n/a
Average days until expiry	**n/a**	n/a	**n/a**	n/a	**1 342**	1 645
Weighted average prices applicable per transaction type						
Granted (R/unit)	**9.13**	n/a	**18.73**	35.22	**–**	–
Exercised strike price (R/unit)	**n/a**	n/a	**22.66**	26.73	**–**	–
Lapsed/cancelled (R/unit)	**n/a**	n/a	**11.95**	36.00	**76.25**	94.11
Outstanding (R/unit)	**9.13**	n/a	**27.40**	28.81	**90.99**	88.50

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

32. Share-based payments continued

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

	ESOP		LTIP		Share options	
	2015 million	2014 million	**2015 million**	2014 million	**2015 million**	2014 million
Latest expiry date	**n/a**	n/a	**n/a**	n/a	**2021**	2021
Exercise price range (R)	**n/a**	n/a	**n/a**	n/a	**53.38 – 250**	53.38 – 250
Number of outstanding units/options	**19 661 883**	n/a	**5 757 312**	3 253 100	**2 987 965**	3 500 415
Total proceeds to employees if exercised immediately (Rm)*	**88**	n/a	**19**	86	**–**	–
Total intrinsic value of out-of-the-money options (Rm)**	**n/a**	n/a	**–**	–	**(258)**	(217)
ArcelorMittal South Africa closing price at 31 December (R)	**4.50**	26.41	**4.50**	26.41	**4.50**	26.41

* *Proceeds to employees should all options vest on 31 December.*
** *Hypothetically, if all options were to vest on 31 December, all options are out of the money.*

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

	Options			
	Exercise price range 2015 R	**Outstanding numbers 2015 Units**	Exercise price range 2014 R	Outstanding numbers 2014 Units
For year ended 31 December				
Expiry date details				
2015	**n/a**	**n/a**	53.38	224 345
2016	**54.19 – 83.88**	**387 218**	54.19 – 83.88	422 813
2017	**62 – 140**	**479 466**	97.72 – 140	453 346
2018	**73.75 – 250**	**423 968**	73.75 – 250	488 968
2019	**95.5 – 121.50**	**416 490**	95.5 – 121.50	477 080
2020	**77.88 – 85.1**	**23 300**	76.88 – 85.1	28 640
2021	**59 – 87.20**	**1 257 523**	59 – 87.20	1 405 223
Total		**2 987 965**		3 500 415

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. 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 for the year amounted to R3 million (2014: R1.6 million).

	Group and company	
	2015	2014
Latest vesting date	**18 December 2018**	27 December 2016
Number of units outstanding	**58 850**	51 525
Units fully vested	**9 125**	9 125
Weighted average fair value at grant date (USD)	**11.17**	12.42
Average days until fully vested	**539**	842

Reconciliation of outstanding restricted stock units

	Units	Units
Outstanding at the beginning of the year	**51 525**	35 250
Granted	**8 000**	24 000
Transfers	**31 250**	(600)
Exercised	**–**	(7 125)
Expired/cancelled/forfeited	**(31 925)**	–
Outstanding at the end of the year	**58 850**	51 525

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

33. Remuneration of directors and prescribed officers

This is a summary of directors' remuneration, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Ltd.

	Notes	Salary[1] R	Retirement funding R	Short-term incentives[2] R	Equity incentives[3] R	Other[4] R	**Total remuneration 2015 R**	Total remuneration 2014 R
Executive directors								
PS O'Flaherty	5	4 289 851	356 063	489 635	1 583 972	38 931	**6 758 452**	1 998 733
D Subramanian	6	892 598	78 237	–	–	72 946	**1 043 781**	–
MJ Wellhausen	7	570 084	–	313 000	89 467	225 096	**1 197 647**	5 711 060
Sub-total		5 752 533	434 300	802 635	1 673 439	336 973	**8 999 880**	7 709 793
Prescribed officers and highest paid employees								
WA Nel		2 263 463	187 870	191 500	1 764 526	50 169	**4 457 528**	4 260 222
M Adam	8	2 385 391	197 990	–	290 663	1 685 832	**4 559 876**	–
TG Nkosi		2 162 316	195 212	171 000	1 405 005	109 393	**4 042 926**	3 214 690
RH Torlage		2 111 644	179 177	135 500	891 478	158 417	**3 476 216**	3 721 679
KS Kumar	9	2 144 562	–	31 500	306 744	89 874	**2 572 680**	3 084 995
W Venter	10	1 555 184	129 082	3 000	433 519	110 849	**2 231 634**	–
HL Rosenstock	11	917 082	–	27 300	153 372	285 902	**1 383 656**	3 921 492
Sub-total		13 539 642	889 331	559 800	5 245 307	2 490 436	**22 724 516**	18 203 078
Total		19 292 175	1 323 631	1 362 435	6 918 746	2 827 409	**31 724 396**	25 912 871

	Notes	Directors' fees R	Committee fees R	Other[4] R	**Total remuneration 2015 R**	Total remuneration 2014 R
Non-executive directors						
PM Makwana		1 262 800	–	10 295	**1 273 095**	1 190 610
DCG Murray		158 016	472 047	13 463	**643 526**	487 907
LP Mondi		158 016	172 381	–	**330 397**	269 346
NP Mnxasana		158 016	256 287	–	**414 303**	312 488
JRD Modise		158 016	413 650	4 289	**575 955**	387 112
FA du Plessis	12	87 630	147 196	59 680	**294 506**	479 949
NF Nicolau	13	49 665	80 034	1 431	**131 130**	–
Total		2 032 159	1 541 595	89 158	**3 662 912**	3 127 412

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.

[1] *Salary represents cash salary earned by directors and prescribed officers.*
[2] *The short-term incentives relate to benefits for the December 2014 financial year, paid in April 2015.*
[3] *Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.*
[4] *Other includes separation payments, leave encashment, business travel claims and allowance, settlement allowance, housing benefits, international mobility allowance, medical benefits, hardship allowance and sign-on incentives.*
[5] *In December 2015, PS O'Flaherty announced his resignation as chief executive officer (CEO). It is proposed that PS O'Flaherty will be appointed as a non-executive director with effect from 1 March 2016. A replacement will be announced once finalised.*
[6] *D Subramanian was appointed on 1 August 2015 as chief financial officer.*
[7] *MJ Wellhausen resigned as CFO and executive director effective on 15 March 2015.*
[8] *M Adam was appointed on 16 February 2015 as general council and regulatory affairs.*
[9] *KS Kumar resigned as chief marketing officer with effect from 1 March 2016.*
[10] *W Venter was appointed as chief technology officer on 1 July 2015.*
[11] *Dr HL Rosenstock resigned as chief operations officer on 30 June 2015.*
[12] *FA du Plessis resigned on 22 July 2015 as non-executive director.*
[13] *NF Nicolau was appointed as independent non-executive director on 10 September 2015.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

33. Remuneration of directors and prescribed officers continued

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

The following table reflects unvested LTIPs held by executive directors, prescribed officers and the highest paid senior employees as at 31 December 2015:

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	240 629
		18/05/2015	–	330 801	330 801	–	18.73	1 488 605
			53 473	**330 801**	**384 274**	**–**		**1 729 233**
WA Nel	LTIP	14/11/2013	94 096	–	94 096	–	40.47	423 432
		27/05/2014	81 263	–	81 263	–	34.89	365 684
		18/05/2015	–	104 733	104 733	–	18.73	471 299
			175 359	**104 733**	**280 092**	**–**		**1 260 414**
TG Nkosi	LTIP	14/11/2013	84 728	–	84 728	–	40.47	381 276
		27/05/2014	52 131	–	52 131	–	34.89	234 590
		18/05/2015	–	79 857	79 857	–	18.73	359 357
			136 859	**79 857**	**216 716**	**–**		**975 222**
RH Torlage	LTIP	14/11/2013	21 304	–	21 304	–	40.47	95 868
		27/05/2014	51 669	–	51 669	–	34.89	232 511
		18/05/2015	–	99 887	99 887	–	18.73	449 492
			72 973	**99 887**	**172 860**	**–**		**777 870**
M Adam	LTIP	18/05/2015	–	147 387	147 387	–	18.73	663 242
			–	**147 387**	**147 387**	**–**		**663 242**
W Venter	LTIP	10/12/2012	16 330	–	16 330	16 330	29.01	73 485
		14/11/2013	12 770	–	12 770	–	40.47	57 465
		27/05/2014	13 222	–	13 222	–	34.89	59 499
		18/05/2015	–	20 255	20 255	–	18.73	91 148
			42 322	**20 255**	**62 577**	**16 330**		**281 597**

Notes:

Long-term incentive plan shares vest within three years.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

33. Remuneration of directors and prescribed officers

3.2 Restricted stock unit (RSU)/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	Issue price (USD)	Present value of unvested share units at the end of the year (USD)
MJ Wellhausen	RSU	29/03/2013	2 500	–	2 500	–	12,78	10 550
		27/09/2013	2 500	–	2 500	–	13,82	10 550
		17/12/2014	4 000	–	4 000	–	10,96	16 880
	PSU	29/03/2013	1 500	–	1 500	–	12,78	6 330
		27/09/2013	2 750	–	2 750	–	13,82	11 605
		17/12/2014	4 000	–	4 000	–	10,96	16 880
			17 250	**–**	**17 250**	**–**		**72 795**
HL Rosenstock	RSU	29/03/2013	2 000	–	2 000	–	12,78	8 440
		27/09/2013	2 000	–	2 000	–	13,82	8 440
		17/12/2014	4 000	–	4 000	–	10,96	16 880
	PSU	27/09/2013	800	–	800	–	13,82	3 376
		17/12/2014	4 000	–	4 000	–	10,96	16 880
			12 800	**–**	**12 800**	**–**		**54 016**
KS Kumar	RSU	01/09/2011	2 000	–	2 000	2 000	21,28	8 440
		29/03/2013	2 000	–	2 000	–	12,78	8 440
		27/09/2013	2 000	–	2 000	–	13,82	8 440
		17/12/2014	2 000	–	2 000	–	10,96	8 440
		18/12/2015	–	2 000	2 000	–	3,83	8 440
	PSU	27/09/2013	800	–	800	–	13,82	3 376
		17/12/2014	2 000	–	2 000	–	10,96	8 440
		18/12/2015	–	2 000	2 000	–	3,83	8 440
			10 800	**4 000**	**14 800**	**2 000**		**62 456**

34. Contingent liabilities

34.1 Financial guarantees

	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
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:	**–**	1	**24**	24
Total	**–**	1	**24**	24

34.2 Competition Commission investigation

As reported in prior periods, and dating back to 2007, the Competition Commission (the Commission) has referred five cases to the Competition Tribunal and is formally investigating one further complaint against AMSA. The company has since engaged with the Commission and has made significant progress regarding a possible overall settlement and is in the process of finalising the detailed settlement agreement. Whilst the draft settlement agreement is still subject to final approval by the Commission and the Competition Tribunal, a provision of R1 245 million representing the present value of a proposed administrative penalty of R1 500 million has been recognised. The company has, subject to certain conditions being agreed upon with the Commission, proposed to pay the administrative penalty over a period of five years subject to appropriate interest (refer to note 23). There are no other material litigations and claims that result in a contingent liability as defined in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2015

35. Commitments

	Group		Company	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Capital expenditure commitments				
Capital expenditure contracted for property, plant and equipment	**992**	377	**887**	222
Capital expenditure authorised but not contracted for property, plant and equipment	**745**	798	**548**	739
Total	**1 737**	1 175	**1 435**	961
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	**28**	53	**23**	52
– More than one year and less than five years	**92**	133	**64**	129
– More than five years	**–**	–	**–**	–
Total	**120**	186	**87**	181

36. Subsequent events

Rights issue

A successful rights offer for R4 500 million was concluded on 15 January 2016. ArcelorMittal group has underwritten the rights issue in its entirety, through repayment of an outstanding intra-group loan of R3 200 million and made an additional cash injection of approximately R460 million. The intra-group loan is being repaid in two tranches; the first has been repaid and the second will be paid in quarter two of 2016.

B-BBEE transaction

As part of ArcelorMittal South Africa's initiatives in transforming the company, it is proposed that the B-BBEE transaction is undertaken to achieve a sustainable black ownership in the company in order for the company to maximise its score under the B-BBEE Codes of Good Practice. ArcelorMittal South Africa has now finalised the selection of a potential B-BBEE partner/s with whom to commence negotiations to conclude the transaction for an equity interest in the company.

No further events have come to the attention of management that warrant disclosure as of the day of this report.

37. Going concern

As at 31 December 2015 the current liabilities exceeded its current assets by R838 million for the group and R848 million for the company. However following the rights offer on 15 January 2016, R3 200 million of borrowings, which were included in current liabilities, were converted into equity, reversing this position.

The group's funding plan for the next 12 months takes into account improved sales volumes due to a decrease in imports as a result of the imposition of required import tariffs in quarter two of 2016 and the current weak rand:US dollar exchange rate, continued efforts in cost reduction, the cut-back of non-essential capital expenditure, the sale of redundant assets, the continuation of the current facilities in place and the continued support from the ArcelorMittal group as and when required.

The group's funding plan includes the successful rights offer concluded on 15 January 2016, which resulted in a net R1 300 million cash injection into the group. In addition, the group is well advanced in introducing black economic ownership at the equity level which should ensure further capital injection.

The group is also intending to convert its short-term borrowing facilities to medium-term debt and is looking at a number of options in this regard with the full support of the ArcelorMittal group.

Based on the above plans and initiatives, the board believes that the group and company is a going concern over the next 12 months as its expected working capital resources, by way of cash generated from operations together with current facilities, as well as specific cash initiatives outlined above, are sufficient to meet the group and company's present working capital and capital expenditure needs during that period.

Shareholders are cautioned that, due to material uncertainty around timing relating to import tariffs, fair pricing and steel localisation, the steel industry and ArcelorMittal South Africa Ltd would need to undertake significant structural changes should these government interventions not materialise in the next 12 months.

Corporate information

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