EVRAZ HIGHVELD STEEL AND VANADIUM

20 13

Integrated Annual Report

Integrated Annual Report

Contents

Click on an arrow to go to:

- ▶ To a selected page
- ◀◀ Back to main contents
- ◀ Back to chapter contents

Scroll over orange text to see its explanation

Click on yellow text to go to a selected page

Information about
EVRAZ Highveld

Our vision

- To be a leading producer of vanadium.
- To be a profitable producer of steel products.
- To produce steel and vanadium in a safe, clean and efficient way.

Our values

EVRAZ Highveld Steel and Vanadium Limited (EVRAZ Highveld) is a subsidiary of a leading global resources company with distinctive values. We believe that our responsibilities encompass all our stakeholders, including shareholders, customers, suppliers, employees and communities, in the areas where we operate.

We endeavour to deliver ongoing growth and value while pursuing environmentally responsible policies within a framework of sustainability.

ENRICHMENT THROUGH COLLABORATION

Working together as one team, we achieve the best results.

ACCOUNTABILITY FOR ACTIONS AND RESULTS

We persistently aspire to achieve our goals and are responsible for the results.

ZEAL FOR CONTINUOUS IMPROVEMENT

By developing and implementing new ideas, we facilitate the sustainable growth of our company.

E V R A Z

VALUE CREATED FOR OUR CUSTOMER

Continually improving our products and services, we strengthen our long-term partnerships with our customers.

RESPECT FOR PEOPLE

Safe working conditions, development of our people and local communities are integral parts of the EVRAZ business.


EVRAZ
EVRAZ
EVRAZ

Integrated report

EVRAZ Highveld takes pleasure in presenting its Integrated Report for the 2013 financial year, which sets out the strategy of EVRAZ Highveld within the context of assessed risks and identified opportunities. This fifth Integrated Report has been prepared to assist shareholders and the investment community, and other stakeholders to assess EVRAZ Highveld's ability to create and sustain value.

The report includes a review of the financial performance of the Company and the material sustainability issues and risks of its operations in South Africa, notably

Achieving reporting excellence through the application of best practice standards

Mapochs Mine and the Steelworks, for the period 1 January 2013 to 31 December 2013. The previous report covered the corresponding period for the 2012 financial year. There have been no significant changes to the measurement methods for key economic, environmental and social data between this report and that covering the previous year.

EVRAZ Highveld supports the principle of integrated reporting and aims, through a commitment to transparent reporting, to provide stakeholders with a basis for assessing the Company's ability to create and sustain value and ensure the short-, medium- and long-term viability of the Company, whilst also providing an understanding of the Company's impacts on economic, social and environmental systems. Management is confident that the information contained in this Integrated Report is accurate.

This report is compiled in line with the Johannesburg Securities Exchange Limited (JSE) Listings Requirements, International Financial Reporting Standards (IFRS), the South African Companies Act of 2008 as amended, the principles contained in the 2009 King III Report on Corporate Governance, and the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

The internationally accepted Global Reporting Initiative's (GRI's) G4 guidelines have been adopted as a basis for sustainability reporting. A GRI-G4 content index, based on a core "in accordance" option, is available on the Company's website.

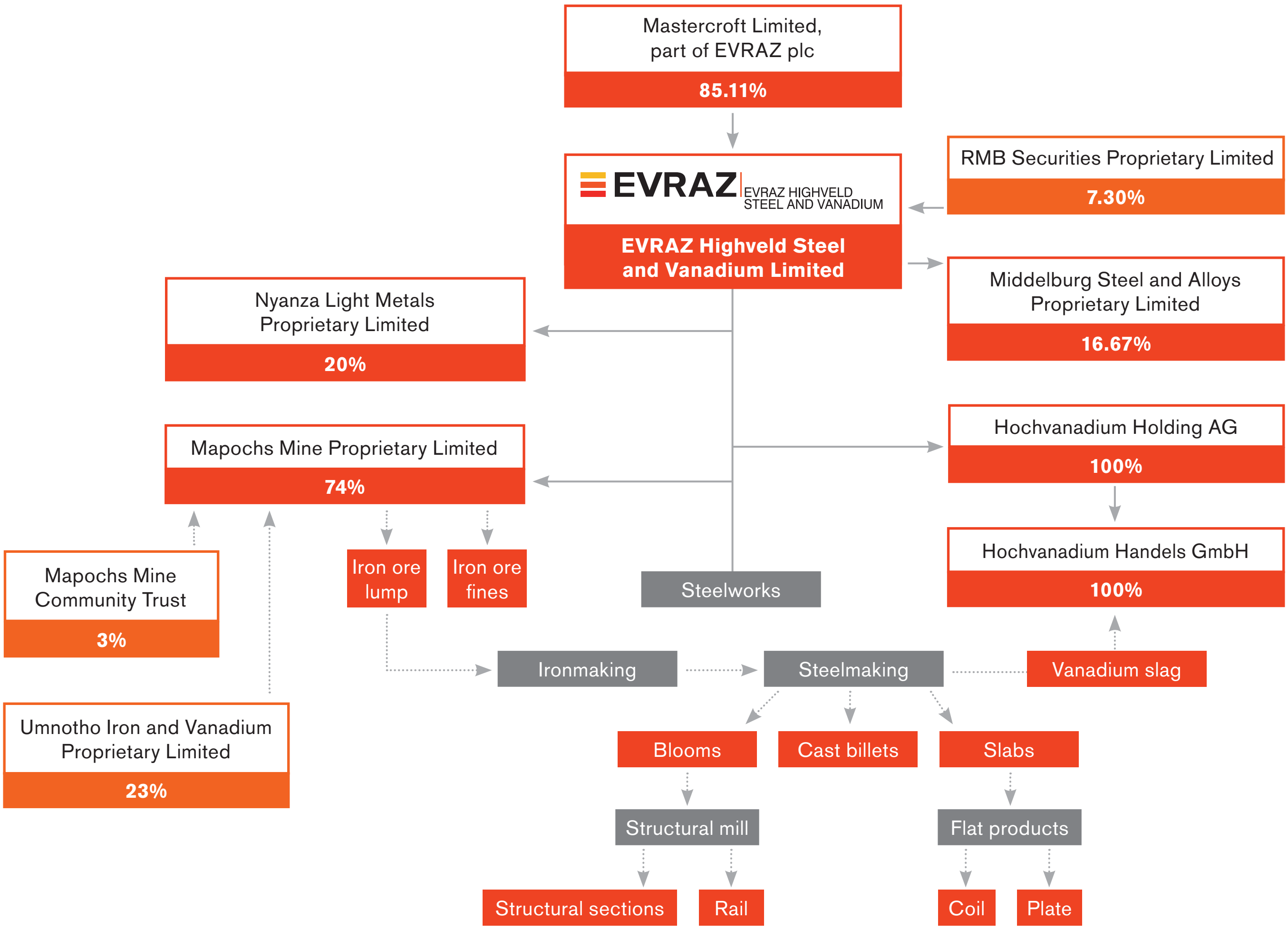
The guidelines contained in the consultation draft of the International <IR> Framework issued by the International Integrated Reporting Council have also been considered, as has the JSE Socially Responsible Investment (SRI) index.

The Company's commitment to concise, yet meaningful and transparent integrated reporting is reflected in the external reviews of previous reports.

EVRAZ Highveld takes pride in having been ranked as excellent in the Ernst & Young Excellence in Corporate Reporting 2011 survey, and rated as the best annual report in the fledgling category in the Chartered Secretaries Southern Africa Annual Report Awards 2012.

Business profile

As at 31 December 2013



EVRAZ Highveld is a South African based vertically integrated iron ore, steel and vanadium slag producer, listed on the JSE, trading under the symbol EHS.

The majority of EVRAZ Highveld's issued shares are held by Mastercroft Limited, a subsidiary of the FTSE100-listed EVRAZ plc, one of the world's largest vertically integrated steel and mining businesses with operations in Russia, Ukraine, USA, Canada, Italy, Czech Republic and South Africa.

EVRAZ Highveld also runs a Sponsored Level 1 American Depository Receipt (ADR) facility, with the Bank of New York Mellon acting as depository bank in terms of an exclusive deposit agreement.

EVRAZ Highveld's operations, based in Roossenekal in Limpopo and eMalahleni in Mpumalanga, employ some 2 303 people, and contribute materially to the local communities in which they are based. EVRAZ Highveld is a major contributor to global vanadium feedstock production and is, in addition to being the second largest steel producer in South Africa with a capacity of 900 000 tons of cast steel per annum, also the primary producer of medium and heavy structural sections and ultra-thick plate in the country. Marketing of vanadium production into the European market is supported through Hochvanadium Holding AG, a wholly-owned Austrian-based subsidiary.

Mapochs Mine

Mapochs Mine Proprietary Limited is a subsidiary operation of EVRAZ Highveld. The titaniferous magnetite ore open-cast mining operation is located 140 kilometres north-east of eMalahleni and produces both lump and fines iron ore.

Ore fines are marketed to third parties whilst the lump ore is transported to the Steelworks.

Steelworks

The Steelworks, the eMalahleni-based operating division of the Company, comprises an iron production facility and a steel making facility with casters, a vanadium slag crushing plant, structural products rolling complex and a flat products rolling complex. In addition, 21 support divisions provide various support services to the operations.

The **Iron Plant** treats the magnetite ore in a pre-reduction process in 13 rotary kilns. Once reduced, liquid iron is produced in four open slag bath furnaces and two submerged arc furnaces, with a combined annual capacity of one million tons of liquid iron.

Vanadium slag is extracted at four shaking ladle emplacements in the **Steel Plant**, after which the liquid iron is processed in three basic oxygen furnaces and two ladle furnaces prior to casting blooms and slabs for hot rolling and billets for sale as semi-finished product. Vanadium slag is mainly crushed, milled and packaged at the Vanadium Slag Plant for sale to Hochvanadium Handels GmbH. Toll conversion of vanadium slag to products such as Modified Vanadium Oxide (MVO) and Nitrovan® (a unique vanadium product registered by EVRAZ Stratcor Inc.) is also undertaken by EVRAZ Vametco Alloys Proprietary Limited, situated in Brits in North West, which is used as an alloying material with the advantage of increasing the strength of steel through the formation of various vanadium precipitates.

The **Structural Mill** rolls universal columns and beams, joists, parallel flanged channels, equal angles, rolled squares, taper flange channels, bearing piles and rod mill rods. Mine and siding rails up to a footweight of 57 kilograms per metre and a length of 36.5 metres are also produced.

The **Flat Products Mill** rolls plate and coil.

More information on the business operations and process flows is available on the Company's website.

Products

EVRAZ Highveld is a major contributor to global vanadium feedstock markets and is, in addition to the production of rail, coiled plate, coiled strip, light and medium plate and cast billets, also the primary producer of medium and heavy structural sections and thick plate in South Africa. Current and historic production volumes are included in the five-year review on page 18.

Steel products include cast billets which are sold as semi-finished product and are used for producing rebar and merchant bar, structural products used in the construction, transportation and mining industries and flat products used in the construction, fabrication, engineering and ship-building industries.

Vanadium slag produced by the Company is used predominantly for conversion into ferrovanadium (FeV), used primarily as a steel additive in high-strength steels. Approximately seven per cent of FeV is used in catalysts and chemicals, and in the medical, glass-manufacturing and pigmentation industries.

Markets

EVRAZ Highveld's steel sales are focused on the local market, primarily through major steel merchants.

Structural and flat steel products are produced to a variety of international standards to cater for customer and market requirements and sold into niche markets and industry segments. Semi-finished steel products, including billets, slabs and blooms are produced according to demand from national and international customers for further processing into final products.

The Company continually analyses its product range against local market requirements and product availability to evaluate the feasibility of expanding its product range to increase market penetration. Export steel sales to the American, European, Middle Eastern and Asian markets are channelled mainly through East Metals AG, the EVRAZ plc European-based marketing arm.

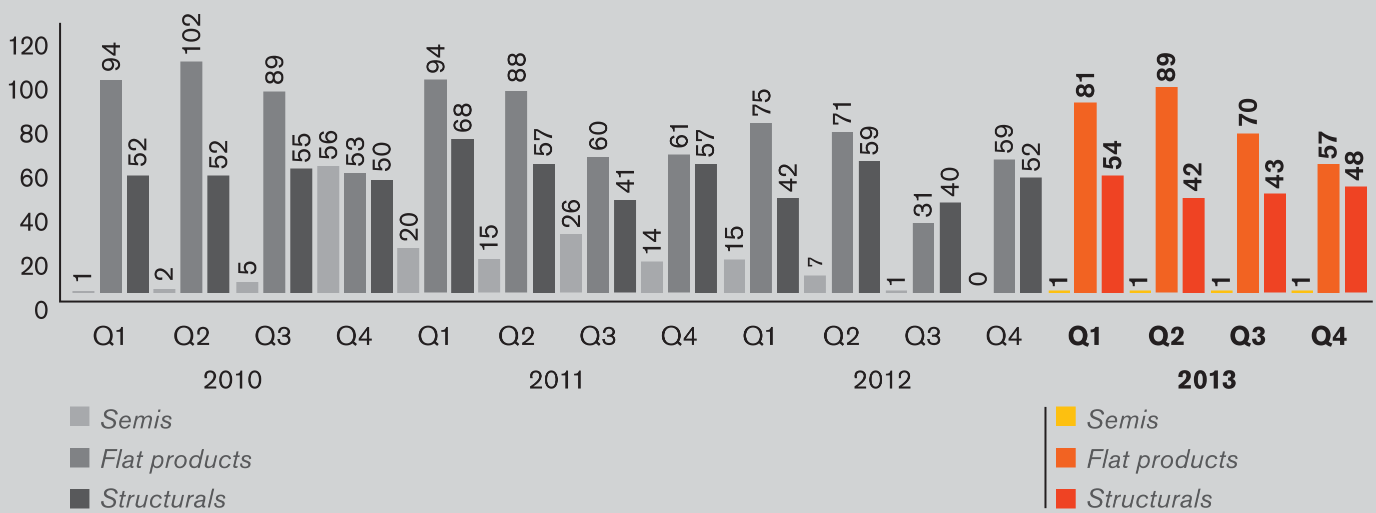
Vanadium is sold in the form of:

- ore fines, produced by Mapochs Mine, to Vanchem Vanadium Products Proprietary Limited (VVP), part of the Duferco Group; and
- vanadium slag produced at the Steelworks to:
  - Hochvanadium, a 100 per cent EVRAZ Highveld subsidiary in Europe, which in turn supplies it to Treibacher Industrie AG for further processing into vanadium products, primarily FeV, for steelmaking in the European market;
  - VVP; and
  - EVRAZ Vametco for conversion into Nitrovan® and MVO on a tolling basis. These products are sold into global markets through East Metals AG.

A breakdown of vanadium slag and steel product sales volumes is:

Sales volumes	2013	2012
Vanadium slag ('000 tons V)	**5.8**	5.9
Total steel ('000 tons)	**487**	454
Domestic steel sales – %	**90.4**	79.1
Export steel sales – %	**9.6**	20.9

Quarterly steel sales



The global vanadium market remained largely in balance during 2013 and no significant change is expected in 2014.

Customer focus

EVRAZ Highveld is committed to providing high levels of customer service in support of its objective of being a leading local steel supplier and recognised in international markets. Customer satisfaction is monitored through continuous customer consultations to ensure that products are developed and manufactured to customer specifications.

Customer consultation includes personal contact, written evaluations, focus group meetings, a customer newsletter and web-based surveys. On-line feedback is structured according to customers' activities, be it marketing, ordering or financial interaction. The results from these feedback channels are tabulated and analysed to form the basis for process improvements.

The 2013 customer survey was conducted with 62 customers (2012: 55 customers), with a response rate of 32.3 per cent (2012: 56.4 per cent). The survey results highlighted claim response times and on-time delivery as key areas for improvement.

In all communication with customers, privacy is guaranteed. No customer information is shared with a third party. Customers have secure access to their order details on the EVRAZ Highveld website. No complaints regarding breaches to customer privacy were received in 2013.

Marketing ethics

The EVRAZ Highveld marketing activities support the principles of a free market approach. The Company does not participate in any organised or co-ordinated activities to influence government policy and it does not support a specific political party, neither in policy nor in kind.

EVRAZ Highveld's marketing activities comply with the Southern African Institute of Steel Construction code of ethics. Marketing communication adheres to the code of the Direct Marketing Association of South Africa.

None of the Company's products are banned in world markets, or are subject to stakeholder questions, or public debate.

Market outlook

The global steel market grew at 3.1 per cent on the back of a six per cent increase in steel consumption in China. The growth rate is expected to be unchanged in 2014.

Local demand was low during this period, exacerbated by low-priced imports. No significant growth is expected in the domestic steel market, however due to the weak rand, local steel mills will see increased domestic supply as a result of lower imports. The global vanadium market remained largely in balance during 2013 and no significant change is expected in 2014.

Business strategy

EVRAZ Highveld creates value by converting iron ore into vanadium slag and high-end steel products. The efficiency of operations and focused efforts on developing the workforce and ensuring a working environment that promotes employee safety and wellbeing is at the forefront of decision making.

The current business strategy was approved by the board in 2011. The strategy is focused on reducing costs, increasing yields, improving process efficiencies and product quality and manufacturing diversified higher-value products in the shorter and medium term; and on increasing capacity in the longer term. The Lean Manufacturing Process and associated Value Stream Analysis, together with risk management processes, support EVRAZ Highveld's strategy formulation and implementation, with the strategy also being aligned to the EVRAZ plc strategy which is focused on safety, health and environment (SHE), human capital, customers, growth of the business and the EVRAZ Business System.

Based on an understanding of the potential SHE risks, the Company continues to focus on increasing the level of industrial safety, labour protection and care of the environment in its areas of operation. The environmental strategy is targeted at implementing optimal solutions for industrial waste management, the reduction of pollutant emissions and the rational use of natural resources, based on an awareness of the possible environmental consequences of the production processes.

As employees are considered a principal asset of the Company, it supports a range of social programmes to ensure employee development to support business success. Educational programmes are designed to create an evolutionary environment that provides employees with opportunities to appreciate and share best practices and to advance personally and professionally.

Customers are considered long-term business partners. The Company continues to strengthen its client relationships by driving product quality and on-time delivery.

Sustained value creation is further underpinned by the Group's growth philosophy, focused on extending operations from a level of self-sufficiency to one that enables taking full advantage of the potential of the markets within core areas of operation.

In line with the Group's global strategy, EVRAZ Highveld is committed to achieve its strategy to, in particular:

- build on its strength as a well-established, vertically integrated vanadium slag and steel producer;
- manage its product range to achieve optimum balance between quality, customer demand and operational efficiency;
- enhance cost-effectiveness across all operations with a focus on key raw material costs; and
- expand its regional markets.

Continued low demand for steel products continues to support over-capacity within the global steel industry and depressed pricing within the markets in which the Company operates. The Company assesses its longer term strategic objectives within the context of these macro-economic influences, and remains focused on business consolidation to achieve improved, sustainable returns.

Key strategic projects within the five key strategic areas, and measured against established KPIs, focus on improved health and safety, a progressive reduction in the operation's environmental impacts, human capital management initiatives, improved customer service, sales growth, product expansion, transformation and business management processes.

The EVRAZ Highveld strategy promotes improved financial performance through targeting continuous yield improvement and cost reduction. Over the medium to long term, increased production, sales efficiency and capacity optimisation, alignment and expansion are targeted, as well as electricity co-generation.

This report details a wide range of strategic initiatives, aimed at positioning the Company as a competitive vanadium slag and steel producer that creates sustainable value and benefits for all its stakeholders.

The board, through the Audit and Risk Committee, continually reviews the key sustainability risks and mitigation plans.

Risk management and key risk areas

Risk management

Effective risk management is central to EVRAZ Highveld's ability to adapt to changes in the internal and external business environment and maintain a sustainable competitive position within key markets. The Company continually assesses strategic, financial and operational risks, at a divisional level, that are inherent to the character of its business activities and which may undermine the achievement of economic, social and environmental objectives applying an integrated risk management methodology.

Strategic risks include those associated with the global economy, political-, legislative- and regulatory environment, raw material supply, the competitive environment, liquidity and social, environmental and counterparty risks. Operational risks include those associated with human capital, safety and health, supply chain dependencies, environmental, product supply and quality, cost control, plant maintenance and information technology.

In 2013 a risk appetite framework was developed which is linked to the Company's core values and strategies and provides for the formal definition of risk appetite and tolerance levels for the Company. Development of this framework was supported by an internal survey that assessed the views of the executive with respect to various risk topics under varying economic conditions.

In addition to facilitating the alignment of divisional risk registers that support the corporate risk register maintained and managed by the strategic risk manager, focus also included the further entrenchment of a risk management culture and establishing a risk management portal to improve information sharing. The Board, through the Audit and Risk Committee, continually reviews the key sustainability risks and mitigation plans. The impacts and mitigation plans associated with the top ten risk areas that influence organisational sustainability are included in the table below, with further information on the Company's risk management framework and process included on page 65 in the Corporate Governance review.

Key risk areas

Description and impact	Mitigation plans
1. Cash and cash availability	
Current market conditions favour lower selling prices and subdued demand which is exacerbated by above-inflationary cost increases. These conditions, together with the withdrawal of credit facilities associated with uncertainties related to the sale of the majority shareholders stake in the Company adversely influence cash flow.	▪ Stringent control over cash flows and working capital. ▪ Proactive management of credit facilities. ▪ Parent company support.
2. Environmental legislation and compliance	
Changes in environmental legislation have, given the construction of the Company's plant and facilities under differing requirements, placed the Company at risk of material environmental non-compliance that can adversely influence its operating ability. The current market conditions and associated financial performance of the Company further restrict investment in capital to immediately address potential areas of non-compliance.	▪ Focused operational controls to restrict non-compliances. ▪ Proactive engagement with relevant authorities. ▪ Targeted capital expenditure to promote maximisation of benefits.
3. Cost increases	
Continued excessive cost increases in material expenditure items, including energy and labour costs, adversely influence the Company's cost structure and its ability to remain competitive within global markets. These cost increases are further exacerbated by current adverse market conditions which influence the Company's ability to generate acceptable returns for its key stakeholders.	▪ Actively investigating processes that are less energy intensive. ▪ Proactive engagement with strategic suppliers and cost management within the supply chain. ▪ Consolidation of the vendor base to gain economies of scale. ▪ Promotion of the use of substitute cost-effective products.
4. Employee relations and productivity	
Employee relations remain strained following industrial action in 2012, which, together with continued demands for disproportionate labour cost increases, negatively impact on employee morale and associated productivity levels.	▪ Proactive engagement with employees and trade unions. ▪ Focused internal communication structures and processes. ▪ Supporting employees with personal financial planning.

Current market conditions favour lower selling prices and subdued demand which is exacerbated by above-inflationary cost increases.

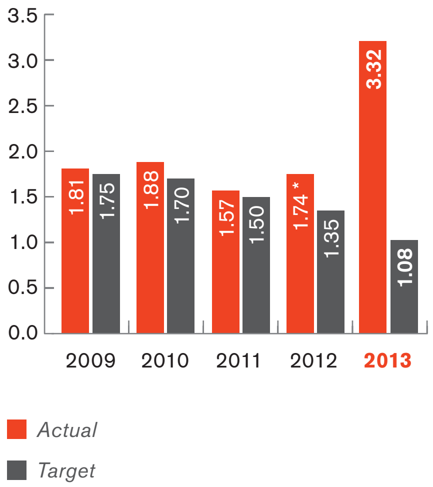
Description and impact	Mitigation plans
5. Process stability	
Process stability is adversely influenced by disruptions in the consistent supply of key manufacturing inputs, including electricity and raw materials, and by an absence of access to suitably skilled resources. Input disruptions result in protracted recovery times which have a negative impact on resultant production volumes and ultimate revenue streams.	▪ Continued engagement with Eskom to minimise uncontrolled plant shutdowns. ▪ Proactive engagement with key suppliers within the supply chain. ▪ Enhanced quality control on raw materials.
6. Local economic growth	
The Company's economic performance is inextricably linked to demand for its products within its local market. Subdued local economic growth and the erosion of investor confidence which impacts on capital investment and the ultimate demand for the Company's products can result in reduced revenue streams and adversely influence business profitability.	▪ Proactive engagement with key local customers. ▪ Continued investigation into product diversification so as to produce high-value niche products. ▪ Planned capacity reductions. ▪ Increased exports.
7. Long-term ore supply	
The EVRAZ Highveld Steelworks unique process provides for vanadium slag and steel product production through the treatment of vanadium-containing magnetite ore. Surface reserves of this ore within the Company's area of mining operations are progressively being depleted and pit-mining operations may be required to ensure the long-term availability of suitable lump ore, failing which business sustainability will be uncertain.	▪ Strategic alliances established with third parties for the independent supply of magnetite lump ore. ▪ Continued investigation of alternate viable ore reserves. ▪ Investigate pit-mining operations.
8. Government infrastructure development plan	
In the absence of private sector growth the Company needs to position itself to take advantage of growth opportunities presented by the government's infrastructure development programmes, which includes products currently not manufactured. An inability to promote product diversification may result in the loss of localisation opportunities and resultant depressed earnings.	▪ Proactive engagement with the Department of Trade and Industry (DTI) and the Industrial Development Corporation (IDC). ▪ Continued investigation into product diversification so as to produce high-value niche products.
9. Regulatory compliance	
The legislative environment is becoming more complex and difficult to negotiate. The challenges in the operating environment are demanding significant management time and attention resulting in the risk of inadvertently transgressing legislative requirements.	▪ Continuous focus on central and divisional risk registers. ▪ Targeted initiatives to drive safety, health and environmental (SHE) compliance.
10. Sale of the	
The announcement by the primary shareholder of the intended sale of its 85.11 per cent stake in the Company has resulted in exposure to significant financial risk as a result of uncertainty amongst providers of capital, as well as to employees and suppliers.	▪ Proactive management of credit facilities. ▪ Focused engagement with employees and key suppliers.

Performance overview 2013

LTIFR

2013: 3.32
2012: 1.74 *

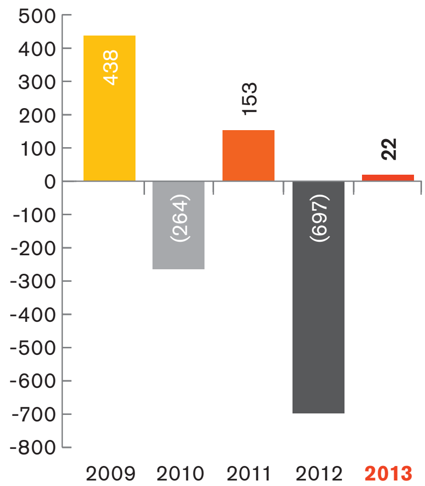
(90.80%)



EBITDA

2013: 22 million
2012: (R697 million)

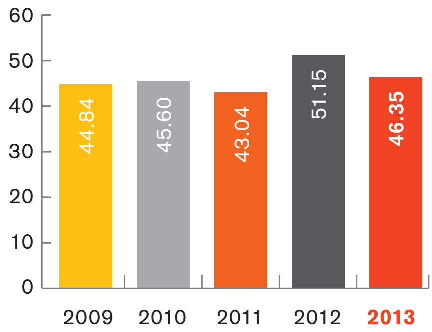
103.16%



Energy consumption

2013: 46.348 GJ/t
2012: 51.153 GJ/t

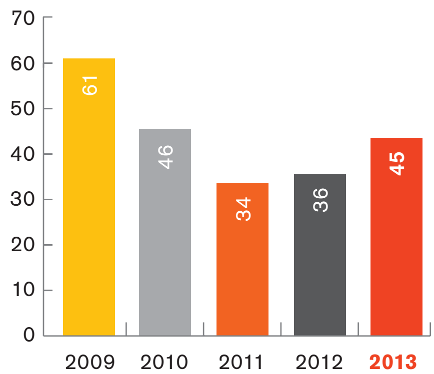
9.39%



HIV/Aids VCT

2013: 44.68 per cent
2012: 35.76 per cent *

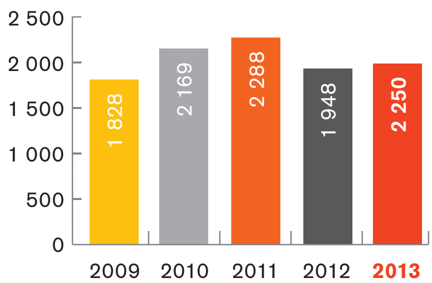
24.94%



Revenue per man-year

2013: R2 250 thousand
2012: R1 948 thousand

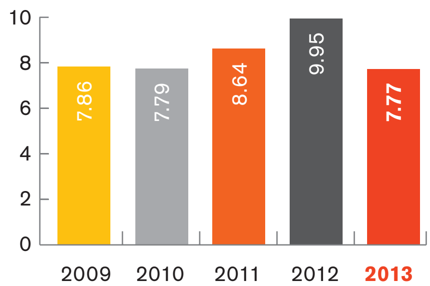
15.50%



Water consumption

2013: 7.769 m³/t
2012: 9.954 m³/t

21.95%



** Restated*

Employee safety is EVRAZ Highveld's primary focus, taking precedence to any operational focus, including production and profit.

Focus item	▪ Fatalities	▪ Lost-time injury frequency rate (LTIFR)
2013 targets	▪ Nil	▪ 1.08
2013 performance	**▪ Nil**	**▪ 3.32**
2014 targets	▪ Nil	▪ 1.37

Occupational and personal health are pro-actively managed through wellness management programmes to support employee well-being.

Focus item	▪ Employees reporting for voluntary HIV/Aids counselling and testing
2013 targets	▪ 45 per cent
2013 performance	**▪ 45 per cent**
2014 targets	▪ 50 per cent

Strategic focus area
SAFETY, HEALTH AND ENVIRONMENT

The Integrated Environmental Management Programme is based on international and national statutory and environmental best-practice standards and guidelines, to minimise the direct, indirect and cumulative impact of operations on the immediate and surrounding environment, to the benefit of all stakeholders.

Focus item	▪ ISO 14001 accreditation	▪ OHSAS 18001 accreditation	▪ CO_2 reduction	▪ Water consumption per ton of product	▪ Energy consumption per ton of product
2013 targets	▪ Retain for Steelworks	▪ Retain for Mapochs Mine and Steelworks	▪ 1 per cent reduction	▪ 7.221 m^3/t	▪ 45.00 GJ/t
2013 performance	**▪ Retained for Steelworks**	**▪ Retained for Mapochs Mine and Steelworks**	**▪ Not achieved**	**▪ 7.769 m^3/t**	**▪ 46.348 GJ/t**
2014 targets	▪ Retain for Steelworks	▪ Retain for Mapochs Mine and Steelworks	▪ 1 per cent reduction	▪ 7.0 m^3/t	▪ 44.5 GJ/t

Strategic focus area
CUSTOMER FOCUS

An integrated quality management system and continuous customer liaison provide the foundation for customer satisfaction, which is regarded as a key business driver.

Focus item	▪ Orders delivered on time	▪ Claims based on 20 per cent reduction of amount of claims year on year	▪ ISO9001 accreditation
2013 targets	▪ 95 per cent	▪ 349	▪ Retain for Steelworks
2013 performance	**▪ 83 per cent**	**▪ 383**	**▪ Retained for Steelworks**
2014 targets	▪ 95 per cent	▪ 306	▪ Retain for Steelworks

Strategic focus area

GROWTH OF BUSINESS

Business growth is targeted through programmes to build on the Company's strength as a vertically integrated vanadium slag and steel producer, expand market penetration and optimise synergies with EVRAZ plc global expertise and best practice.

Focus item	Crude carbon steel production	Total rolled steel production	Vanadium slag production	FeV production	Steel sales volumes
2013 targets	762 028 tons	618 647 tons	66 115 tons	5 113 tons	617 469 tons
2013 performance	**642 405 tons**	**501 685 tons**	**49 299 tons**	**4 890 tons**	**486 706 tons**
2014 targets	819 042 tons	614 432 tons	67 929 tons	5 631 tons	681 000 tons

Focus item	Vanadium slag sales volumes	Steel sales revenue	Vanadium slag sales revenue	EBITDA	ROCE
2013 targets	6 500 t V	R3 943 million	R274 million	R287 million	0.33 per cent
2013 performance	**5 796 t V**	**R3 374 million**	**R259 million**	**R22 million**	**(13.17) per cent**
2014 targets	8 771 t V	R4 589 million	R603 million	R206 million	0.29 per cent

Strategic focus area

EVRAZ BUSINESS SYSTEMS

Alignment with and participation in the vast EVRAZ plc resources, expertise and infrastructure benefits operational performance, including product quality and cost-efficiency, marketing and environmental activities.

Focus item	Inventory turnover – Structurals (local)	Inventory turnover – Structurals (export)	Inventory turnover – Flat Products	Inventory turnover – Semis (export)	Vanadium – V205 content in slag
2013 targets	17 days	17 days	17 days	17 days	23.50 per cent
2013 performance	**21 days**	**41 days**	**27 days**	**No semis exported**	**24 per cent**
2014 targets	21 days	27 days	19 days	15 days	24 per cent

Training and developing employees and potential employees in line with the Company policy of attracting, retaining and developing high-quality staff to support long-term business success, and to provide trainees and employees with opportunity to develop to their full potential.

Focus item	Training spend	Training average man-days per employee	Average training spend per employee
2013 targets	R20 million	6 days	R15 000 per employee
2013 performance	**R36.7 million**	**3.05 days**	**R17 940 per employee**
2014 targets	R40 million	6 days	R20 000 per employee

Strategic focus area
HUMAN CAPITAL

The human capital strategy includes a corporate transformation programme to develop the corporate structure to be reflective of the country's demographics.

Focus item	B-BBEE contributor status level – points	Historically disadvantaged South African (HDSA) representation in management	HDSA representation in the Company
2013 targets	63.30 points	50 per cent	70 per cent
2013 performance	**52.8 points (unverified)**	**49 per cent**	**82.2 per cent**
2014 targets	61 (without BEE deal)	50 per cent	70 per cent

Transformation activities extend to communities through a corporate social investment programme to economically empower communities, on both social and business levels, through housing, health, education and supply chain initiatives.

Focus item	Total spend on enterprise development and social responsibility projects
2013 targets	R1 798 000 on enterprise development and social economic development projects
2013 performance	**R1 597 000 spent on enterprise development and social economic development projects and other non-monetary contributions made by Company**
2014 targets	R1 800 000 on enterprise development and social economic development projects

Five-year review

	2013	2012	2011	2010	2009
Income statement					
Revenue	**5 192**	4 354	5 613	5 161	4 325
Sale of goods	**5 190**	4 346	5 587	5 125	4 252
Cost of sales	**(4 990)**	(4 746)	(5 092)	(5 031)	(3 578)
Gross profit/(loss)	**200**	(400)	495	94	674
Other operating income	**77**	138	95	–	–
Expenses	**(570)**	(592)	(639)	(917)	(482)
Operating (loss)/profit	**(293)**	(854)	(49)	(823)	192
Finance income	**2**	8	26	36	73
Finance costs	**(69)**	(52)	(50)	(49)	(61)
(Loss)/profit before tax – continuing operations	**(360)**	(898)	(73)	(836)	204
Tax	**(19)**	(45)	118	287	(41)
(Loss)/profit for the year	**(379)**	(943)	45	(549)	163
Headline (loss)/earnings	**(374)**	(1 022)	(15)	(383)	167
Statement of financial position					
Non–current assets	**1 723**	1 801	1 927	1 661	1 884
Current assets	**1 865**	1 866	2 531	2 402	3 011
Total assets	**3 588**	3 667	4 458	4 063	4 895
Shareholders' equity	**1 461**	1 709 *	2 594 *	2 510	3 074
Non–current liabilities	**757**	789 *	650 *	536	712
Current liabilities	**1 370**	1 169	1 214	1 017	1 109
Total equity and liabilities	**3 588**	3 667	4 458	4 063	4 895
Cash flows					
Cash flows from operating activities – Rm	**(358)**	(610)	1 064	(288)	(461)
Cash flows from investing activities – Rm	**(137)**	(199)	(395)	(250)	(32)
Cash flows from financing activities – Rm	**198**	117	–	–	–
Net cash flow – Rm	**(245)**	(657)	692	(580)	(529)
Key ratios					
Return on capital employed (ROCE) – %	**(13.2)**	(34.2)	(1.5)	(27.0)	5.1
Net asset value per share – cents	**1 473.5**	1 723.7 *	2 616.2 *	2 531.5	3 100.4
Net cash to shareholders' equity – %	**0.48**	23.53	45.19	19.60	34.90
Total liabilities to shareholders' equity – %	**145.59**	114.59 *	71.86 *	61.87	59.24
Current ratio – %	**1.36**	1.60	2.08	2.36	2.72
Quick ratio – %	**0.59**	0.86	1.40	1.30	1.61

** Restated*

	2013	2012	2011	2010	2009
Share performance					
Ordinary shares in issue – ‘000	**99 150**	99 150	99 150	99 150	99 150
Earnings per share, basic – cents	**(382.2)**	(951.1)	45.4	(553.7)	164.4
Headline earnings per share – cents	**(377.2)**	(1 030.4)	(15.1)	(386.3)	168.1
Share price, highest – cents	**2 450**	4 133	10 395	9 000	8 065
Share price, lowest – cents	**1 105**	1 001	3 000	5 965	4 550
Share price, closing – cents	**1 699**	1 344	3 649	8 350	6 449
Market capitalisation at 31 December – Rm	**1 685**	1 333	3 618	8 279	6 394
Ordinary dividends declared – cents	**–**	–	–	–	–
Dividend yield – %	**–**	–	–	–	–
Earnings yield – %	**–**	(77)	–	(5)	3
Price: earnings ratio	**(4.5)**	(1.3)	(241.2)	(21.6)	38.4
Production and sales					
Total ore produced – tons	**2 081 555**	1 781 495	1 896 492	2 324 444	1 847 288
Lump ore – tons	**1 430 346**	1 174 022	1 256 639	1 716 558	1 357 154
Ore fines – tons	**651 209**	607 473	639 853	607 886	490 134
Hot metal produced – tons	**638 912**	620 035	659 603	777 190	660 796
Vanadium slag produced – tons	**49 299**	43 132	61 083	64 202	46 614
Nitrovan production – kg V	**458 371**	701 587	1 475 651	–	–
FeV production – kg V	**4 890 294**	4 742 066	6 059 495	5 392 197	4 930 319
Continuously cast blocks – tons	**642 405**	571 787	670 880	773 646	687 990
Blooms – tons	**262 535**	258 129	297 706	280 840	230 690
Slabs – tons	**379 870**	298 671	321 697	457 278	457 276
Billets – tons	**–**	14 987	51 477	35 528	24
Rolled products – tons	**501 685**	447 537	512 755	554 403	476 756
Sections – tons	**196 858**	204 701	225 282	210 051	174 451
Plate – tons	**176 136**	144 151	170 364	212 129	162 070
Coils – tons	**128 691**	98 685	117 109	132 223	140 235
Total steel sales volume – tons	**486 706**	453 836	603 094	610 602	580 943
Total steel revenue – Rm	**3 374**	2 848	3 613	3 196	3 095
Gross value of steel exports – Rm	**296**	525	580	784	744
Export steel percentage of revenue – %	**5.7**	12.1	10.4	15.3	17.5
Nitrovan sales volumes – kg V	**397 828**	669 497	1 104 574	–	–
FeV sales volumes – kg V	**4 827 038**	4 766 151	6 030 765	5 488 459	4 883 654
Vanadium sales volumes – kg V	**5 753 321**	5 911 621	7 638 135	8 103 207	6 267 378
Gross revenue per man–year – R'000	**2 249.6**	1 948.1	2 288.2	2 169.4	1 828.0

	2013	2012	2011	2010	2009
Weighted average selling prices					
Total steel – US$/ton	718	764	825	716	632
FeV – US$/kg V	27	23	27	27	23
Average ZAR/USD exchange rate	9.65	8.21	7.26	7.32	8.43
Human capital					
Number of employees at year–end *	2 303	2 243	2 565	2 506	2 326
Training spend – Rm	36.70	42.50	48.17	54.93	41.27
Training average man–days	3.05	12.36	6.52	15.04	6.53
Average training spend per employee – R'000	17.94	19.78	18.78	23.14	17.78
Bursary costs – R'000	1 752	1 774	1 568	3 230	2 271
Safety and health					
Fatalities	–	1	2	1	1
Lost–time injuries (LTIs)	31	16 ***	20	24	18
Lost–time injury frequency rate (LTIFR)	3.32	1.74 ***	1.57	1.88	1.81
Noise–induced hearing loss (NIHL) – new cases	–	4	6	3	5
Chronic obstructive airway disease (COPD) – new cases	–	1 ***	2	2	–
HIV/Aids VCT test rate – %	45	36 ***	34	46	61
Employees registered on HIV/Aids Wellness Programme	31	31 ***	34	43	43
Employees on HIV/Aids ARV programme	24	24	22	24	23
Environment					
1% CO_2 reduction target achieved	No	No	Yes	No	Yes
Water consumption / ton of product – m^3/t	7.77	9.95	8.64	7.79	7.86
Energy consumption / ton of product – GJ/t	46.35	51.15	43.04	45.60	44.84
Social responsibility					
Projects – Rm	1.6	2.0	1.5	1.6	1.3
Transformation					
B–BBEE score – points	52.80	60.89 ***	57.41	55.48	**
Employment equity – HDSA %	82.2	81.4	80.0	80.0	78.0

* *Including temporary employees*

** *Company status not verified*

*** *Restated*

Operational review

Maintenance planning is managed through root-cause analyses of failures and proactive maintenance programmes, while capital maintenance is based on the criticality of equipment and the risk of failure.

In the first six months of 2013 EVRAZ Highveld proved the viability of its business, following a concerted four-month drive to return plant and production to normal after the abrupt plant closures in August 2012 due to labour unrest.

Financial performance in the first half of 2013 reflected a vast improvement on that of the previous year with the Company making a loss of only R10 million (R376 million loss in H1 2012). A relatively robust steel demand as a result of merchant restocking, higher vanadium prices and reduced costs following a business optimisation project contributed to the improved performance.

However, in the full year the loss increased to R379 million (R943 million loss in 2012), mainly as a result of:

- unplanned and planned plant maintenance shut-downs;
- a slow-down in steel and vanadium slag production to mitigate the effects of the peak winter electricity tariffs in June, July and August; and
- reduced domestic demand for steel, which negatively affects the weighted average steel price.

Business improvement initiatives

A **Continuous Improvement** unit, reporting to the CEO, was established in 2012 to manage the Lean Management value optimisation process, which was implemented in 2011. Lean Management is based on Value Stream Analyses to identify and eliminate all types of waste and add value to production and supporting activities by focusing on eight waste types:

- Injury or unused human talent;
- Transportation;
- Inventory;
- Human motion;
- Waiting;
- Over-production;
- Over-processing; and
- Defects.

In 2013, a Lean Management training programme was formalised and implemented. By year-end, the process to identify and eliminate waste was deployed in 99 per cent of workplaces targeted for implementation. A 48 per cent adherence to the process was achieved, against a target of 50 per cent.

Plans to ensure a **reliable supply of oxygen** came closer to fruition with good progress towards the completion of a new air separation plant. The Company had entered into a long-term contract with Air Liquide for the supply of oxygen and other gases which are critical to its production processes. The unit, capable of producing 770 tons of oxygen a day, will also produce nitrogen and argon for the local industrial merchant market.

Income from secondary products increased to R122 million (from R80 million in 2012) following the consolidation of scrap-steel sales to a single dealer. During the year, the Company entered into a joint venture to investigate the viability of establishing a plant to extract titanium dioxide from the slag produced in the iron making furnaces. The slag contains 30 per cent titanium dioxide.

The drive towards a more **proactive plant maintenance** programme continued in 2013, despite severe budget constraints (R320 million compared with R480 million in

2012). Maintenance planning is managed through root-cause analyses of failures and proactive maintenance programmes, while capital maintenance is based on the criticality of equipment and the risk of failure. Major maintenance projects during 2013 included:

- repairing visible-pollution plants to original specification;
- replacing approximately 500 metres of air, water and sewerage pipelines at the Steelworks;
- kiln maintenance at the Iron Plant, in conjunction with the kiln optimisation project;
- rebuilding the slab caster at the Steel Plant, resulting in a marked improvement in product quality; and
- maintenance work to furnaces and rolling-mill gearboxes at the Structural Mill and furnaces and roller tables at Flat Products.

In addition to the budget restrictions, a shortage of engineering skills remains a major challenge. In 2014, the apprenticeship training programme will be improved to hone the skills required.

Mapochs Mine

Safety, limited surface ore reserves, the high level of silt in the Mapochs Dam and difficulty attracting suitable engineering and maintenance skills to the remote village of Roossenekal are the four main risks at Mapochs Mine. Two LTIs were recorded for Mapochs in 2013. This follows the introduction of improved supervision over weekends, when most incidents occurred in 2012.

Life of mine, at the current strip mining method up to 50 metres below surface, is calculated at ten years. The Company continues to investigate the viability of obtaining alternative reserves, including an estimated 15 million tons of iron ore in the calcine waste disposal facility, and implementing alternative mining methods to extract ore below 30 metres.

During 2013, the mine lost a month production due to four safety-related stoppages ordered by the DMR in terms of Section 54 of the Mine Health and Safety Act. The industry continues to question the excessive number of closures, sometimes on the strength of technicalities which may be regarded as subjectively judged.

Improved productivity remains a focus for management. In 2013, production increased, following the appointment of new mining and transport contractors. This caused the cost per ton of ore produced to improve to R185 from R202 in 2012.

Product quality stabilised and the mine improved ore-sizing, which improves energy efficiency at the Iron Plant. The viability to mine ore from an open pit closer to the plant (the current strip-mining site is some 20km from the plant) is being investigated. Plant availability increased to 80 per cent, from 68 per cent in 2012, following the appointment of a maintenance manager.

The level of silt in the Mapochs Dam is a concern to environmental authorities because of the increased silt load in the downstream De Hoop Dam. The Company started desilting in 2012. Following consultation, the DEA provided the Company with authorisation to de-silt downstream. Procedures in this regard commenced in 2014.

The mine plans to embark on more sustainable community projects in 2014, following the registration of the trustees elected and appointed to serve on the Mapochs Mine Community Trust (MMCT) in October 2013. The trust has cash reserves of R5.64 million.

Steelworks

The cost of energy, the impact of operations on the environment, productivity and skills issues and the implications of the proposed carbon tax are the major risks to Steelworks operations. These risks can only be mitigated through projects which require a significant capital outlay.

Iron Plant

Energy efficiency and improved plant stability were the two main focus areas at the Iron Plant during 2013. In the second half of the year the kilns stability and furnace energy efficiency improved significantly, following kiln improvement and various maintenance projects. This was followed by a programme to improve availability in four key areas of the operation.

Inconsistency in the quality of coal continues to affect full operational optimisation, although the use of smaller sized coal-peas as opposed to coal-nuts since 2012 have shown improvements in terms of combustion efficiency and reduced emissions.

Trials with alternative sources of pulverised fuel are being conducted in one of the kilns to achieve better combustion and improved energy efficiency at a cost lower than that of duff coal.

The lack of sufficient skills remains a challenge.

Steel Plant

The Steel Plant focused on achieving production stability and product quality through a back-to-basics approach to equipment efficiency and initiatives to improve operator skills.

Four LTIs were recorded (four in 2012). Management continues to explore ways to improve safety awareness as an underlying mindset.

The focus on quality included reducing slag carry-over from the basic oxygen furnace, which resulted in better chemical compositions control and improved steel cleanliness. Work has commenced to reduce silicon and sulphur levels. A lower sulphur level makes it possible to produce a wider variety of higher quality grades. Silicon affects the galvanisation ability of steel. By reducing the silicon levels a higher quality galvanising coating is achieved and thus opening up new market opportunities.

In 2014, the focus will be on achieving production targets, following a year in which production was severely affected by production unit breakdowns. However, a limited maintenance budget remains a challenge.

Structural Mill

Structural Mill on-time and in-full order delivery performance improved in 2013 and promoted a notable improvement in the backlog of orders.

The reliability of equipment, particularly the reheat furnace and main drive motors, adversely influenced volume and yield performances in 2013. Repairs to the reheat furnace during a shutdown and measures implemented at the main drive motors resulted in substantial improvement in availability during the later part of the year.

Experience levels of employees remains a challenge and the mill will continue to focus on on-the-job skills training in 2014.

Flat Products Mill

The mill yield improved to 83.6 per cent (above the 2012 yield of 81.7

per cent and the 2013 target of 83 per cent), as did on-time delivery. However, unplanned equipment downtime, especially at the reheat furnaces, hampered the achievement of an even better performance. In 2014, the focus will remain on improving proactive maintenance and operational efficiency within budgetary constraints.

Vanadium

The major risk in vanadium production is achieving the contracted output of ore fines and vanadium slag. The efficiency of the shaking ladles in the Steel Plant, where vanadium slag is extracted, remains a problem, although maintenance carried out reduced downtime.

A detailed action plan to improve plant availability is being executed. The global vanadium market remained largely in balance during 2013 and no change is expected in 2014.

Key raw materials and energy

Key raw materials and energy consumed in the production of products are:

Key volumes	2013	2012
Mine ore consumed ('000 tons)	2 467	1 944
Coal ('000 tons)	780	795
Anthracite ('000 tons)	40	34
Calcium carbonate ('000 tons)	1	1
Electricity ('000 MWh)	1 431	1 408
Gas ('000 GJ)	2 281	1 769
Oxygen ('000 tons)	115	93

Future projects

Energy co-generation

The environmental impact assessment (EIA) for the envisaged project was completed in 2013 and it is expected that the project will be supported by the environmental authorities. However, execution of the project will only be considered following finalisation of the proposed sale of the business.

The business case is based on a two-phase project over twenty years. The first phase entails converting CO-rich off-gas to generate 30 megawatt of electricity. The second phase of the project, which will deliver between 70 and 100 megawatt, will be determined by planned changes in the kiln reduction technology.

The non-binding term sheet was approved by The Group Investment Committee in December 2013.

Kiln reduction technology

This project has been put on hold pending a decision regarding the potential sale of the business. The project aims to achieve a 30 per cent saving in electricity consumption by replacing the pre-reduction kilns in the Iron Plant with more energy-efficient units.

Improved reduction technology would also increase the metallisation of ore in the kilns, reduce the environmental impact of the reduction process and generate off-gas for use in the second phase of the envisaged co-generation project. However, the projected cost of this project is significant and not feasible under current market conditions.

Calcine waste disposal facility

The contract between EVRAZ Highveld and a metallurgical solutions party has lapsed by mutual consent, following difficulty in securing funding for the project, which would break new ground in terms of the material being retreated.

The potential for such a project still exists, with the aim to:

- reduce and ultimately remove the Company's liability in terms of the negative environmental impact of the facility; and
- produce an income from the recovered metals and minerals, notably vanadium.

The feasibility of recovering iron units from this resource is being evaluated, based on two available technologies.

Business review

Chairman's review

Labour unrest across the country in 2013 was a symptom of a complex challenge facing both employees and management across industries, namely to bridge the gap between economic expectations and reality against the backdrop of a continuing weak global economy. At EVRAZ Highveld, the effects of the adverse market conditions resulted in the Company declaring a loss for the second consecutive year. This, as well as inconclusive negotiations regarding the proposed sale of the business, impacted on employee concerns regarding their future.

Management addressed employee concerns by contracting an independent third party to conduct a comprehensive survey across divisions and levels, in close collaboration with trade unions. The findings are being analysed for appropriate action in 2014. The lack of continuous communication between management and employees remains a concern. Despite efforts by the CEO to improve consultation through monthly open forums, open communication remains restricted to specific events such as wage negotiations – and then the huge divide between demand and offer again highlights the challenge of addressing the socio-economic disparity in the country.

Safety remains the Company's most important focus area in ensuring the well-being of its stakeholders. The board regrets that the LTIFR, one of the key measures of the success of the Company's drive towards zero harm, increased to 3.32 per million hours worked (from 1.74 in 2012). It is pleasing to report that no life was lost at EVRAZ Highveld operations.

Risk management continued to feature prominently in the Company's drive to ensure the sustainability of the business. The EVRAZ Highveld risk matrix, which prioritises risks, has evolved into an effective planning tool.

Short-term risks to the sustainability of the Company are the cost of energy, the negative impacts of the steelmaking process on the environment and productivity. Medium-term risks include the cost and supply of titaniferous iron ore from Mapochs Mine, the cost of the proposed carbon tax and socio-political imbalances in the country. The proposed imposition of environmental taxes related to ground and surface water pollution resulting from operations pose a further risk to the Company's long-term financial health.

Management focussed successfully on achieving improvements in product yield and quality, despite severe budgetary constraints – as well as a reduction in environmental impact through projects which also benefitted efficiency.

Risk management continued to feature prominently in the Company's drive to ensure the sustainability of the business.

Social responsibility initiatives are aimed at empowering communities through education, health, housing, community, infrastructure and supply chain initiatives.

These projects are detailed in the operational review. The envisaged electricity co-generation project has not been commissioned. This project will benefit the Company and the country.

The global economic recovery remains subdued, although there are signs of a slight recovery in mature economies. Steel consumption increased some 3.1 per cent in 2013 (two per cent in 2012), buoyed by a six per cent increase in China. This growth rate is expected to be unchanged in 2014.

In South Africa, demand for steel remained depressed, which was aggravated by the relatively low cost of imports. EVRAZ Highveld continues to focus on the local market and increase its market share in neighbouring countries. Its proximity to steel consumers, improved product quality and a marked improvement in on-time delivery following the disruptions in 2012 are competitive advantages.

Transformation initiatives are hampered by the challenges of attracting sufficiently skilled candidates for notably management positions. In areas such as preferential procurement, socio-economic development, employment equity and the development of local entrepreneurs, progress is more satisfactory. The Board continues to focus on transformation initiatives, following the Company achieving an unverified level 6 contributor status, compared to the level 5 status achieved in the previous year.

Social responsibility initiatives are aimed at empowering communities through education, health, housing, community, infrastructure and supply chain initiatives. Despite budgetary restrictions, the Company channelled R1 million (R1 million in 2012) through the National Empowerment Fund (NEF) to optimise impact of the limited funds. At Mapochs Mine, the focus is on local economic development projects in surrounding and labour-providing areas. Activities should accelerate in 2014 with the trustees of the MMCT having been legally appointed in October 2013. The trust already holds R5.64 million. The Steelworks socio-economic investments, managed through the EVRAZ Highveld eMalahleni Community Forum, totalled R597 000 (R975 200 in 2012).

In 2014 the Company will continue to focus on achieving safety targets, optimising production and quality, reducing costs, improving the skills and competency of employees and establishing open communication channels between management and employees.

EVRAZ Highveld management has successfully addressed the challenges following a very trying 2012 and I am confident that the team will lead the Company back to profitability in 2014.

I thank my fellow directors, all of whom made valuable contributions in providing insights and solutions to the challenges the Company faces. Thank you to the members of the Independent Board, which was instituted to protect the rights of minority shareholders during the process resulting from the proposed sale of the EVRAZ plc shareholding to a B-BBEE consortium.

Bheki Shongwe
Chairman
11 March 2014

Report of the chief executive officer

Increased steel product sales, a higher vanadium price and the effects of the 2012 cost-cutting initiatives resulted in a satisfactory business performance in the first half of 2013. However, a decrease in plant availability, notably the slab caster in the Steel Plant as a result of a major overhaul, impacted negatively on production during the full year. This resulted in the Group declaring a loss of R379 million (R943 million in 2012).

A wide range of initiatives to improve efficiency, within the constraints of a very limited budget, did pay off in the form of significantly improved product quality and on-time delivery.

Staff morale, already low because of the effects of the production disruptions and the changed corporate structure implemented in 2012, was further affected by the primary shareholder announcing the intended sale of its 85.11 per cent stake in the Company to a B-BBEE consortium. The consortium, represented by Nemascore Proprietary Limited (Nemascore), made a non-binding offer of approximately US$320 million for EVRAZ plc's shareholding in the Company. Further to the consortium initiating due diligence procedures, and subsequent to the end of the year, EVRAZ plc extended the bidding to further interested parties. In the event of a transaction being successfully concluded, EVRAZ plc will assist the new owners with the smooth running of the Company during a transition period.

Business risks

The cost and supply of iron ore from Mapochs Mine to the Steelworks, the cost of energy, the impact of the steel-making process on the environment and productivity are the major risks to the sustainability of the Company.

At Mapochs Mine, ore reserves are at an estimated ten year life at 50m depth. Investigations into the economics of underground mining will be conducted in 2014. However, alternative ore resources are being considered such as off take agreements with third parties that own mining rights.

Energy is an ever-increasing cost in the steel-making process, notably as a result of the steep electricity price increases Eskom has already implemented and intends implementing. This cost will be exacerbated by the proposed carbon tax. The proposed electricity co-generation project, which could, in a few years save the Company 80 per cent of Eskom costs, had to be postponed pending the proposed sale of the business. A business case has proved that the project is feasible and the already submitted EIA should support the project.

Short-term environmental risks include emissions at the Steelworks and the silting of the Mapochs Dam. Good progress was made with emission abatement, notably the material decline in visible emissions as a result of the raw gas stack cap overhaul in the post combustion towers of the rotary kilns in the Iron Plant. Capital projects to decisively deal with emissions in line with new, stringent regulations are on hold due to cash constraints in the current economic climate. The desilting of the Mapochs Mine Dam continues and the Company is in consultation with the Department of Environmental Affairs (DEA) to discuss the feasibility of desilting requirements in a directive it issued.

Steps to increase production will be taken with due consideration to the resultant increased production costs and product demand.

The imbalance between labour cost and productivity remains a business risk, but the change to a four-shift schedule in 2012 did achieve cost-savings.

Business strategy

The EVRAZ Highveld business strategy, aligned to the EVRAZ plc strategy, includes cost reduction and yield and production increases, the latter over the longer term. At year-end, fixed-cost reduction totalled seven per cent (15 per cent in 2012). Rolling yields improved following plant improvements, despite a high level of unplanned plant maintenance downtime in the second half of the year. Product quality also improved and lower levels of sulphur and silicon achieved for higher quality grades.

The main driver in cutting production costs is the Lean Management system, which is being rolled out at all EVRAZ plc plants globally. At EVRAZ Highveld, implementation of the 6S process to identify and eliminate waste was implemented by 99 per cent of workplaces targeted for implementation. A training programme facilitated achieving higher levels of adherence to the Value Stream Analyses and implementation.

Steps to increase production will be taken with due consideration to the resultant increased production costs and product demand.

Product diversification is continually being evaluated. A pre-feasibility study to convert the rail-production facility in the Structural Mill to main-line specification is being conducted, following announcements that the country plans to upgrade its rail network. Steel quality and plant capacity are sufficient to support such a diversification. At this stage all mainline rail is imported.

EVRAZ Highveld supports industry initiatives to tighten steel-purchasing specifications for government tenders to 'cast in South Africa', as opposed to the current 'procured in South Africa'.

Difficulty in obtaining finance for the calcine waste disposal facility diversification project by the interested party resulted in their subsequent withdrawal. This project, which has the ability to generate secondary income streams from the calcine waste disposal facility, has again been put out on tender.

The consolidation of scrap-metal sales to a single merchant increased the income from secondary products to R122 million from R80 million in 2011.

Business performance

Mapochs Mine produced 1.430 million tons of magnetite titaniferous ore lump (1.174 million tons in 2012) and 651 209 tons of fines (2012: 607 473 tons).

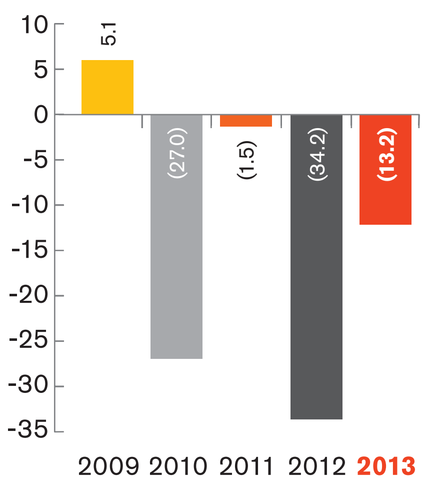
The Iron Plant produced 638 912 tons of liquid iron (620 035 in 2012) and extracted 49 299 tons of vanadium slag (43 132 tons in 2012). The vanadium plant produced 4 890 tons of FeV (4 742 tons in 2012).

The Steel Plant produced 642 405 tons of cast steel (2012: 571 787 tons). The steel mills rolled 501 685 tons of product (2012: 447 537 tons) . Steel product sales totalled 486 706 tons (2012: 453 836 tons), with a local:export ratio of 90:10 (79:21).

The headline loss of R374 million caused operations to utilise cashflows of R358 million (R610 million in 2012), decreasing net cash to R7 million at year-end (R409 million in 2012).

Cash capital expenditure amounted to R140 million.

ROCE%



SHEQ assurance

The Steelworks and Mapochs Mine are OHSAS 18001:2007 certified for safety and health. The Steelworks is ISO 14001:2004 certified for environmental matters and ISO 9001:2008 certified for quality assurance.

The Company protects the well-being of its employees by providing facilities and trained staff to manage medical emergencies at work, provide primary and acute healthcare services and assist with lifestyle and chronic disease planning.

Safety remains a concern. The classification criteria for incidents were standardised in 2013, causing the LTIFR to increase to 3.32 per million hours worked from a restated 1.74 in 2012.

Good progress was made with emissions reduction at the Steelworks in 2013, but step-changes will only be achieved once business conditions are back to normal and the Company makes a profit.

Human capital

The changes in the corporate structure, compounded by a series of business uncertainties, had a negative effect on employee morale.

Management addressed this by having an independent employee climate survey conducted, in consultation with trade unions. The findings of the survey are being analysed to address employee concerns.

Steps to initiate structured communication between management and employees were not successful and management had to make the sessions mandatory to ensure that staff remained abreast of developments in the Company.

Unfortunately, the uncertain climate and staff dissatisfaction with the reduced overtime as a result of the change to a four-shift schedule caused an outflow of already scarce skills. The divisions, in consultation with the Human Capital division, are addressing skills challenges according to their needs, mostly by upskilling and on-the-job training.

The perceived uncertainty about the Company's future did little to attract B-BBEE candidates to achieve transformation objectives of reflecting the country's demographics. Attracting management skills remains a major challenge. The Company achieved an unverified level 6 B-BBEE scorecard with a score of 52.8.

Outlook for 2014

2013 was not an easy year, but the EVRAZ Highveld team did achieve real improvements in cost control, product quality and on-time delivery. However, unplanned maintenance shut-downs as a result of a limited budget as well as low staff morale pose major challenges on the road towards profitability.

Management is positive that the Company is adequately geared to benefit from any improvement in the demand for steel.

I thank our stakeholders for their valuable contributions during a most challenging year.

Mike Garcia
Chief Executive Officer
11 March 2014

Report of the chief financial officer

Total revenue increased by 19.2 per cent, from R4 354 million in 2012 to R5 192 million.

Financial performance

The headline loss of R374 million that EVRAZ Highveld recorded for the year ended 31 December 2013 represents a material improvement on the headline loss of R1 022 million recorded in the previous year.

Improvement in production volumes and a focus on cost reduction initiatives provided a basis for a positive EBITDA, however not sufficient to finance the additional requirement for working capital and capital expenditure requirements.

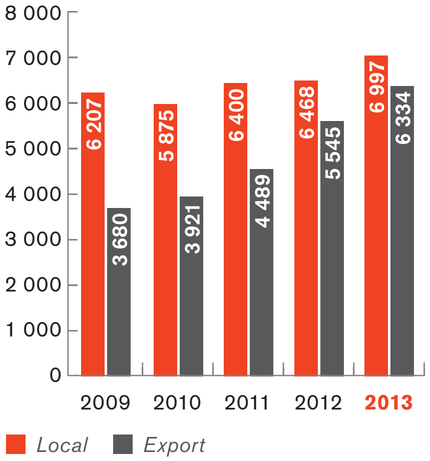
Challenges in the 2013 financial year influencing financial performance included a steep increase in imported steel products in the first half of the year following reduced local supply capacity, stakeholder uncertainties resulting from the announced sale by EVRAZ plc of its shareholding in the Company, large operational failures that resulted in the loss of a total of 70 production days within operational areas and the uncertainty created by the Company announcement in the third quarter regarding its ability to continue as a going concern.

Revenue

Total revenue increased by 19.2 per cent, from R4 354 million in 2012 to R5 192 million. This increase is attributable to the 7.2 per cent increase in steel product volume sales, offset somewhat by the overall reduction in vanadium product sales. Revenue levels were also positively impacted by improved steel product sales within the local market at weighted average pricing levels in Rand-based terms that reflected improvement in comparison to the 2012 year, attributable to the continued weakening of the local currency. Notwithstanding strong competition from imported products, the Company was successful in increasing the sale of its steel products within the local market. 90 per cent of steel product sales volumes of 487kt in 2013 were to the local market, 11 percentage points above the 79 per cent in the previous year.

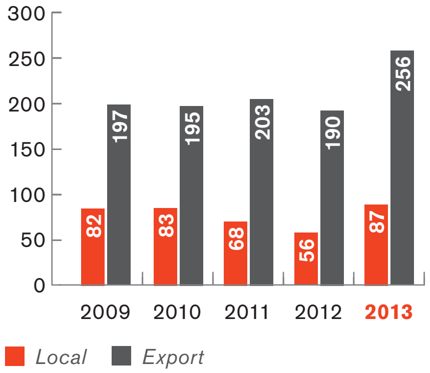
Key financial performance indicators	2013	2012	2011	2010
Net sales revenue – Rm	5 190	4 346	5 587	5 125
Cost of sales – Rm	4 990	4 746	5 092	5 031
Gross profit/(loss) – Rm	200	(400)	495	94
Net (loss)/profit after tax (NPAT) – Rm	(379)	(943)	45	(549)
Headline loss – Rm	(374)	(1 022)	(15)	(383)
Headline loss per ordinary share – cents	(377.2)	(1 030.4)	(15.1)	(386.3)
Gross profit/(loss) margin – %	3.9	(9.2)	8.9	1.8
Return on capital employed (ROCE) – %	(13.2)	(34.2)	(1.5)	(27.0)

Steel price trends (R/ton)



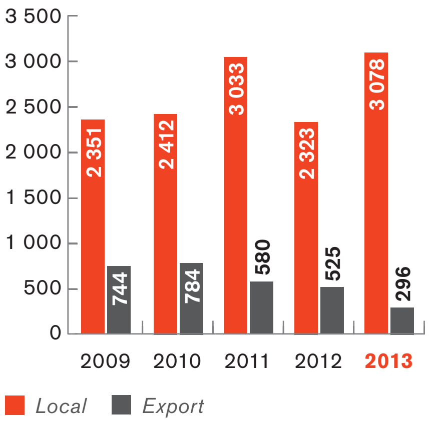
Product sales volumes	2013	2012	% change
Structural steel products – local (kt)	**156**	139	12.2
Structural steel products – export (kt)	**32**	61	(47.5)
Flat steel products – local (kt)	**282**	218	29.4
Flat steel products – export (kt)	**15**	17	(11.8)
Semi-finished steel products – local (kt)	**2**	3	(33.3)
Semi-finished steel products – export (kt)	**–**	16	(100.0)
Vanadium slag – local (t V)	**385**	181	112.7
Vanadium slag – export (t V)	**5 368**	5 680	(5.5)

Vanadium price trends (R/kg V)

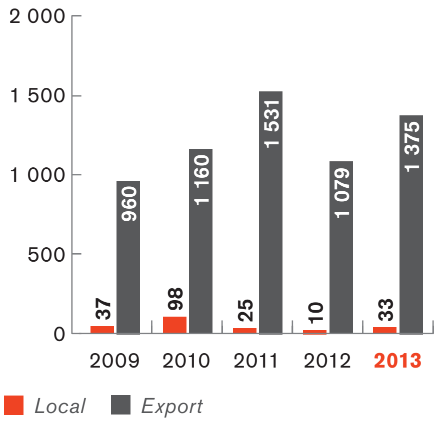


Product sales volumes	First quarter	Second quarter	Third quarter	Fourth quarter	2013
Steel					
Local – kt	134	130	104	72	**440**
Export – kt	1	1	11	34	**47**
Total – kt	135	131	115	106	**487**
Vanadium					
Local – t V	104	88	93	100	**385**
Export – t V	1 308	1 503	1 296	1 261	**5 368**
Total – t V	1 412	1 591	1 389	1 361	**5 753**

Steel revenue (Rm)



Vanadium slag revenue (Rm)

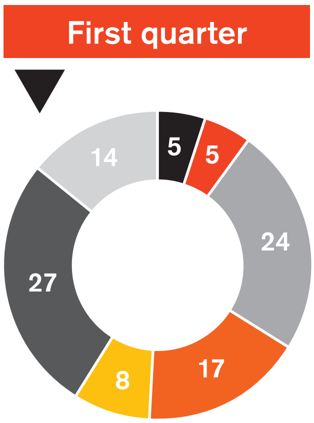


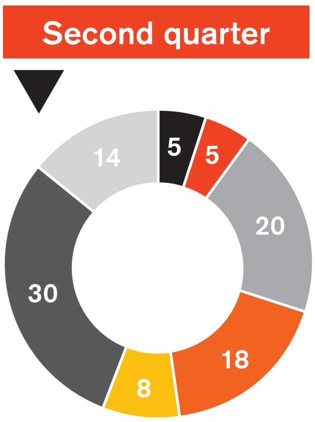
Expenditure

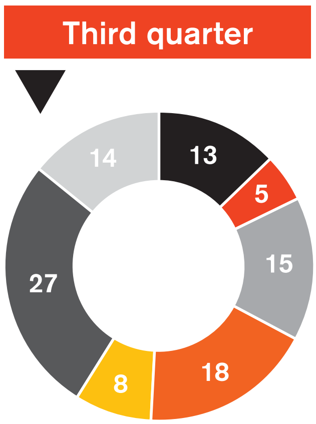
Cost item	First quarter	Second quarter	Third quarter	Fourth quarter	2013	First quarter	Second quarter	Third quarter	Fourth quarter	2012	% change
Raw materials	325	297	214	262	1 098	414	331	203	415	1 363	(19.4)
Energy	227	257	257	231	972	200	225	174	229	828	17.4
Auxiliary materials	113	117	109	134	473	140	115	86	119	460	2.8
Services	363	428	382	349	1 522	349	305	283	281	1 218	25.0
Staff costs	190	200	203	218	811	210	208	196	190	804	0.9
Selling, administration and other	75	77	176	(9)	319	104	16	125	7	252	26.6
Depreciation	71	73	73	71	288	68	78	58	71	275	4.7
Total	1 364	1 449	1 414	1 256	5 483	1 485	1 278	1 125	1 312	5 200	5.4

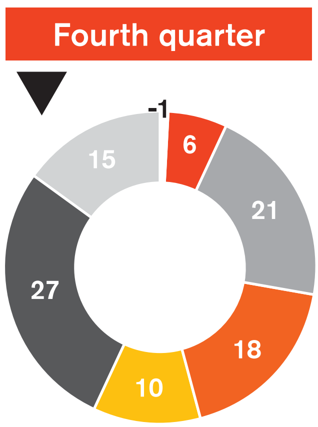
2013 cost breakdown

The increase in expenditure was well contained within an environment with a continued focus on fixed and variable cost reduction.









- *Depreciation*
- *Raw materials*
- *Energy*
- *Auxiliary material*
- *Services*
- *Staff costs*
- *Selling, administration and other*

Total expenditure, as depicted in the analysis on the preceeding page, reflected an overall increase of 5.4 per cent from R5 200 million in 2012 to R5 483 million in 2013.

The increase in expenditure was well contained within an environment with a continued focus on fixed and variable cost reduction. The benefits of a business optimisation project, launched in 2012 to restore profitability through four initiatives, were fully realised in the current year.

The continued increase in energy costs continues to pose a challenge to the Company.

In 2013 tariff increases in electricity provided by Eskom of 9.8 per cent were absorbed. EVRAZ Highveld continues to assess and implement operational improvements to reduce energy consumption on a sustainable basis to offset the impact of above-inflationary electricity tariff increases.

Supply chain initiatives focused on fostering strategic partnerships with key suppliers, promoting economies of scale through structured volume-based procurement and broadening the supplier base to ensure continuity of supply in conjunction with competitive pricing supported the 19.4 per cent decrease in raw material expenditure in 2013.

The Company also maintains its focus on continued improvement in labour productivity. The increase of 0.9 per cent in staff costs together with increased steel production volumes in 2013 stems from the restructuring initiatives undertaken in the previous year. Management continue to focus on the optimisation of labour resource allocations to ensure minimisation of additional labour cost associated with overtime and related benefits.

EVRAZ Highveld continues to evaluate and progress short- and longer term opportunities for cost reductions to promote business sustainability.

Statement of financial position

Cash capital expenditure in 2013 totalled R140 million. Capital expenditure was restricted to promote cost containment and cash flow management.

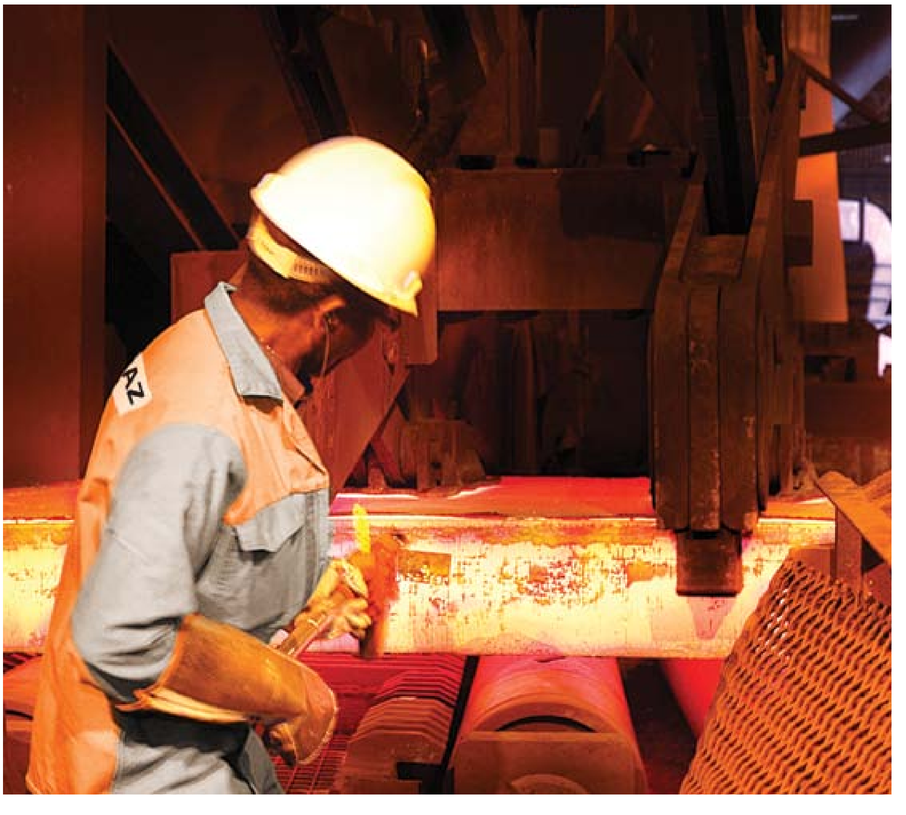
Continued investment in strategic projects was maintained with the investment committee supporting control over capital investment decision-making. Adverse business conditions continued to restrict the investment in environmental capital projects.

Restructuring of guarantees during 2013 resulted in R40 million being paid, which amount is disclosed as restricted cash.

Lower product despatches in December 2013 coupled with higher levels of semi-finished product due to operational constraints resulted in an increase in inventories of 23.4 per cent over that of the previous year.

Cash flows

R358 million of cash flow was utilised in group operations in 2013 and a net cash outflow of R297 million was recorded for the year.



EVRAZ Highveld's continued focus on continuous production, improved product volumes and longer term cost reduction initiatives will positively influence its ability to promote the economic sustainability of its operations.

Following the withdrawal of loan facilities previously provided by financial institutions, loan funding was provided by the primary shareholder, with this leverage totalling US$29 million at year-end.

The reduction in free cash flow continues to place pressure on working capital management within the Company.

Risk management

Strategic, financial and operational business risks and uncertainties prevalent within the Company's business environment are appropriately accounted for in the Company's risk management model.

In addition to the detail relevant to risks that can influence the economic performance of the Company, the model takes cognisance of risks that have a financial bias, such as foreign currency, interest rate, commodity price and credit risks.

Material risks that influence financial performance and continued business sustainability include environmental compliance, operational continuity, liquidity, labour-related risks and the imposition of carbon taxes. The cost implication of the proposed carbon tax, which is expected to be phased in over a five-year period, could be as high as R172 million a year. These risks and the mitigation thereof are continually monitored by members of the Executive Committee to promote continuous production and long-term business sustainability.

Foreign currency risks are mitigated through forward exchange contracts on significant projects. Interest rate risk is managed so as to maximise interest earnings on surplus cash and minimise interest charges on borrowings, in line with the regular assessment of cash flow requirements.

The Company continues to monitor the commodity price risks associated with foreign contracts, but does not hedge these transactions. Credit risk associated with the client base is mitigated through cover taken through Credit Guarantee Insurance Corporation of Africa Limited.

The risk of financial loss due to actions initiated by the Competition Commission is also actively managed with cognisance being taken of the potential impacts of any fines or penalties that may be imposed on the Company.

EVRAZ Highveld remains confident that there is no evidence to support the Referral of Complaint to the Competition Tribunal as issued

by the Competition Commission against EVRAZ Highveld and two other companies in March 2012.

Accounting standards

The annual financial statements have been prepared in accordance with International Financial Reporting Standards.

Details on the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB and adopted by EVRAZ Highveld in 2013 are disclosed on pages 103 to 107 in the annual financial statements.

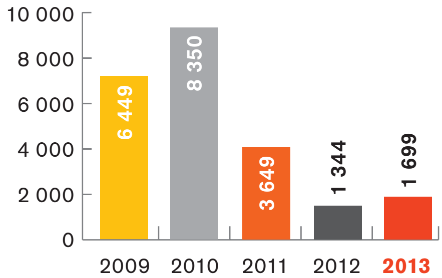
These Standards resulted in the restatement of prior-year results as disclosed in the financial statements and notes thereto.

Shareholding and returns

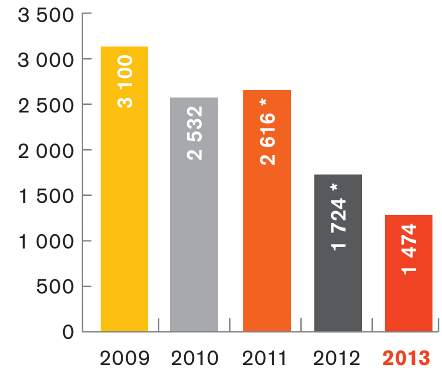
Shareholder returns are achieved through dividend payments and share price appreciation. Continued weakness in global steel markets continued, as with other steel producers, to influence EVRAZ Highveld's share price in 2013. However the announcement by EVRAZ plc of its intention to dispose of its shareholding in the Company promoted improvement with the share price closing at R16.99 against a share price of R13.44 at 31 December 2012.

Current and future operational funding requirements and available cash resources are integral to dividend declaration considerations by the Board. Dividend payments are funded by cash generated by operations. No dividends were declared in 2013 based on the prevailing business conditions and the associated absence of cash generated from operations.

Closing share price (cents/share)



Net asset value (cents/share)

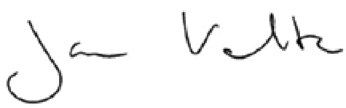


* Restated

Outlook

EVRAZ Highveld's continued focus on continuous production, improved product volumes and longer term cost reduction initiatives will positively influence its ability to promote the economic sustainability of its operations.

Improved global commodity markets and associated improvement in steel and vanadium prices are, together with continued cost reductions flowing from cost saving initiatives and anticipated increased local product sales from national infrastructure development programmes, expected to positively influence the Company's financial performance in the 2014 year.



Jan Valenta
Chief Financial Officer
11 March 2014

Social and Ethics Committee report

The Social and Ethics Committee is a formal statutory committee of the Board, appointed by the shareholders to assist the Board in adhering to the Companies Act and Regulations as well as guidelines set out in King III, where applicable to the Company.

Role of the committee

The role of the Social and Ethics Committee is to create an organisational culture, with the necessary structures and processes, which encourages transformation to ensure compliance with relevant legislation and charters in order to develop a corporate structure that reflects the demographics of South Africa through the full spectrum of EVRAZ Highveld's activities and programmes. This includes compliance with the Broad-Based Socio-Economic Charter for the Mining Industry and the B-BBEE Act. The committee also focuses on employee health and safety and the Company's operating environment, including compliance with health and safety and environmental legislation.

The committee is also responsible to ensure that the principles of transformation are conveyed within and outside EVRAZ Highveld, in areas such as its supply chain and community projects.

The committee is authorised by the Board to investigate any activity within the scope of its charter, interact with employees and obtain external professional advice in conducting its business.

The key functions of the committee, defined in the Social and Ethics Committee Charter, are to:

- monitor ethical behaviour of the Company and its directors, employees and service providers;
- monitor and review stakeholder management;
- ensure that the Company conducts itself as a due and proper corporate citizen;
- report at the Annual General Meeting on matters within its mandate;
- ensure the transformation of EVRAZ Highveld in a fundamental and substantive manner;
- monitor the activities of EVRAZ Highveld, pertaining to relevant legislation, legal requirements or prevailing codes of best practice with regard to matters relating to social and economic development, good corporate citizenship, the environment, health, public safety, the impact of EVRAZ Highveld's operations, products or services, consumer relationships, advertising, public relations and compliance with consumer protection laws and labour and employment requirements;
- monitor compliance with the requirements of mining and labour legislation and empowerment charters;
- position EVRAZ Highveld for the long term by creating an organisational culture, structures and processes to support the development of people, ensure B-BBEE and the development of black empowered businesses;
- ensure the further transformation of the Company following the conversion of old-order mining rights to new-order mining rights;
- develop and review progress on the generic B-BBEE scorecard for the Steelworks, in compliance with the requirements of the DTI; and
- develop and review a scorecard for Mapochs Mine in line with the new Mining Charter.

Development and progress are enforced, monitored and audited by the Committee with respect to:

- compliance with policies, procedures and practices which protect stakeholders against discrimination;
- the correct balance between transformation activities, adequate skills provision and maintaining stability within EVRAZ Highveld;
- compliance with legislative and regulatory requirements and governmental policies;
- the maintenance of scorecards and regular, consistent, benchmarked and comprehensive reporting on scorecard progress;
- corporate social investments;
- strategic dialogue and relationships with government; and
- sustainability reporting to stakeholders.

Composition and committee meetings

The committee consists of four non-executive directors, three of which are independent. During the year under review, directors serving on the committee included Mohammed Bhabha (appointed 1 March 2010), Babalwa Ngonyama (appointed 1 March 2010), Bheki Shongwe

The Company is committed to transformation and its performance is measured against scorecards.

(Chairman) (appointed 15 October 2009) and Pavel Tatyanin (appointed 9 December 2009). More details of these directors are given on pages 52 to 56.

Fees paid to the committee members are reflected on page 49 in the Remuneration Report, and the proposed fees for 2014 are detailed on page 160.

Committee members meet at scheduled meetings four times a year. Unscheduled meetings are called when the committee is required to address urgent matters in its scope of responsibility. Attendance of committee members at the meetings of the committee during the year is included on page 60.

Transformation statements

Transformation within the Company is guided by relevant legislation, regulations and governmental policies – including the Employment Equity Act, the B-BBEE Act, the Mining Charter and relevant codes of good practice.

The Company is committed to transformation and its performance is measured against scorecards, which shows progress made with respect to targets and programmes focused on human resource and skills development, employment equity, mine community and rural development, housing and living conditions, ownership and joint-venture beneficiation, preferential procurement, enterprise development and socio-economic development.

Employee advancement and promotion are determined by an individual's achievement, performance, ability and potential.

EVRAZ Highveld recognises that a simple policy of equal employment will not adequately address past and present imbalances and continues to recruit, train, develop, and promote individuals with potential.

The Company:

- believes in the principle of equal, basic remuneration and conditions of employment for work of equal value;
- commits to creating a workplace environment in which individuals of ability can develop rewarding careers at all levels, regardless of background, culture, race or gender;
- recognises that all people are entitled to equal and equitable employment opportunities and that every employment opportunity is open to all suitably qualified applicants, based on their experience, qualifications, ability and potential; and
- focuses social and community investment on educational and wellness institutions and on assistance to communities in its areas of operation.

Organisational transformation

Organisational transformation to establish a business culture that supports all facets of the environment within which the Company operates, including the development of EVRAZ Highveld's corporate structure to be reflective of the country's demographics, is fundamental to the sustainability of its operations.

The committee, supported by the Remuneration and Nominations Committee, the chief executive officer (CEO) and executive management, facilitates organisational transformation through the proactive development of the Company's human capital base.

More detail on the Company's human capital and transformation activities is included on pages 82 to

A proactive approach toward workplace safety, employee health and the environment is fundamental to continued business operations.

85 and page 86 in the Sustainability Review respectively.

Safety, health and environment

A proactive approach toward matters related to workplace safety, employee health and wellbeing and the environment in areas of operation, through integrated management systems, strategies, policies, procedures and practices, is fundamental to continued business operations.

The committee, supported by the CEO and executive management, facilitates the formulation of key strategies focused on improved safety and health and environmental compliance. In 2013 the committee focused on legislative and regulatory compliance requirements related to air quality and emissions, including engagement with governmental authorities, assessment of the current status and the formulation of strategies and plans to promote total compliance.

More detail on the Company's activities related to safety, health and the environment is included on pages 72 to 81 in the Sustainability Review.

Social responsibility

The committee also guides the Company in its social responsibility programme, to ensure that the Company gives effect to its responsibility towards the communities based in areas in which it operates.

External projects, which are aligned with legislative and prescriptive measures and within guidelines of the EVRAZ Highveld eMalahleni Community Forum and under guidance of the Social and Ethics Committee, target the economic empowerment of communities, on both social and business levels, through health, education and supply chain initiatives.

More detail on the Company's social responsibility activities is included on page 87 in the Sustainability Review.

Stakeholder engagement

Formalised stakeholder engagement objectives are included in a stakeholder engagement strategy that was approved by the Board in 2010.

Given the strained employee relations following the industrial action during the third quarter of 2012, the committee requested and reviewed the results of an employee climate survey during 2013. Following this survey and being cognisant of the importance of engaging with its key stakeholders, the Company, under the guidance of the committee, continues to review its engagement framework to promote constructive and interactive stakeholder engagement to support achieving strategic business objectives.

More detail on the Company's activities related to stakeholder engagement is included on pages 40 to 41.

Mining charter

Compliance with the revised Broad-Based Socio-Economic Empowerment Charter for the South African mining industry, launched in September 2010, is facilitated by the committee on behalf of the Board. The sustainable transformation and development of the Mapochs Mine operation, a strategic asset to the Company, is integrally linked to the revised charter.

Following the successful transfer of the Mapochs business from EVRAZ Highveld to Mapochs Mine Proprietary Limited on 29 February

2012, in which the strategic B-BBEE partner, Umnotho Iron and Vanadium Proprietary Limited (Umnotho), holds 23 per cent and the MMCT holds three per cent of the equity, the committee continues to monitor and manage the Company's progress towards meeting the social development expectations tabled in the charter within the overall framework of its transformation strategy.

More detail on the Company's activities focused on housing and living conditions, procurement and enterprise development, human resource development, mine community development, sustainable development and growth and beneficiation at its Mapochs Mine operation is included on page 87 in the Sustainability Review.

B-BBEE scorecard

EVRAZ Highveld's transformation performance is measured in its B-BBEE scorecard, developed in compliance with the requirements of the DTI. During 2013 the committee considered the proposed revised DTI codes with a view to ensuring compliance therewith in anticipation of their implementation and identifying key focus areas to facilitate maximising of benefit.

The committee monitors the Company's progress toward elevating its B-BBEE-compliance level and, to this end, promotes the formulation and implementation of strategies and policies within all spheres of operation, including measures to improve demographic representation within management, skills development, preferential procurement and enterprise- and socio-economic development.

Following external verification of the 2012 scorecard, 6.352 points were awarded for business ownership following the transfer of ownership of 26 per cent of the equity in Mapochs Mine Proprietary Limited by EVRAZ Highveld to Umnotho and the MMCT. This event supports additional points being scored under the ownership criteria for three consecutive years from 2012 – 2014.

Scores for the remaining six scorecard elements for the 2013 year against that targeted and against the comparative actual scores for 2012 are reflected in the scorecard below. The score for 2013 of 52.8 points, which is subject to external verification, resulted in the companies B-BBEE contributor status reducing to a level 6 from a level 5 in the 2012 year.

On behalf of the Social and Ethics Committee

Bheki Shongwe
Chairman
11 March 2014

B-BBEE scorecard

	Weight	2012 verified score *	**2013 targeted score**	**2013 score ****	Weight ***	2014 targeted score **
Ownership	20	6.352	–	6.50	25	6.00
Management control	10	3.865	4.00	2.10	15	8.00
Employment equity	15	4.008	7.00	5.30		
Skills development	15	10.413	13.80	6.00	20	12.00
Preferential procurement	20	16.247	18.50	18.00		
Enterprise development	15	15.000	15.00	9.90		
Enterprise and supplier development					40	30.00
Socio-economic development	5	5.000	5.00	5.00	5	5.00
Total	**100**	**60.885**	**63.30**	**52.80**	**105**	**61.00**

* *The 2012 score has been restated from that published in the 2012 Integrated Report following external verification.*

** *The 2013 score is subject to external verification.*

*** *The 2014 weight and target is based on the application of the revised DTI codes which became effective in October 2013.*

Stakeholder engagement

EVRAZ Highveld recognises the importance of proactive engagement, underpinned by the Company's values, with its key stakeholders to ensure the achievement of organisational objectives and long-term sustainability. Effective engagement on all spheres of the Company's operations promotes optimisation of positive and negative impacts and facilitates reliable, accurate and transparent internal and external reporting and understanding. Identified stakeholders include individuals and groups, both internal and external, who are directly or indirectly influenced by or can influence EVRAZ Highveld's current and future operations.

An approved strategy incorporating engagement objectives has been established and is aimed at identifying material issues that affect the well-being of and creation of value for stakeholders. Stakeholder engagement is focused on promoting collaboration, value-creation and human capital development within an environment focused on mutual respect, accountability and continuous improvement.

In addition to the five key stakeholder groups included in the table below, the Company acknowledges the relevance of engaging with other stakeholder groups that include providers of capital, industry associations, communities within its areas of operation, trade unions that represent employees included in the collective bargaining unit and business partners within subsidiary and associate entities.

Key sustainability issues

Key stakeholder group	Key engagement issues	Engagement outcomes
Shareholders, investor community and the media		
EVRAZ Highveld's primary shareholder is EVRAZ plc with an 85.11 per cent shareholding. The balance of shares, traded on the Johannesburg Securities Exchange, is held by institutional and individual investors.	▪ Shareholder returns and economic sustainability. ▪ Performance and future anticipated performance. ▪ Corporate governance and risk management. ▪ Appointment of the Board of Directors and the members of the Audit and Risk Committee and Social and Ethics Committee.	Shareholders, the investor community and the media are provided with the opportunity to obtain information and raise issues and concerns. The Company creates opportunities to increase awareness and understanding of the nature of the business and the issues pertinent to operational performance through investor presentations and other interactions.
Employees		
At 31 December 2013, 2 303 people (including 179 temporary employees) were employed by EVRAZ Highveld. 155 (including 12 temporary employees) of these are based at the mining operations at Roossenekal, 2 141 (including 167 temporary employees) at the Steelworks in eMalahleni and seven at the sales office in Bedfordview.	▪ Remuneration and benefits. ▪ Career development and training. ▪ Performance management. ▪ Operational sustainability. ▪ Business ethics. ▪ Safety and health and employee wellness, including HIV/Aids. ▪ Employment equity and transformation.	Employee awareness of corporate business practices and procedures, individual performance and career development opportunities. Proactive management of fraud and other crimes and environmental complaints. Increased awareness and continuous review of the safety, health and security environment to facilitate continuous improvement. Proactive information sharing between management and employees to support business efficiencies and effectiveness. Improved employee wellbeing.

Key stakeholder group	▪ Key engagement issues	Engagement outcomes
Customers		
Primary customers include the large steel merchants in South Africa and EVRAZ plc's international sales organisation.	▪ Reliable, timely and sustainable supply of quality products. ▪ Price competitiveness. ▪ After-sales service. ▪ Efficiency of administrative support system.	The EVRAZ Highveld marketing team interacts with customers on a continuous basis to promote customer relationships through better understanding and awareness of customer needs. An understanding of Company products and services and a meaningful environment for the resolution of customer queries and problems are also promoted. An annual customer survey provides a basis for business process improvements to enhance customer satisfaction levels.
Suppliers and contractors		
Procurement for EVRAZ Highveld is managed through a centralised Procurement Department with a Vendor Management Committee ensuring that the supplier base is managed to actively support effective business operations.	▪ Key strategic raw material supply. ▪ HDSA procurement / B-BBEE scorecard. ▪ Product quality. ▪ Price competitiveness. ▪ Reliable, timeous sustainable supply. ▪ Contract terms.	Sustainable supply of value-added products and services that support optimum customer satisfaction. Contractor open days focusing on risk assessments, safety leadership, the use of personal protective equipment (PPE) and managing contractors' health and safety files. Proactive resolution of supply chain issues.
Government – national, provincial and local		
Legislative compliance and social development necessitates close interaction with various departments, in all three spheres of government.	▪ Development of national strategies, policies and standards in areas applicable to operations. ▪ Legislative and regulatory compliance. ▪ Environmental performance issues. ▪ Access to mineral resources, energy supply and water. ▪ Social development initiatives linked to the Integrated Development Plans (IDPs) of the municipalities.	Inputs into the formulation of and increased awareness of applicable national strategy, policy and standards. Facilitation of applications for licences and permits critical to raw material supply and continued operations. Regional socio-economic development through organisationally driven initiatives.

An understanding of Company products and services and a meaningful environment for the resolution of customer queries and problems are also promoted.

The Board's responsibility for risk management is delegated to the Audit and Risk Committee.

Audit and Risk Committee report

The Audit and Risk Committee is a formal, statutory Board sub-committee, appointed by the shareholders to assist the Board in its corporate governance supervision responsibilities. The committee operates independently of management, is free of any organisational restraint or pressure and acts in accordance with its statutory duties and the delegated authority of the Board.

Role of the committee

The Audit and Risk Committee ensures that accurate financial reporting and adequate systems, controls and risk management processes are in place. The committee is responsible to ensure appropriate corporate governance and compliance with a specific focus on the potential risks to the Company, and for IT governance and the strategic alignment of IT with the performance and sustainability objectives of the Company.

The committee is also authorised by the Board to investigate any activity within the scope of its charter and has the authority to interact with the directors, management and employees and to obtain external professional advice to ensure effective governance. The committee is accountable to the Board and the Company's shareholders.

The Audit and Risk Committee Charter authorises the committee to:

- review the Company's strategic plan and strategic management process;
- evaluate the appropriateness and adequacy of the systems of internal financial, operational and all business control;
- review the effectiveness of the process for identifying, assessing and reporting all significant business risks and recommending and monitoring levels of risk tolerance and risk appetite, and to monitor the group-wide system of internal control to manage those risks, including the annual review, approval, monitoring and assessment of the risk management policy and plan, overseeing the appropriate implementation of risk responses by management and the Company-wide dissemination of the risk management plan and the integration thereof into business activities;
- review and evaluate the Company's exposure related to serious instances of fraud, breakdown in control and litigation;
- oversee the process for selection and confirm the nomination and appointment, in terms of the Companies Act and related legislation, of the external auditor and approve the terms of engagement and fees;

- review the independence of and pre-approve all non-audit services provided by the external auditor;
- meet with the external auditor to review the initial scope of audit services and proposed audit opinion, with a review of disclosure requirements and the safeguarding of the external auditor's objectivity and effectiveness of the audit process;
- approve the terms of reference of the internal audit function, which may complement those of the external audit function, and review coordination between the internal audit function and the external auditor;
- assess the appropriateness of the mandate, organisation, resourcing and standing of the internal audit function, including the approval and monitoring of implementation of the annual internal audit plan;
- review the conclusions of internal audit with regard to risk management and internal control, financial reporting, corporate governance and significant investigations;
- review the external auditor's management letter and management's response, together with action taken to address key issues;
- review and approve the appropriateness of accounting policies, financial and related non-financial information released to stakeholders;
- review the consolidated and separate annual financial statements, and review the consistency of sustainability information disclosed in the integrated report with the annual financial statements, together with the timely, comprehensive and relevant reporting on risk management in the integrated report; and
- report on the activities of the committee to the Board after each meeting.

Composition and committee meetings

The committee composition adheres to the requirements of the Companies Act and King III. The chairman of the board may not serve on the committee. The committee comprises three independent non-executive directors, all of whom are financially literate. During the year under review, directors serving on the committee included Babalwa Ngonyama (Chairperson) (appointed 1 March 2010), Peter Surgey (appointed 1 March 2010, resigned 24 May 2013), Mohammed Bhabha (appointed 21 August 2013) and Thabo Mosololi (appointed 18 May 2012). More details of these directors are given on pages 52 to 56.

Fees paid to the committee members are reflected on page 49 in the Remuneration Report, and the proposed fees for 2014 are detailed on page 160.

The committee invites the chairman of the Board, the CEO, the CFO, the chief information officer (CIO), the strategic risk manager, internal audit manager and representatives of the external auditors to attend its meetings, as well as senior executives as required.

Committee members meet at scheduled meetings four times a year. Unscheduled meetings are called when the committee is required to address urgent matters in its scope of responsibility.

Attendance of committee members at the meetings of the committee during the year is included on page 60.

Risk management

The Board's responsibility for risk management is delegated to the Audit and Risk Committee. Risk management encompasses all significant business risks which could undermine the achievement of business objectives or sustainability of the business.

The committee, supported by the CEO, executive management and the EVRAZ Highveld Executive Risk Management Committee, facilitates risk management and monitoring on behalf of the Board.

Work undertaken by the internal audit function is aligned with the risk framework.

The Executive Risk Management Committee is responsible for providing an appropriate risk management framework and for embedding the risk management process at all levels within the Company, and a risk-conscious business culture is encouraged by the group's executive management through embedding agreed internal controls and mitigating actions. Risks are identified, evaluated and monitored on a continuous basis at a divisional level and a corporate risk register is maintained and managed by the strategic risk manager.

More detail on the Company's key risk areas is included on pages 10 to 12 and detail on the risk management framework and process is included on page 65 in the Governance Review.

Work undertaken by the internal audit function is aligned with the risk framework. The committee:

- monitors and assesses the role and effectiveness of the internal audit function in this regard; and
- reviews the effectiveness of the processes and procedures adopted by management for identifying, assessing and reporting on significant business risks.

Information technology

The Board's responsibility for IT governance is delegated to the Audit and Risk Committee. An IT Governance Charter which outlines the objectives of the IT function and delineates roles and responsibilities was adopted by the committee during 2012. In addition, the ITIL best practice service management and service delivery framework is used, a reporting framework is in place and appropriate IT structures have been defined – including disaster recovery and business continuity planning to ensure continuity of business processes to promote the sustainability of operations.

Audit assessments of IT-related controls are performed by the internal auditors, and significant findings and actions taken to address such key issues identified are reported to the Audit and Risk Committee for evaluation.

The maintenance of appropriate IT governance structures and the risks associated with IT are managed by the EVRAZ Highveld IT Steering Committee and Executive Risk Management Committee.

Further detail on IT governance is included on pages 66 to 67 in the Governance Review.

Chief financial officer

The committee confirms that, based on his qualifications, levels of experience, continuing professional education and the assessment of his knowledge, the CFO, Jan Valenta, has the necessary expertise and experience to carry out his duties. The CFO has unrestricted access to the chairman of the committee.

The committee also confirms that the finance function has appropriate levels of expertise, resources and experience to support the Company.

Company secretary

Based on the delegated authority to this committee given by the Board in terms of section 88(2) of the Companies Act and clause 11 of the Board charter, the committee confirms that, based on her qualifications, levels of experience, continuing professional education and the assessment of her knowledge, the appointed company secretary, Anré Weststrate, who is not a director of the Company, has the necessary expertise and experience to carry out her duties and maintains an arm's length relationship with the Board and the directors.

Internal audit

Internal audit is an independent, objective consultation and assurance function which is central to EVRAZ Highveld's governance processes, internal control framework and risk management.

The effectiveness of the internal audit function and scope restrictions are monitored and reviewed by the Audit and Risk Committee, as is the internal audit manager's appointment, with the committee approving the remuneration payable to the head of internal audit on an annual basis. He reports functionally to the committee, administratively to the CEO and to the EVRAZ Group

internal audit function at a technical level and has unrestricted access to the chairman of the committee.

The role of internal audit is contained in the Internal Audit Charter. The internal audit function reviews significant business, strategic and control risks to provide the Audit and Risk Committee with an assessment on the level of assurance that can be placed on governance, control and risk management across EVRAZ Highveld. A risk-based approach that aligns the audit methodology to internal and external risks facing the Company is applied, with all functions across the operations subject to internal audit review. Material findings and matters of significance are formally reported to the Audit and Risk Committee, on a quarterly basis, with reports indicating the appropriate management and control of actual or potential risks.

External audit

Ernst & Young Inc. served as the Group's registered external auditor for the 2013 financial year. The independence, expertise and objectivity of and the appropriateness of rotation of key partners in Ernst & Young Inc. as the external auditor were appraised by the Audit and Risk Committee, as were the terms of engagement and fees paid. The external auditors have unrestricted access to the chairman of the committee.

Annual report

Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2013, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and fairly present the consolidated and separate results of operations, cash flows and the financial position of EVRAZ Highveld. On this basis, the committee recommended the consolidated and separate annual financial statements of EVRAZ Highveld for approval to the Board of Directors.

Integrated report

Having regard to material factors and risks that may impact on the integrity of integrated reporting, and following the committee's review of the integrated report, it recommended the Integrated Report of EVRAZ Highveld for the year ended 31 December 2013 for approval to the Board of Directors.

On behalf of the Audit and Risk Committee

Babalwa Ngonyama
Chairman
11 March 2014

Remuneration and Nominations Committee report

Remuneration and reward policy

EVRAZ Highveld's remuneration and reward policies are aimed at achieving organisational sustainability through fostering a high-performance culture with engaged employees. Performance-related pay forms the cornerstone of the philosophy, supported by an integrated career and performance management system.

The Company's reward philosophy is based on performance-related remuneration and reward, market competitiveness and recognition, employee growth and development, the retention of scarce and specialised skills and accountability, ownership of the reward process with line management through linking the total reward process to business objectives and legislative compliance.

The reward strategy is aligned with the organisational strategy and the execution of that strategy, and emphasises value-based management to maximise organisational performance and effectiveness and shareholder returns. Key elements include value-based indicators (KPIs), measures to promote profitable growth, enhanced efficiency and productivity and the optimisation of employed capital.

Reward principles applied in all remuneration policies support the attraction, development and retention of employees who contribute to sustained business growth.

Remuneration is optimised through a mix of guaranteed and variable pay including both short and long-term incentives, benefits and non-monetary rewards.

Equitable reward is supported through remuneration bands established for each job grade, with annual increases directly related to employee performance ratings. A collective bargaining process forms the basis for annual increases awarded to employees in the bargaining unit.

Remuneration governance

The Remuneration and Nominations Committee is a formal committee of the Board that assists in determining and recommending executive remuneration policy and reviewing nominations for new appointments to the Board.

The role of the Remuneration and Nominations Committee, defined in the Remuneration and Nominations Committee Charter, is to oversee the setting and administering of remuneration at all levels except for staff who form part of the bargaining unit in the Company and the establishment and review of a remuneration policy that promotes the achievement of strategic objectives and encourages individual performance.

The committee assists the Board in ensuring appropriate evaluation of board members, and is also responsible for presenting suitable candidates to the shareholders for election for appointment as Audit and Risk Committee and Social and Ethics Committee members and for evaluating nominations by the majority shareholder for the appointment of directors to the Board.

The key responsibilities of the committee are to make recommendations to the Board on:

- the policy for remunerating members of executive and senior management;
- salary adjustments for employees outside the bargaining unit, the incentive bonus and the staff retention strategy policy;
- fees for members and chairmen of the Board and sub-committees of the Board for subsequent approval by shareholders; and
- succession planning for senior management.

Composition and committee meetings

The committee comprises four non-executive directors, three of which are independent. During the year under review, directors serving on the committee included Mohammed Bhabha (appointed 1 March 2010 and appointed as Chairman on 21 August 2013), Thabo Mosololi (appointed 21 August 2013), Bheki Shongwe (appointed 17 August 2011), Peter Surgey (appointed as a member on 1 March 2010 and Chairman on 14 March 2012, resigned 24 May 2013) and Pavel Tatyanin (appointed 15 October 2009). More details of these directors are given on pages 52 to 56.

Fees paid to the committee members are reflected on page 49, and the proposed fees for 2014 are detailed on page 160.

The committee meets at scheduled meetings twice a year. Unscheduled meetings are called when the committee is required to address urgent matters in its scope of responsibility. During 2013 one additional meeting of the committee was held. Attendance of committee members at the meetings of the committee during the year is included on page 60.

When appropriate the CEO, CFO and senior executives attend committee meetings by invitation. The CEO is excluded from discussions related to his remuneration.

Remuneration structure

The guaranteed remuneration for employees that does not form part of the bargaining unit is determined by the following factors:

- job-grade levels, based on the Patterson-grading system;
- independent market salary surveys to determine the organisation's competitiveness;
- individual performance and contribution measured against scorecard KPIs agreed at the beginning of each year, and
- appropriate premiums for job categories with identified scarce or specialist skills.

Executive remuneration

A key aim of EVRAZ Highveld's remuneration policy is to attract, motivate and retain high-calibre executives who focus on the development and implementation of business strategy to optimise long-term stakeholder value and support economic, social and environmental sustainability.

This aim is achieved by incorporating best-practice standards in the policy, based on the following key principles:

- total basic reward levels are competitive within the markets in which EVRAZ Highveld operates;
- incentive rewards are based on the achievement of demanding performance objectives, aligned with shareholder interests over the short, medium and long terms; and
- incentive plans, targets and performance measures are structured to function soundly throughout the business cycle.

Executive directors

The executive directors' remuneration comprises base salary and employee benefits, such as bonuses, retirement provision, medical aid and life cover.

External directorships or offices held by executive directors require the approval of the Board. If approved, they may retain the fees related to the appointment. No applications for external appointment of executive directors were lodged during 2013.

Non-executive directors

Non-executive directors receive fees for their services as directors and for serving on Board committees. These fees are determined to fairly reward directors for their time, service and expertise. The fees are reviewed by the Board on an annual basis on the recommendation of the Remuneration and Nominations Committee, with cognisance being

taken of fees paid by comparable companies. The fee structure is determined in accordance with EVRAZ Highveld's objective of attracting and retaining high-calibre individuals, and is approved by the shareholders at the Annual General Meeting.

Management and staff

The remuneration package of senior management comprises base salary and employee benefits, such as bonuses, retirement provision, medical aid and life cover. Subject to an annual review, salary increases to management become effective on 1 April each year. The average increase for 2013 was five per cent.

Staff remuneration packages comprise base salary and employee benefits, such as retirement provision, medical aid and life cover. Ordinarily, collective remuneration adjustments are negotiated with the trade unions, who represent 77 per cent of EVRAZ Highveld's employ ees, every three years. In light of operational circumstances, the current remuneration agreement, successfully concluded during 2013, covers the period 2013 to 2014.

Salary increases are paid to employees that form part of the bargaining unit on 1 July each year, and on 1 April for those not represented. The average increases in 2013 were nine and five per cent respectively.

Guaranteed annual bonuses, equivalent to a month's salary for staff who are grade D-lower and below, are, with effect from 1 January 2013, paid in the month prior to their date of engagement or anniversary date. In prior years qualifying employees received a guaranteed annual bonus equivalent to one month's salary in the month in which they took their annual leave.

A total of 1 972 EVRAZ Highveld employees qualified for guaranteed bonus payments in the year under review.

Employee benefits

Retirement benefits

Retirement benefits are provided to all EVRAZ Highveld (including Mapochs Mine) employees through three retirement funds. Staff that forms part of the bargaining unit can choose between the Metal Industries Provident Fund and the Engineering Industries Pension Fund, respectively a defined-contribution and a defined-benefit scheme. All other staff are offered membership of the EVRAZ Highveld Retirement Fund, a defined-contribution scheme. All the schemes are governed by the South African Pension Funds Act of 1956 and provide death and disability cover.

At year-end, membership of the funds totalled 2 137 (2012: 2 283):

- Metal Industries Provident Fund – 1 250 employees (2012: 1 336).
- Engineering Industries Provident Fund – 318 employees (2012: 345).
- EVRAZ Highveld Retirement Fund – 569 employees (2012: 602).

Medical aid benefits

Since 1 January 2004, membership of a medical scheme has been compulsory for all EVRAZ Highveld staff. The Company promotes membership of either the Discovery Health Medical Scheme or the Sizwe Medical Scheme, and employees can change their selection annually. From 2014 employees will be able to join one of four medical schemes.

At year-end, 1 153 employees retained membership of the Discovery Health Medical Scheme (2012: 1 029) and 772 employees retained membership of the Sizwe Medical Scheme (2012: 820).

Company contributions to these schemes totalled R34 million (2012: R33 million).

Employees who joined the Company before medical scheme membership became compulsory in 2004 and that did not belong to a medical scheme were provided with subsidised primary healthcare services at EVRAZ Highveld's on-site facilities to the end of September 2013. These employees were transferred to a medical scheme on 1 October 2013, with scheme contributions being fully funded by the Company.

EVRAZ Highveld employees who were appointed before 1 January 2002 and who remain in service until retirement age are entitled to post-retirement medical-aid benefits. The Group carries a liability of R120 million (2012: R129 million) for this benefit. Full details are given in note 24 to the annual financial statements on pages 145 to 146.

Incentive and performance bonus scheme

All employees participate in the EVRAZ Highveld incentive bonus scheme, which provides for the payment of bonuses based on the achievement of key economic and operational performance targets. The bonus is calculated as a percentage of basic salary for senior payroll employees (D-Upper and higher). Qualification for the bonus is determined by achievement of the set criteria of each employee's performance contract and, if appropriate, paid.

Employees (up to D-Lower levels) bonus is paid monthly if set targets are achieved. Contributing factors determining the payment of this bonus are production, safety and attendance.

Payments made during the year in terms of the scheme amounted to R10.1 million (2012: R2.7 million).

EVRAZ long-term incentive plan
Certain senior management employees participate in the EVRAZ plc long-term incentive plan. In terms of this plan, participants are granted shares in the publically listed EVRAZ plc, a FTSE 100 company whose shares are traded on the London Stock Exchange. Participation is determined by EVRAZ plc.

Group life benefits
Contributions to EVRAZ Highveld's group life scheme are compulsory for all permanent employees. The contributions, fully funded as an employer contribution, amounted to R10.2 million (2012: R10.1 million).

Benefits of the scheme are equivalent to the employee's annual salary, multiplied by a factor based on employment and age categories.

Staff retention strategy
EVRAZ Highveld's recognition of the need to recruit and retain key skills is embedded in its staff retention strategy policy. A Retention Committee considers formally motivated nominations in addition to policy review.

The policy, which can be applied to up to five per cent of the workforce, provides for the payment of attraction, retention and achievement bonuses based on key roles, the scarcity of skills and individual performance.

On behalf of the Remuneration and Nominations Committee

Mohammed Bhabha
Chairman
11 March 2014

Emoluments paid to executive and non-executive directors

The table below provides an analysis of the emoluments paid to executive and non-executive directors:

	Basic Salary	Directors' fees	Bonus	Expenses allowance	Share Options	Company pension fund contribution	**Total emoluments 2013**	Total emoluments 2012
	R'000	R'000	R'000	R'000	R'000	R'000	**R'000**	R'000
Executive directors								
MD Garcia (CEO)	5 634	177	2 337	604	1 353	913	**11 018**	12 346
J Valenta (CFO)	1 903	177	281	485	201	283	**3 330**	2 939
Total	**7 537**	**354**	**2 618**	**1 089**	**1 554**	**1 196**	**14 348**	**15 285**
Non–executive directors								
GC Baizini **	–	177	–	–	–	–	**177**	177
M Bhabha *	–	464	–	–	–	–	**464**	298
AV Frolov ** [1]	–	–	–	–	–	–	**–**	36
T Mosololi * [2]	–	437	–	–	–	–	**437**	154
B Ngonyama *	–	542	–	–	–	–	**542**	337
VM Nkosi [3]	–	177	–	–	–	–	**177**	141
D Ščuka **	–	177	–	–	–	–	**177**	177
BJT Shongwe *	–	706	–	–	–	–	**706**	706
PM Surgey * [4]	–	132	–	–	–	–	**132**	323
PS Tatyanin **	–	262	–	–	–	–	**262**	262
TI Yanbukhtin **	–	177	–	–	–	–	**177**	177
	–	**3 251**	**–**	**–**	**–**	**–**	**3 251**	**2 788**
	7 537	**3 605**	**2 618**	**1 089**	**1 554**	**1 196**	**17 599**	**18 073**

* *Independent.*
** *Fees ceded to EVRAZ Group S.A.*
[1] *Resigned as non-executive director on 14 March 2012.*
[2] *Appointed as non-executive director on 18 May 2012.*
[3] *Appointed as non-executive director on 14 March 2012.*
[4] *Resigned as independent non-executive director on 24 May 2013.*

The consolidated resources and reserves are classified based on the three fundamental magnetite reef environments.

Mineral Resource and Mineral Reserve statement

An independent review of the resources for Mapochs Mine Proprietary Limited was conducted by Eugene Pretorius and Associates Proprietary Limited in compliance with the recommendations and guidelines set out in the SAMREC Code (2011) and in accordance with the 2008 SAMVAL Committee Code published under the joint auspices of the Southern African Institute of Mining and Metallurgy and the Geological Society of South Africa.

Following this review, a Competent Person's Report with an effective date of 31 December 2013 was issued to Mapochs Mine Proprietary Limited. The consolidated resources and reserves in terms of this report are included in the table below, which should be read in conjunction with the full report available on the Company's website.

The consolidated resources and reserves are classified based on the three fundamental magnetite reef environments. From the surface downward, these are eluvial ore (rubble), weathered exposed in-situ reef (pavement) and fresh in-situ reef (seam). Classification in terms

of the SAMREC Code is as follows:
An 'inferred mineral resource' is that part of a mineral resource for which volume or tonnage, grade and mineral content can be estimated with only a low level of confidence. It is inferred from geological evidence and sampling and assumed but not verified geologically or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited in scope or of uncertain quality and reliability.
An 'indicated mineral resource' is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed.

A 'measured mineral resource' is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Consolidated resources and reserves

Ore	Gross in-situ	Resource classification	Geological loss	Mining loss	Mineable in-situ	Reserve classification	Grade in-situ		Contained	
							V_2O_5	Fe	V_2O_5	Fe
	(tons)		(%)	(%)	(tons)		(%)	(%)	(tons)	(tons)
		Inferred								
Pavement	3 917 586	Indicated	10	10	3 134 069	Probable	1.61	54.24	50 459	1 699 919
		Measured				Proven				
		Inferred								
Rubble	766 541	Indicated	10	10	613 233	Probable	1.64	54.67	10 057	335 255
		Measured				Proven				
		Inferred								
Open-cast	22 940 766	Indicated	10	10	18 352 613	Probable	1.74	54.95	319 335	10 084 761
		Measured				Proven				
Total	**27 624 893**				**22 099 915**				**379 851**	**12 119 935**

Governance review

Directorate

BHEKISISA JAMES THEMBA SHONGWE

Independent non-executive chairman

Age: 58
BA (Econ) (University of Botswana and Swaziland), MBA (South Australian Institute of Technology (now University of South Australia)), ACIS, FCIBM and LDP (Wharton Business School)
Appointed: 1 September 1994

Chairman of the Social and Ethics Committee; Member of the Remuneration and Nominations Committee and Alternate member of the Independent Board

Bheki is chairman of Compass Management Consultants Proprietary Limited, Flow Communications and a non-executive director of Sabvest Limited, where he serves on the Audit Committee. Bheki was appointed as chairman of the Board of EVRAZ Highveld in October 2009, after being a non-executive director for 15 years. He chairs the Social and Ethics Committee (formerly the Transformation Committee) of which he has been a member since its inception and is a member of the Remuneration and Nominations Committee.

Bheki has gained wide experience serving as non-executive director of companies such as African Bank Limited, African Bank Investments Limited, Super Group Limited, Primedia Limited, Alexkor Limited and Air Traffic and Navigation Services Company of South Africa.

His business experience was gained in finance, marketing and sales and general management over the last 31 years.

VUSIMUZI MOSES NKOSI

Non-executive director

Age: 44
MPhil – International Business (University of Pretoria)
Appointed: 14 March 2012

Vusi Nkosi is the CEO of Umnotho. He has been involved in developing the portfolio of Umnotho to include diamonds, platinum, chrome and coal assets, thereby gaining substantial experience in the African resources sector. He serves as a board member of a number of Umnotho-related companies, including Mapochs Mine Proprietary Limited, an EVRAZ associate company.

GIACOMO CARLO BAIZINI

Non-executive director

Age: 43 (Italian)
MA Hons in Physics (Oriel College, Oxford University), Summer MBA (Kellogg Graduate School of Management), Diploma of Industrial Engineering (Japan Management Association)
Appointed: 26 October 2007

Giacomo started his career working as a Management Consultant, most recently at McKinsey and Company in Japan until 2005, where he was Associate Principal. He joined EVRAZ in Moscow in 2005 as a director, and was subsequently promoted to vice president of Product and Resource Management. In July 2009 he was appointed as CFO of EVRAZ.


EVRAZ
EVRAZ

MOHAMMED BHABHA

Independent non-executive director

Age: 53
BProc. Attorney at Law (University of South Africa)
Appointed: 1 March 2010

Member of the Social and Ethics Committee, Chairman of the Remuneration and Nominations Committee, Member of the Audit and Risk Committee and Member of the Independent Board

Mohammed started his career as an attorney practising in Evander in 1984.

In 1991 Mohammed was part of the ANC negotiating team at Codesa and participated in the negotiations for the final South African Constitution.

In 1994 he was appointed as a Senator in Parliament. He chaired the Select Committee on Constitutional Affairs and Public Administration. In 2001 he was appointed as a member of the Executive Council in the Mpumalanga Cabinet.

Mohammed is presently an advisor to the Development Bank of Southern Africa. He is also an advisor to the Ministry of Co-operative Government and Traditional Affairs. Mohammed is a director of Alexkor Limited, having also served on the Board of the South African Forestry Company. He is assisting in the constitution-making process of Kenya, and is in negotiations with Yemen, Sri Lanka and Bahrain.

JAN VALENTA

Executive director and CFO

Age: 35 (Czech)
Chartered Accountant, Master's Degree in Economics (Charles University, Prague)
Appointed: 15 November 2011

Jan was appointed as CFO of EVRAZ Highveld on 15 November 2011. He also serves on the boards of Mapochs Mine Proprietary Limited and Hochvanadium Holdings AG. Jan joined the EVRAZ Group in 2010 and held the position of deputy CFO in EVRAZ Vitkovice Steel.

Before joining EVRAZ, Jan was a manager at Deloitte providing audit and management consulting services to clients in the Czech Republic and Canada, predominantly focusing on manufacturing clients.

Jan is a chartered accountant and participated in a wide range of audit engagements, due diligence and projects associated with IFRS implementation.

TIMUR IBRAGIMOVICH YANBUKHTIN

Non-executive director

Age: 49 (Russian)
Master's Degree in International and Development Economics (Yale University, USA), Master's Degree in Economics (Moscow State University, Russia)
Appointed: 1 March 2010

Timur joined EVRAZ Group in 2002 and holds the position of Vice-President, Business Development, International Business. He previously held various positions with Yandex, Alfa Bank, Salomon Brothers and Pioneer Investments.

MICHAEL DENNIS GARCIA

Executive director and CEO

Age: 49 (American)
BSc in Computer Science, United States Military Academy, West Point and MBA (Harvard Business School, US)
Appointed: 13 May 2011

Michael was appointed as CEO on 13 May 2011. Prior to joining EVRAZ Highveld, he was senior vice president, Manufacturing and Supply Chain of EVRAZ Inc. North America. Michael also worked as vice president of Merchant Operations at Gerdau Ameristeel, a US subsidiary of major multinational steel producer Gerdau.

Prior to joining Gerdau, Michael was with Alcoa Inc. where he held a variety of roles including senior commercial leader for the Alcoa flat rolled products business in China and director of sales and marketing for Alcoa's North American automotive sheet business. Michael served five years as an armour officer in the United States Army, including service in Operation Desert Storm in 1991.

DMITRIJ ŠČUKA

Non-executive director

Age: 48 (Czech)
Diploma in Thermophysics/Nuclear Power Generation (Moscow Power Engineering University)
Appointed: 11 November 2010

Dmitrij started his career in 1989 as a software developer. By 1996, he was client manager for a company selling ERP software and providing implementation services. Towards the end of 1997 he became majority shareholder and managing director of a consulting company focused on ERP applications in Austria, Germany and Switzerland.

The business merged with Deloitte in 2001, at which time Dmitrij was appointed as partner in charge of the Enterprise Applications business unit for Deloitte Central Europe.

He joined the EVRAZ Group as director of operations for European and African assets in December 2009, responsible for the operations and transformation of three plants. Dmitrij served as acting CEO of EVRAZ Highveld during the transitional period in April to May 2011.

In January 2012 Dmitrij was appointed to the position of CEO of the EVRAZ European operations.

BABALWA NGONYAMA

Independent non-executive director

Age: 39
CA (SA), MBA (Bond University)
Higher Diploma in Banking Law (RAU (now UJ))
Appointed: 1 March 2010

Member of the Social and Ethics Committee, Chairman of the Audit and Risk Committee and Chairman of the Independent Board

Babalwa is the CEO of Sinayowetu Trading Enterprise, a non-executive director and member of the Audit Committee of Impala Platinum Holdings Limited and a non-executive director of Barloworld Limited. Previous appointments include that of the CFO of Safika Holdings Proprietary Limited, group chief internal auditor of Nedbank Limited and a former audit partner in Deloitte's Financial Institutions Services Team division.

Babalwa was the founding chairman of African Women Chartered Accountants (AWCA), and is a former member of the Education and Academic Review Committees of the South African Institute of Chartered Accountants (SAICA) and the former chairman of the Technical Committee of Transnet Auditors (APF).

THABO FELIX MOSOLOLI

Independent non-executive director

Age: 45
BComm Hons (University of the Western Cape), CA (SA), International Business Certificate (London Guildhall University), Diploma in Project Management (Damelin), MAP and EDP (Wits Business School)
Appointed: 21 May 2012

Member of the Remuneration and Nominations Committee
Member of the Audit and Risk Committee
Member of the Independent Board

Thabo is the executive director of KIH, a private investment company in South Africa, a non-executive director and member of the Audit Committee of Edcon Limited and Chairman of the Audit Committees of the Market Foundation and the Robben Island Museum. Previously, he also served as chairman of the board of trustees of the Education Foundation and non-executive director and member of the audit committees of Telkom SA Limited and Matodzi Resouces (now Goliath Gold Limited). Thabo is also a member of the South African Institute of Chartered Accountants and a member and previous treasurer of the Association for the Advancement of Black Chartered Accountants.

PAVEL SERGEEVICH TATYANIN

Non-executive director

Age: 39 (Russian)
Degree in Economics (Moscow State University), Economics (Ruhr-Universitat Bochum, Germany), Master in International Business (Moscow State University)
Appointed: 26 October 2007

Member of the Social and Ethics Committee and Member of the Remuneration and Nominations Committee

Pavel joined EVRAZ Group in 2001 as director for corporate finance and was appointed senior vice president and CFO of EVRAZ Group in 2004. Pavel oversees all financial issues and related operations of the Company, implementation of policies in treasury, financial controlling and reporting, banking relationships, borrowings and capital market transactions; legal issues and compliance; corporate and investor relations; and selected risk-management issues, such as insurance and environmental compliance. In 2009 he was appointed as senior vice-president and head of international business, overseeing EVRAZ Group operations in Africa, Europe, North America and Ukraine, as well as EVRAZ's global vanadium business.

Executive committee

as at 31 December 2013

MALCOLM CURROR

Director: Vanadium Operations SA

JACO DE KLERK

Chief Operating Officer

DOUW DE LEEUW

General Manager: Corporate Security

MICHAEL GARCIA

Chief Executive Officer

JOHANNES MAEPA

General Mine Manager: Mapochs Mine

ROBERT MARTIN

Chief Commercial and Business Development Officer

JERRY MOLEFE

General Manager: Human Resources and Transformation

KEFILWE MOTHUPI

General Manager: Marketing and New Business Development

KAIZER MOTICOE

General Manager: SHEQ

JOHAN NEL

Deputy Chief Operating Officer: Mining and Ironmaking

COLIN SHORT

General Manager: Procurement

MALCOLM SIMPSON

General Manager: Projects

JAN VALENTA

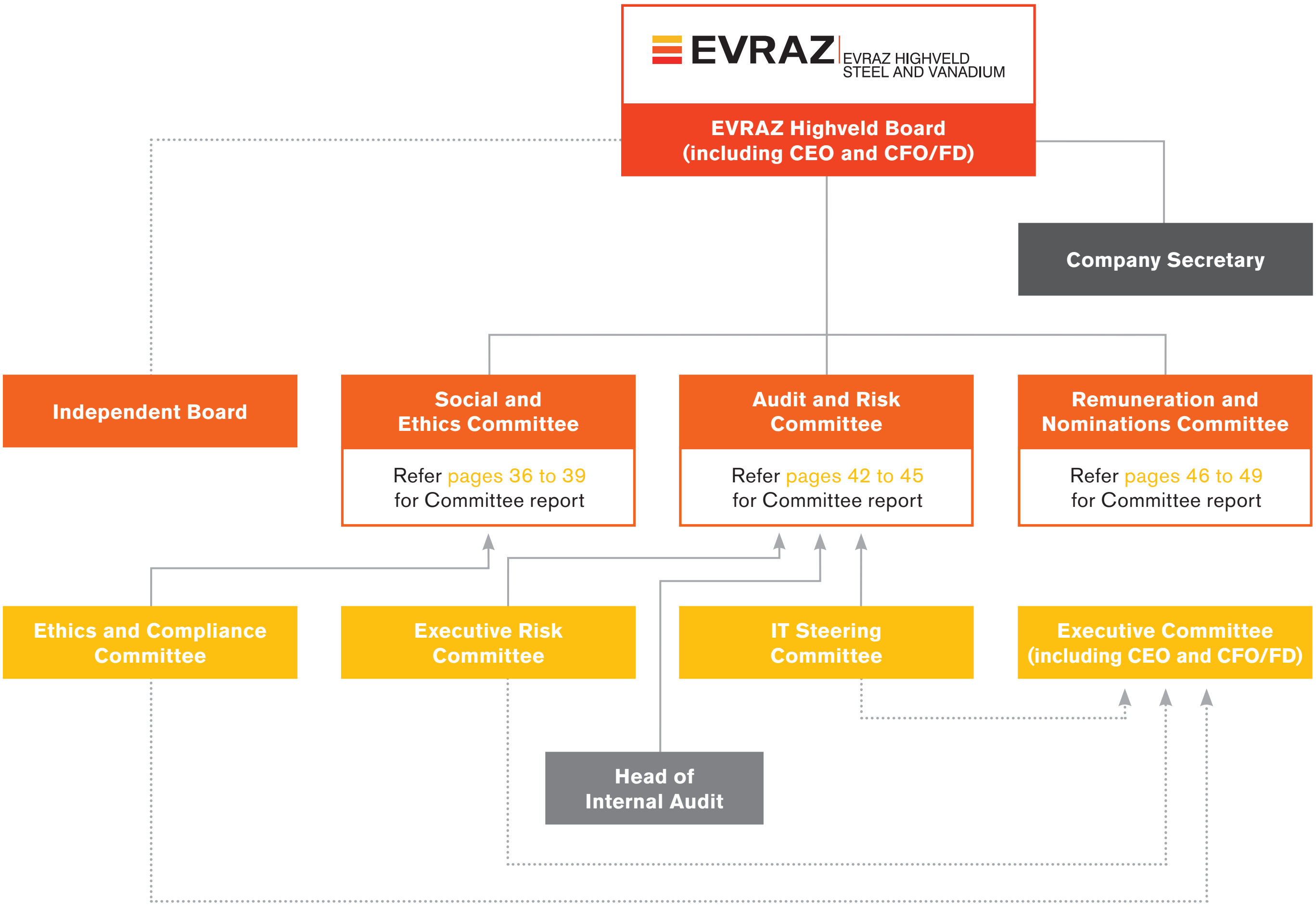
Chief Financial Officer

ANRÉ WESTSTRATE

Company Secretary

Corporate governance

EVRAZ Highveld governance structures



The directors of the Board, with a wide range of financial, commercial and technical expertise, are appointed to ensure effective leadership of the Company.

The responsibility for effective leadership to maintain business sustainability based on ethical values of accountability, fairness, independence, responsibility and transparency vests with the EVRAZ Highveld Board of Directors.

The Board reaffirms its commitment to sound governance and considers the application of sound corporate governance structures, policies and practices as pivotal to ensuring that EVRAZ Highveld acts in a responsible and transparent manner from an economic, social and environmental perspective and creates sustainable value and benefits for its stakeholders.

The Board is of the opinion that EVRAZ Highveld conducts its affairs with integrity and that, in addition to compliance with the Code of Governance Principles in King III, except areas otherwise identified in this report, it complies with all significant requirements incorporated in relevant South African and international legislation and JSE Listings Requirements.

Board structures

EVRAZ Highveld has a unitary Board structure comprising two executive directors and nine non-executive directors, four of whom are independent. The directors of the Board, with a wide range of financial, commercial and technical expertise, are appointed to ensure effective leadership of the Company.

In terms of the Memorandum of Incorporation (MOI) non-executive directors retire by rotation every three years and are, if available, considered for reappointment by the shareholders at the annual general meeting.

Directors appointed during the course of a year retire at the following annual general meeting with shareholders afforded the opportunity to confirm their appointment.

New directors are appointed in terms of a formal process with nominations for new appointments to the Board being reviewed by the Remuneration and Nominations Committee.

The Board is assisted in its responsibility to identify, oversee and manage economic, environmental and social risk and opportunities by sub-committees, which sub-committees also consider the operations and performance of the subsidiary Mapochs Mine Proprietary Limited in terms of its own charter. The key roles of the sub-committees are detailed in the respective sub-committee reports.

The Board is responsible for appointing the CEO, an executive director whose role is separate from that of the chairman, and appoints the CFO. An established policy evidencing a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making further clarifies the roles and responsibilities of the directors of the Board, the CEO and the CFO.

The chairman is responsible for the effective leadership of the Board. The CEO, supported by the Executive Committee, is responsible for implementing strategies and policies, day-to-day operational management, establishing best management practices, functional standards and internal control systems and the appointment and evaluation of senior management.

The CFO is responsible for the financial management of the Company and Group, due and proper preparation of financial statements as per IFRS requirements and due and proper financial reporting.

Board practice

The fiduciary duties and statutory obligations and scope of authority of the Board and its sub-committees, the chairman, the CEO and the CFO are set out in the MOI and the Board Charter.

The duties of the Board include monitoring and reviewing the implementation of the Company strategy, including its strategic projects within the approved budget and with due cognisance of the associated business risks.

The duties of the Board and its sub-committees are performed in accordance with work plans that are reviewed on an annual basis to ensure compliance, with outstanding items being included in summaries of action that are monitored on a quarterly basis.

The authority and responsibilities of the Board, as set out in the Board Charter, are to:

- provide effective leadership based on an ethical foundation;
- ensure the sustainability of the Company considering its impact on society and the environment;
- ensure compliance with relevant legislation, other requirements and codes of best governance practices;
- facilitate constructive stakeholder engagement;
- evaluate and adopt and/or approve the strategy, including strategic initiatives, based on the values and objectives of the Company and stakeholder interests, concerns and expectations;
- monitor operational performance and management;
- determine levels of risk tolerance and ensure the adoption of an effective system of internal control and risk management system, processes and policies to ensure robust risk mitigation or elimination;
- ensure strategically aligned IT governance;
- promote good governance by subsidiaries of the Company;
- select and approve accounting policies and practice and apply them consistently, keep proper accounting records, take steps to safeguard the Company's assets, and prepare and arrange the independent review of the annual financial statements;
- ensure the integrity of EVRAZ Highveld's communications and disclosure policy;
- approve the remuneration policy for submission to the shareholders for a non-binding vote and monitor its implementation;
- approve the transformation strategy, including employment equity and black economic empowerment strategies and industrial relations policy;
- adopt formal dispute resolution processes to resolve internal and external disputes effectively, expeditiously and efficiently;
- select, orientate and evaluate directors; and
- safeguard and oversee the implementation of the EVRAZ Highveld Code of Ethics.

Board meetings

The Board convenes at least four times a year and schedules special meetings if required. The sub-committees of the board convene at meetings in accordance with their respective charters and at scheduled special meetings if required. The Independent Board convenes at special meetings that are scheduled in accordance with requirements.

Attendance of directors at the 2013 meetings is as follows:

	Board	Executive Committee	Independent Board	Audit and Risk Committee	Remuneration and Nominations Committee	Social and Ethics Committee
	A / B	A / B	A / B	A / B	A / B	A / B
GC Baizini	2 / 8					
M Bhabha	7 / 8		8 / 8	2 / 2	3 / 3	4 / 4
MD Garcia	8 / 8	10 / 10				
TF Mosolosi	6 / 8		8 / 8	5 / 5	1 / 1	
B Ngonyama	7 / 8		7 / 8	5 / 5		4 / 4
VM Nkosi	8 / 8					
D Ščuka	4 / 8					
BJT Shongwe	8 / 8				3 / 3	4 / 4
PM Surgey [1]	4 / 4		2 / 2	3 / 3	1 / 1	
PS Tatyanin	7 / 8				1 / 3	1 / 4
J Valenta	8 / 8	8 / 10				
TI Yanbukhtin	8 / 8					

A indicates the number of meetings which the director attended.
B indicates the number of meetings which the director could have attended.
1 Resigned as independent non-executive director on 24 May 2013.

Board profile as at 31 December 2013

	Non-executive directors	Independent non-executive directors	Executive directors
	%	%	%
African female	–	9.09	–
African male	9.09	18.18	–
Coloured female	–	–	–
Coloured male	–	–	–
Indian female	–	–	–
Indian male	–	9.09	–
White female	–	–	–
White male	36.37	–	18.18
30 – 50 years old	45.46	18.18	18.18
>50 years old	–	18.18	–

Independent Board

The EVRAZ Highveld Independent Board is constituted when required to protect the rights of minority shareholders in transactions affecting shareholders rights.

On 28 March 2013 EVRAZ plc announced the signing of a non-binding term sheet in respect of the proposed sale of its 85.11 per cent shareholding in EVRAZ Highveld to a B-BBEE consortium represented by Nemascore, subject to standard due diligence procedures and on the terms and conditions agreed on in a non-disclosure agreement, and in compliance with requisite regulatory approvals.

Following a request to access price-sensitive information by Nemascore, the Board resolved the constitution of the Independent Board for the purpose of the proposed sale appropriate and in line with legislative requirements to oversee the process.

Company secretary

EVRAZ Highveld's company secretary, who maintains an arms-length relationship with the board of directors, ensures corporate and legal compliance and adherence to the JSE Listings Requirements, and is responsible for ensuring adherence to proper corporate governance principles.

The company secretary is responsible for the proper functioning of the Board by preparing the agendas and supporting documentation of all committee meetings in advance and in consultation with both the chairman of the Board or the committee, as the case may be, and the CEO. She provides accurate, concise and relevant information to the Board in a timeous manner to enable the Board to take informed decisions and to monitor the progress and performance of management against the approved strategy.

The company secretary guides the chairman with the annual Board evaluation, conducts the induction for all newly appointed directors, ensures the continual training and development of directors in terms of a Board-approved induction, training and development policy, and details new legislation applicable to the Company and information pertinent to the industry.

Details of the performance review of the company secretary conducted by the Audit and Risk Committee are contained in the Audit and Risk Committee Report on page 44.

Executive committee

The Executive Committee assists the CEO in managing the business at an operational level. The scope of authority and responsibilities of the Executive Committee are defined in the Executive Committee Charter, namely to:

- implement the strategies and policies of the Company;
- manage the day-to-day business and affairs of the Company;
- prioritise and allocate the Company's capital, technical and human resources;
- establish best management practices and functional standards;
- appoint and monitor the performance of management; and
- maintain a group-wide system of internal controls to manage all group risks and assist the Board in discharging its responsibility for ensuring that the risks associated with the operations are effectively managed in support of the creation and preservation of shareholder wealth.

The Executive Committee Charter makes provision for the annual evaluation of its members, by the CEO, against KPIs contained in their respective scorecards.

Legal and regulatory compliance

Compliance with legislation in terms of safety, health, environment and quality (SHEQ) issues are monitored and managed against the Company's legal register, which forms part of EVRAZ Highveld's Primary Procedures based on ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (health and safety) to which the business processes are certified.

Compliance with other legislation is measured against issue-specific guidelines, such as the generic B-BBEE scorecard for EVRAZ Highveld and the Mining Charter scorecard and SLP for Mapochs Mine.

In 2013, the Company received no fines or notifications of major legislative non-compliance, other than expressly stated in this report.

EVRAZ Highveld further abides by all laws and regulations related to accounting fraud, workplace discrimination and corruption. In 2013 there were no instances of non-compliance, nor were sentences or fines imposed.

King III compliance

The Board and its sub-committees are committed to complying with the Code of Governance Principles as set out in King III and rely on structures and processes to achieve effective management and legal compliance. These structures and processes are, in addition to King III guidelines, also based on regulatory and JSE requirements. However, because the Company is 85.11 per cent owned by Mastercroft Limited, a subsidiary of EVRAZ plc (a company listed on the London Stock Exchange and rated a FTSE 100 company), not all these guidelines and requirements necessarily promote proper corporate governance in the best way possible. A summary of non-compliance with the provisions of King III is as follows:

Areas of non-compliance	Comment
Chapter 2 – Boards and directors	
Principle 2.12 – integrity of the integrated report	Refer to 9.3 below.
Principle 2.16 – independent non-executive chairman – the chairman's tenure extends beyond a nine-year tenure	King III sets various guidelines for determining the independence of a director. An internal assessment confirmed the independence of the chairman despite his tenure of more than nine years.
Principle 2.18 – balanced board, with a majority of independent non-executive directors	The Board comprises two executive directors, four independent non-executive directors and five non-executive directors, which is considered optimal against the majority stake held by EVRAZ plc. The directors have the required combination of various business skills, including financial, legal, economic and strategic planning and minority shareholders' interests are adequately protected through the Independent Board whose membership includes only independent non-executive directors.
Chapter 6 – Compliance with laws, rules, codes and standards	
	The Company achieved general legal and other compliance, other than specifically mentioned in this integrated report.
Chapter 8 – Governing stakeholder relations	
Principle 8.5 – transparent and effective communication with stakeholders to ensure proper stakeholder engagement and management	A holistic stakeholder engagement plan is being developed for approval by the Board in 2014.
Chapter 9 – Integrated reporting and disclosure	
Principle 9.3 – no independent assurance over sustainability reporting and disclosure	Cost constraints prevented the Company from obtaining independent, external assurance of the sustainability portion of the integrated report.

A detailed schedule of compliance with the King Code is available on the Company's website.

Business ethics

The principles of ethical leadership, management and behaviour to which the Company subscribes, are set out in the EVRAZ Highveld Code of Ethics, approved by the Social and Ethics Committee in 2012.

The code, as well as the Disciplinary Code and the Grievance Procedure, which are aligned with the code, are included in the conditions of service of employees and are briefed to all new employees during their initial induction.

The Code of Ethics is underpinned by four key principles: fairness, accountability, transparency and responsibility, which form the basis of all stakeholder engagement, including interaction with employees, managers and directors. It provides guidance to directors, employees and other stakeholders such as suppliers or consultants on various compliance issues, including ways in which conflicts of interest should be dealt with and what the proper relationship between clients and suppliers should be.

The Internal Ethics and Compliance Committee, a sub-committee of the Social and Ethics Committee, is mandated to monitor stakeholder compliance to the Code of Ethics, employee compliance to the Disciplinary Code and Grievance Procedure and compliance by relevant stakeholders to the policy of severing ties with contractors who do not adhere to mainly safety rules. The committee also monitors crime control and investigates alleged irregularities and declarations of potential conflicts of interest.

All incidents reported to the committee and investigated are listed in a register, although confidentiality is guaranteed if required. If deemed appropriate, specific matters are brought before the committee for investigation and deliberation to ensure subsequent due and proper process, based on the key principles contained in the Code of Conduct.

Compliance with the Code of Ethics is also monitored through internal audits undertaken to assess the adequacy and effectiveness of the internal control environment, which includes risks related to fraud and corruption. 27 such internal audits were undertaken in 2013. The Executive Committee, Ethics and Compliance Committee and Social and Ethics Committee are provided with statistics of non-compliance to the code.

An independent and absolutely confidential toll-free fraud hotline, accessible through an 0800 telephone number, a speed-dial number, an e-mail address, free fax and free postage address is maintained and controlled by Deloitte.

The Ethics and Compliance Committee convenes on a quarterly basis and reports to the Executive Committee, where required, and the Social and Ethics Committee on a quarterly basis. Where alleged criminal actions have been uncovered, the committee reports such actions to the SA Police Service.

The Ethics and Compliance Committee comprises the CEO, the CFO, the Company Secretary, the General Manager: Human Resources and Transformation, the Head of Internal Audit and the General Manager: Corporate Security (chairman).

The Code of Ethics is underpinned by four key principles: fairness, accountability, transparency and responsibility.

The group's executive management encourages a risk-conscious business culture by embedding agreed internal controls and mitigating actions through all levels of management and supervisory staff.

Corporate security

The Corporate Security Division underpins the Company's corporate governance, business ethics, asset management and values requirements by:

- scrutinising requests for tenders and contracts to ensure appropriate scope of work and ensuring that their outcome adhere to specified scope, including the appropriate remuneration of contractors;
- analysing available information to determine and counter events or trends that indicate shortcomings in crime-prevention measures;
- supporting initiatives to secure and safeguard shareholder interests; and
- ensuring the security and safety of employees.

The division also manages contracts with security services companies that safeguard Company assets and premises.

The companies register and train their personnel in accordance with the specifications of the statutory Private Security Industry Regulatory Authority.

Competition Commission

The Competition Commission issued a Referral of Complaint to the Competition Tribunal against EVRAZ Highveld and two other companies in March 2012, alleging that the companies may have divided certain markets, directly or indirectly fixed the price of flat products and committed a concerted practice which substantially prevented or lessened competition.

No further action has been taken following the complaint and the Company remains confident that there are no reasonable grounds for the complaint.

Mapochs Mine Memorandum of Incorporation

Following shareholder approval of its new MOI at its Annual General Meeting held on 20 August 2013, the MOI was filed by the Company on behalf of Mapochs Mine Proprietary Limited with the Companies and Intellectual Property Commission of South Africa (CIPC) on 20 August 2013.

Risk management

The Board, through the Audit and Risk Committee, is responsible for governing risk management processes in accordance with corporate governance requirements. Details of the role of the Audit and Risk Committee and the internal and external auditors with respect to risk management are included in the Audit and Risk Committee Report on pages 42 to 45.

Appropriate risk management measures, which include accountability for risk management as a key performance area of line managers, exist throughout the organisation to counter significant business risks which could undermine the achievement of business objectives. Policies and guidelines on risk management and control support management in discharging its risk responsibilities.

The group's executive management encourages a risk-conscious business culture by embedding agreed internal controls and mitigating actions through all levels of management and supervisory staff.

EVRAZ Highveld's Executive Risk Management Committee, accountable to the CEO, drives the risk management process. The committee convenes at least four times a year and schedules special meetings if required. The internal audit function evaluates the effectiveness of the committee's efforts. The significant risks and mitigating strategies developed by the committee, together with the evaluations undertaken by the internal audit function, are reviewed by the Audit and Risk Committee on a regular basis. This committee in turn provides assurance to the Board.

Risk management framework

The EVRAZ Highveld risk management framework which reviews identified risks and accounts for new and emerging risks, is supported by a continuously updated corporate risk register. The effectiveness of this framework is reviewed by the internal audit function.

High-level strategic and external risks are assessed by the Executive Risk Management Committee, with senior management being responsible for the continuous identification, assessment, mitigation and management of risks within their areas of operation.

Risk management process

Risk management processes are, given the level of ownership by EVRAZ plc, defined and monitored within the group's global enterprise risk management process.

This process is designed to identify, quantify, prioritise, respond to and monitor the consequences of an agreed risk schedule that encompasses both internal and external risks. The process also promotes the ownership of risk areas and risk management accountability within the group.

Identified risks are evaluated in terms of the potential impact and probability in terms of the likelihood of occurrence. Areas include the risk of harm to people and environment, business interruption, financial loss, legislative and regulatory compliance and reputational risks. The impact and probability evaluations establish the basis for determining the inherent risks and their significance to the business. Residual risk is determined based on the risk mitigation plans developed and implemented by management. Details of the key risk areas are included on pages 10 to 12.

The annually approved internal audit plan is aligned with the risk framework. The Audit and Risk Committee reviews the effectiveness of both the processes and procedures adopted by management for identifying, assessing and reporting on significant business risks, and the roles of the Risk Management Committee and internal audit with respect to risk management.

Internal control

EVRAZ Highveld's systems of internal control and governance structures are integral to the effective management of risk. These systems and structures, which make provision for appropriate delegation of authority to support the control environment, are subject to independent review by internal audit and external assurance providers. Internal control is promoted through the manager internal audit being an appointed member of the Executive Risk Management Committee.

Insurance

EVRAZ Highveld undertakes regular risk-control reviews of the Company's operations when procuring cover for property damage, business interruption, major asset breakdown and liability insurance in line with the risk control programme of the majority shareholder, EVRAZ plc.

The EVRAZ Highveld IT Steering Committee operates in terms of the approved IT Charter and is responsible for the continued review of the governance aspects related to IT.

Information technology

Information technology (IT) is considered fundamental to the support and sustainability of the EVRAZ Highveld business operations – both as a fundamental operational enabler and a strategic asset that can be leveraged to create opportunities.

The Board, supported by the Audit and Risk Committee, is responsible for IT governance and the strategic alignment of IT with the performance and sustainability objectives of the Company in line with the IT governance principles prescribed in King III. Details of the role of the Audit and Risk Committee with respect to IT governance are included in committee report on page 44.

An established IT framework based on COBIT 5 was adopted in 2012 and is deployed within IT operations to promote IT governance and ensure the alignment of the IT strategy with that of the Company, whilst IT service delivery is managed in terms of the IT Infrastructure Library (ITIL) best-practice service management and service delivery framework.

IT Governance Charter

An IT Governance Charter, adopted by the Audit and Risk Committee during 2012, ensures that the IT function is focused on value, risk awareness and resource optimisation, stakeholder

transparency and procedural effectiveness and provides for the delineation of roles and responsibilities, outlines the objectives of the IT function, identifies the main stakeholders and defines the authority of the CIO.

The charter provides the framework for IT governance within the Company and aims to:

- communicate the delegation of authority and responsibility from Board level to responsible stakeholders within EVRAZ Highveld for IT governance, management and control;
- define the accountability, responsibility and decision-making rights granted by the Board and recognition of those rights to be exercised by relevant parties;
- ensure clear accountability and responsibility for IT governance within the Company; and
- implement an IT governance structure that allows IT to operate cohesively throughout the Company and facilitate and enable strategic business decisions and direction.

IT Steering Committee

The EVRAZ Highveld IT Steering Committee operates in terms of the approved IT Charter and is responsible for the continued review of the governance aspects related to IT.

This cross-functional representation supports diversity and higher levels of business ownership with respect to IT projects and facilitates the achievement of IT strategic objectives associated with efficiency, optimisation and risk mitigation. Key risks within the IT environment include the retention of adequately skilled resources and the support of ageing business-critical hardware and applications software.

Stakeholder engagement

The Board is responsible for the formulation of a stakeholder engagement and communication strategy that supports transparent, understandable and reciprocal communication.

The strategy has been formalised in a communication programme and communication to government and communities has been delegated to members of the executive management team by the CEO, who is responsible for public and stakeholder communication. The chairman is authorised to communicate on behalf of the Board.

Reliability of financial statements

The preparation of annual financial statements that fairly represent the results of the Company in accordance with the Companies Act and IFRS is ultimately the responsibility of the Board. The Board also ensures an independent review of the financial statements by the external auditors.

The Board is of the opinion that the internal accounting control systems assure the adequate verification and maintenance of accountability for EVRAZ Highveld's assets, and assure the integrity of the financial statements. No major breakdown in controls that could influence the reliability of the financial statements was experienced during 2013.

The preparation of annual financial statements that fairly represent the results of the Company in accordance with the Companies Act and IFRS is ultimately the responsibility of the Board.

Sustainability review

Value added statement

	2013		2012	
	Rm	Percentage of revenue	Rm	Percentage of revenue
Revenue	5 190	100	4 346	100
Materials and services purchased	3 838	74	2 965	68
Value added	1 352	26	1 381	32
Interest and investment income received	2	–	8	0
Total wealth created	1 354	26	**1 389**	**32**

	Rm	Percentage of total wealth distributed	Rm	Percentage of total wealth distributed
Applied as follows:				
To remunerate employees				
Salaries, wages, benefits, etc.	967	72	1 004	72
To reward providers of capital	69	5	52	4
Distributions to shareholders	–	–	–	–
Interest paid	69	5	52	4
To expand/(reduce) the Group	299	22	288	21
Depreciation	299	22	288	21
Retained profit/(loss) for the year after distribution to shareholders	–	–	–	–
To pay government				
Income tax charge	19	1	45	3
Total wealth distributed	1 354	100	**1 389**	**100**
Payments made or owing to Government				
Value-added taxes levied on purchases of goods and services	610		542	
Rates and taxes paid to local authorities	*		*	
Normal companies taxation (credit)/expense	1		3	
Secondary taxation on companies	–		–	
Total payments made or owing to Government	611		**545**	
Value-added tax and other duties charged on turnover	581		461	
Employees' tax deducted from remuneration paid	188		192	
Additional amounts collected by the Group on behalf of Government	769		653	

** Less than R1 million.*

Economic performance

	2013 Rm	2012 Rm
Total wealth created	1 354	1 389
Remuneration paid to employees	967	1 004
Rewards to capital providers	69	52
Payments to government	19	45

Wealth created constitutes revenue earned from the sale of products and investment income less the amounts paid to suppliers for material and services purchased. In 2013, EVRAZ Highveld created wealth of R1 354 million for its stakeholders, with key beneficiaries being its employees and suppliers. This represents an decrease of 2.5 per cent over the R1 389 million created in the preceding financial year.

In addition to being a key revenue generator through its material mining and manufacturing activities, and ultimately the sale of steel products and vanadium-bearing slag, EVRAZ Highveld contributes materially to the sustainability of the two local communities in which its operations are based. Value is added directly for stakeholders, with the Company being a primary employer, and indirectly through the Company's supply chain procurement process and social responsibility programmes.

Value creation for stakeholders is dependent on the Company's ability to proactively manage the risks associated with economic performance. Key risks include and are related to liquidity, operational continuity, and market conditions.

Business activity levels are directly related to market demand for commodities, with global economic conditions and demand underpinning pricing structures that apply to EVRAZ Highveld's end-products and are not within the Company's control. Price fluctuations and exchange rate volatility impact on revenues, cash flows and profitability.

Increases in input costs also influence the Company's economic performance. Uncertainty related to energy cost increases resulting from the absence of publicised future rate increases and the imposition of carbon taxes pose key challenges that require proactive management, together with increasing labour costs that continue to increase and erode the Company's global cost-competitiveness.

Further risks on which the Company focuses with respect to economic performance include:

- environmental compliance to ensure the continuity of operations;
- a relatively high cost structure due to lower production volumes as a result of subdued market demand;
- anticipated continued labour cost pressures; and
- potential increases in the cost of iron ore due to anticipated changes in mining methods and a reduction in ore quality.

2013 Performance

The EVRAZ Highveld Integrated Report provides a comprehensive review of the Company's operational and financial performance, and the broader material sustainability issues that underpin business performance. In 2013:

- revenue generated through the sale of steel products and vanadium-bearing slag increased by 19.4 per cent from R4 346 million in 2012 to R5 190 million;
- the weighted average selling price received for steel products decreased from US$764/ton to US$718/ton; whilst that for FeV increased from $23/kg V to $27/kg V;
- payments made to employees decreased from R1 004 million in 2012 to R967 million, an decrease of 3.9 per cent;
- headline earnings per share improved in 2013, from a headline loss of 1 030.4 cents per share in 2012 to a loss of 377.2 cents per share;
- capital expenditure totalled R194 million;
- increases in manufacturing input costs continued to influence the unit costs of steel, resulting in a 24 per cent increase in the production cost per ton of product; and
- 74 per cent of revenue (2012: 68 per cent) was used to acquire materials and services. Purchases of R3 838 million reflect an increase of 29.5 per cent on that of 2012 (R2 965 million).

Supply chain management

The EVRAZ Highveld supply chain management strategy focuses on managing risks associated with interruptions to the supply of crucial raw materials and value-add products and services. The strategy, which was reviewed during 2013 in consultation with key stakeholders, also promotes value creation for stakeholders.

A structured approach to supplier evaluation and selection promotes continued access to scarce strategic raw materials and price stability within volatile commodity markets. Effective and sustainable supply is managed through monthly meetings of the Vendor Evaluation Committee. This committee includes cross-functional representation and focuses on new applications and the evaluation of the performance of the current supplier base, including adherence to safety, health and quality standards.

The retention of key skills and continued engagement to promote supplier relationships form two further cornerstones of effective supply chain management within EVRAZ Highveld. In 2013 the Company focused on further strengthening its managerial and cross-functional skills to support improved effectiveness, with skills retention also being incorporated within KPIs.

Established supplier meetings were extended to include structured engagement with key strategic and critical suppliers to enhance understanding of the macro-economic environment in support of strategy formulation and strengthen key relationships to promote the sustainable supply of key raw materials in conjunction with the management of stock levels to promote production continuity. Engagement with suppliers is further enhanced through web-based interaction.

Further initiatives in 2013 to promote sustainable supply chain management efficiency improvements included proactive cost management through fostering strategic partnerships with key suppliers, the consolidation of the vendor base to support economies of scale flowing from structured volume-based procurement, interaction with suppliers and plant personnel to further promote the use of substitute products and improved utilisation of supply chain management data within an IT framework.

In 2014 the Company will continue its focus on aggressive cost reduction to support continued business competitiveness, on security of sustainable supply of raw materials and services and on expansion of its B-BBEE supplier base.

Supply chain management performance is measured, inter-alia, against financial criteria, process improvements, B-BBEE scorecard compliance and skills development.

In addition to logistical advantages, local economic development is supported through favouring vendors who are based within the Company's areas of operation (defined as being within a 50 kilometre radius). During 2013, 22.1 per cent of supply chain management spend was allocated to suppliers based within these areas (2012 restated: 26.5 per cent), with 98.8 per cent of supply chain management spend being allocated to suppliers based within the borders of South Africa (2012: 98.5 per cent).

Economic empowerment

Preferential procurement

Principles of preferential procurement aimed at assisting broad-based black economically empowered and HDSA vendors are incorporated in the supply chain management strategy.

Preferential procurement is managed within the framework of the B-BBEE scorecard. Suppliers are classified in terms of scorecard-related information that is gathered and managed to maintain appropriate levels of accuracy and administration. Empowerment is further promoted through the Company's enterprise development initiatives in conjunction with the NEF and the EVRAZ Highveld eMalahleni Community Forum and through engagement with key suppliers to promote transformation and social responsibility initiatives within their operations.

Performance

B-BBEE spend within the key commodity groups in the current and previous years were:

Commodity group	2013 %	2012 %
Engineering	**63.66**	71.53
Production commodities	**82.98**	83.12
Raw materials	**38.18**	42.79
Services	**69.59**	75.13
Logistics	**77.35**	82.00

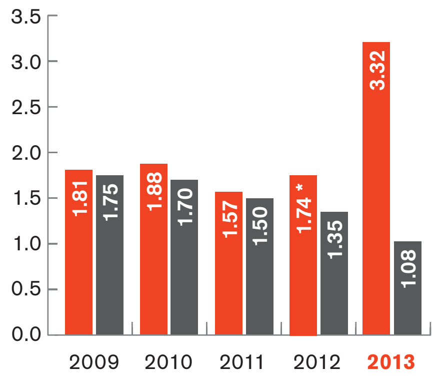
Safety, health, environment and quality (SHEQ)

The SHEQ Department is responsible, on behalf of the CEO, for ensuring that systems and processes for the Company's integrated SHEQ management system are developed, implemented, maintained and continuously improved in accordance with the requirements of the ISO 9001 quality assurance, the ISO 14001 environmental and the OHSAS 18001 safety and health accreditations and other policies and procedures the Company subscribes to.

Key risks managed by the department are safety (notably loss of life at work and LTIs), non-compliance to legislation, policies and procedures, fitness of employees to fulfil their duties and external stakeholder assurance in terms of materials input. These risks could impact negatively on the Company's sustainability and violate its values.

The Company's SHEQ policy is available on the Company's website.

LTIFR



** Restated*

Safety	Year	Fatalities	LTIs	LTIFR	NLTIs	NLTIFR	FACs
EVRAZ Highveld	**2013**	**0**	**18**	**3.42**	**23**	**4.36**	**70**
	2012 *	0	15	2.75	26	4.78	72
	2011	0	13	1.90	39	5.71	72
Contractors	**2013**	**0**	**13**	**3.20**	**18**	**4.43**	**33**
	2012 *	1	1	0.26	7	1.85	32
	2011	2	7	1.18	21	3.55	59
Total	**2013**	**0**	**31**	**3.32**	**41**	**4.39**	**103**
	2012 *	1	16	1.74 *	33	3.58	104
	2011	2	20	1.57	60	4.71	131

** Restated*

A breakdown for the 2013 year by gender is as follows:

	Fatalities		LTIs		NLTIs		FACs	
	Male	Female	Male	Female	Male	Female	Male	Female
EVRAZ Highveld	0	0	18	1	19	4	66	4
Contractors	0	0	13	0	18	0	33	0
Total	**0**	**0**	**31**	**1**	**37**	**4**	**99**	**4**

2013 saw a marked increase in LTIs, one of the key measures of the success of the Company's drive towards zero harm.

The LTIFR increased to 3.32, (from 1.74 in 2012). The 2012 rate has been restated from 1.35 to 1.74 following a process which standardised the classification of injuries at the Company.

Root-cause analyses of the incidents show that 33 per cent of injuries were sustained as a result of the violation of safety standards – 22 per cent were caused by direct violations and 11 per cent by lack of supervision, which is also classified as a violation of standards. Other causes were inadequate maintenance (18 per cent), poor housekeeping (four per cent), unsafe conditions (seven per cent), inadequate training (20 per cent), breach of Cast Iron Rules (13 per cent) and crime or assault (five per cent), the latter as a result of two isolated incidents towards mid-year.

The main objectives of the SHEQ Department are:

- to foster an understanding of the safety policies and procedures

incorporated into the SHEQ management system; and
- to integrate safety as an integral aspect of production and business processes, referred to as the safe production concept.

These objectives focus on creating awareness of and adherence to the Company's eight Cast Iron Rules. The Cast Iron Rules advocate a zero tolerance approach to safety. Any employee has the right to stop unsafe work and any work has to be preceded by the questions "Has anything in the workplace changed?" and "Am I trained and authorised to do this work?".

An internal staff survey undertaken in 2013 reflected concern amongst staff over a lack of adherence to safety measures. There are various reasons for this lack of focus, amongst others:
- the disruptive effects of the 2012 strike action, which included the difficulties of getting production back to normal during the subsequent six months;
- the company restructuring and resultant retrenchments and redeployments;
- the change to a four-shift schedule, which, amongst others, impacted employee earnings through a reduction in overtime; and
- uncertainty caused by the proposed sale of the Company.

Initiatives launched during the year to improve the safety performance focused on creating a proactive approach to safety, such as:
- simplifying the baseline risk assessment process;
- moving incident investigation findings from a manual capturing system to the widely available intranet Sharepoint system;
- re-auditing safety after corrective actions had been implemented;
- increasing the focus on integrating safety matters into production meetings;
- introducing a monitored management/employee safety interaction at the workplace;
- reporting on leading safety indicators instead of only lagging indicators to positively influence behaviour; and
- making safety induction plant-specific and conducted by SHEQ officers who have extensive knowledge of the respective operating conditions.

Top hazards at the plants are furnaces and tap floors, molten metal and slag, hot surfaces, moving and mobile equipment, transformers, injurious gases and switching gear and energy and machinery isolation.

2013 Safety Achievers

The following divisions achieved Zero LTI Millionaire status in 2013:
- **Mapochs Mine (one million LTI-free hours); and**
- **EVRAZ Highveld employees (one million LTI-free hours).**

Unions are involved in safety matters, by including a safety topic for discussion at meetings and participating in incident investigations.

The SHEQ team liaises with the Department of Labour and the DMR for the Steelworks and Mapochs Mine respectively.

Mapochs Mine joined the Tri-Partite Mining Alliance, on which the provincial and national departments and Limpopo mines are represented.

Mapochs Mine complies with the requirements of the Mine Health and Safety Act 1996, in terms of which the following statistics are reported:

	2013	2012	2011
LTIs	2	1	1
LTIFR	1.39	0.92 *	0.89
Number of employees at year-end *	155	148	173

** Prior-years restated*

Health

The requirements for the mandatory occupational health certificate of fitness form the base of the Company's health strategy.

The strategy aims to protect the well-being of employees in a proactive way to ensure that they are fit to work, providing facilities and trained staff to manage medical emergencies at work, primary and acute healthcare services and lifestyle and chronic disease assistance. Awareness drives, education and training form an important aspect of the Company's health activities.

Occupational and personal healthcare services are outsourced to JSE-listed Life Healthcare to ensure a professional and interlinked approach. Employees access healthcare services through the clinics at Mapochs Mine (rendered by one occupational healthcare practitioner visiting the clinic once a week and a full-time nursing sister) and the Steelworks (a practitioner and four nursing staff members).

Every second year a contracted specialist provider researches and compiles an occupational hygiene report, which surveys possible physical and biological stresses employees may be subjected to.

Employees have free access to a third-party employee assistance programme (EAP), which addresses a wide range of emotional trauma, including family conflict, substance abuse, financial hardship, work-related stress and mood disorders.

Occupational healthcare services embrace a wide range of tests to ensure that employees are fit to perform the tasks they are responsible for. These include a physical examination, large-chest X-rays and vision, lung function, pathology and audiometric tests. Employees are screened when they join and exit the Company, and each year in between. A 100% examination rate is guaranteed by linking employees' examinations to their electronic access cards.

During 2013, risk-based medical examinations were introduced. This process improves efficiency of both medical staff and employees by aligning tests with the threats employees face in the various workplaces. Tests are structured according to the findings of occupational hygiene surveys.

Employees are tested for the hepatitis virus and site-specific prevention measures include biological monitoring for gas inhalation and special testing for employees exposed to vanadium dust and coal tar pitch volatiles.

A continuous focus on identifying, assessing and mitigating potential health hazards includes a weekly audit of potential problem areas by a team comprising SHEQ officers, medical staff and fire and rescue personnel.

To improve mitigation of hazards which could lead to NIHL, a hearing conservation programme was developed and implemented. It includes a wide range of measures, including training in the use of PPE, substituting noisy machines with quieter ones when replacement is required and isolating noisy machinery where possible.

The Company provides two levels of treatment, through an HIV/Aids Wellness Programme and an ART Programme.

	Steelworks	Mapochs Mine
Initial examinations	428	3
Annual examinations	1 734	145
Transfer examinations	16	–
Exit examinations	296	10

In 2013, no Mapochs Mine employee was diagnosed with any of the diseases listed in Schedule 3 of the Compensation for Occupational Injuries and Diseases Act of 1993, nor with diseases listed in the Occupational Diseases in Mines and Works Act of 1973.

At the Steelworks, no cases of NIHL were identified (four in 2012), no case of COPD (one in 2012) and no case of occupational lung disease (one in 2012). Where necessary, employees are referred to the National Institute of Occupational Health for assessment and diagnosis.

The occupational health team also manages occupational illness and disease claims on behalf of employees and reports injuries on duty (IODs) to the authorities. In 2013 the team treated 174 IODs (145 in 2012). The top four IODs at EVRAZ Highveld are burn wounds, lacerations, abrasions or contusions and soft-tissue injuries. At the Steelworks, the top three IODs are finger injuries, gas inhalation and burns.

Healthcare services outside the mandatory occupational healthcare requirements comprise primary and acute healthcare services, chronic disease monitoring and assistance, employee wellness programmes and emergency facilities at the Steelworks Clinic.

Primary healthcare services are rendered to employees, when required, for the treatment of acute medical conditions, such as infections, flu and pneumonia. Up to end of September services were rendered to employees who did not belong to a medical scheme because they had joined the Company before scheme membership became compulsory in 2004. These employees were transferred to a medical scheme on 1 October 2013, with scheme contributions being fully funded by the Company.

Chronic-disease monitoring and assistance comprise mainly tuberculosis and HIV/Aids. The Company manages a comprehensive HIV/Aids programme because of the threat this illness poses to the business, the community and the country as a whole. The programme includes awareness and education, voluntary counselling and testing and free treatment and medication.

The Company provides two levels of treatment, through an HIV/Aids Wellness Programme and an ART Programme. Both programmes are managed internally and treat the illness as a chronic, but manageable, disease. The HIV/Aids Wellness Programme focuses on life-style education, while the ART Programme includes medication and more frequent medical tests. In 2013, 31 employees were registered on the first-level programme (31 in 2012) and 24 on the ART Programme (24 in 2012).

The counselling and testing drive had a 45 per cent target for 2013, which was achieved. The 2014 target is 50 per cent.

Emergency healthcare services are rendered from the Steelworks Clinic, equipped with a burn and wound dressing room, a consultation room and a two-bed emergency room. If required, patients are transferred to a private hospital and after hours patients are taken directly to the hospital to ensure they receive professional treatment in the shortest possible time.

The frontline to this service is a round-the-clock fire and rescue team comprising trained fire fighters and paramedics, with support infrastructure of two ambulances and an extensively equipped fire engine.

Training, through the induction and first-aid training courses, constitutes the first line of defence in creating health and hazard awareness.

In 2013, 4 441 people attended these two courses:

	Steelworks		Mapochs Mine	
	Employees	Contractors	Employees	Contractors
Induction	210	3 027	148	858
First aid	143	19	12	24

Environment

Environmental risk management at EVRAZ Highveld relates to legislation enacted by the Department of Environmental Affairs (DEA) and Department of Water Affairs (DWA), and authorisations in the form of an Atmospheric Emissions Licence (AEL), Integrated Water Use Licence (IWUL) and Integrated Waste Management Licence (IWML). A comprehensive risk assessment process has been used to establish a high-level environmental risk profile, supported by in-depth risk assessments of the environmental impacts of internal and external activities.

The main environmental risks are:

- air-polluting emissions at the Steelworks;
- waste management at the Steelworks;
- non-compliance with undertakings regarding the calcine waste disposal facility;
- the effects carbon tax and other proposed environmental taxes will have on the sustainability of the business;
- water management at Mapochs Mine and the Steelworks;
- a surface rehabilitation backlog at Mapochs Mine; and
- the high level of silt in the Mapochs Dam.

All environmental incidents are investigated and classified in one of five categories, ranging from insignificant to catastrophic.

Environmental strategy

Company activities that impact on the environment are managed through an Integrated Environmental Management Plan (IEMP), which is based on national and international statutory requirements and environmental best practices to minimise the direct, indirect and cumulative impact of operations on the environment. The IEMP is currently in the second of three phases, namely operational implementation and efficiency. The third phase, from 2014 to 2016, targets maintenance and improvement. The IEMP is continuously updated to reflect changes in circumstances, legislation and requirements.

The IEMP, which is based on an environmental strategy implemented in 2011, is aligned to the strategy of the Company and EVRAZ plc and follows six guidelines:

- International and national best practice and compliance requirements;
- Stakeholder engagement;
- Environmental economics;
- Ecological engineering;
- Industrial ecology; and
- The science of sustainability.

The four key areas – compliance, ecology, stakeholders and systems and processes – are managed through True North Metrics, developed by EVRAZ plc to standardise strategic business approaches.

During 2013, in-depth strategies were developed for various focus areas in the environmental strategy:

- Climate change response and implementation, including the development of the carbon footprint of all assets;
- Waste optimisation and management;
- Air emissions reduction and management;
- Water use optimisation and management;
- Legal compliance;
- Land rehabilitation and biodiversity conservation;
- Sustainable development, including the development of a sustainability index;
- Mine closure;
- Integrated environmental

In 2013 the Company played a key role in the establishment of the Southern African Environmental Management Association.

monitoring; and
- Environmental communication and awareness.

These strategies are based on data collected over the past few years, and, in the case of emissions, extensive data as a result of additional air monitoring equipment that has been installed during the past three years.

EVRAZ Highveld environmental memberships include the National and Mpumalanga Associations for Clean Air, the Olifants River Forum, the Olifants River Water Resources Development Project and the Highveld Priority Area Air Quality Stakeholders Forum. In 2013 the Company played a key role in the establishment of the Southern African Environmental Management Association.

Air quality management

The Steelworks air quality management initiatives are based on the National Environmental Management Act (NEMA), the National Environmental Management: Air Quality Act No. 39 of 2004 (NEM:AQA), DEA guidelines, the Global Greenhouse Gas Protocol, Global Environmental best-practice guidelines, Environmental Protection Agency guidelines and World Health Organisation guidelines.

The Steelworks has applied for an AEL, in the meantime operating on the authority of an integrated Atmospheric Pollution Prevention Act (APPA) certificate.

The Company continually updates its five-year air quality management plan. Although the current economic conditions prohibit the large-scale capital expenditure required to fully mitigate emissions in line with increasingly stringent legislation, the plan shows the process improvements achieved since 2011, notably in the case of stack emissions and ambient air quality. Liaison with government forms an important part of managing the air quality issues in relation to the rate at which Steelworks equipment can be upgraded in the current trying economic times.

Emission abatement initiatives during 2013 included:
- a R12 million raw gas stack cap project, resulting in an 80 per cent reduction in emissions from the post combustion towers of the rotary kilns in the Iron Plant;
- an R11 million kiln improvement project achieving improved air injection, improved post-combustion control through improved sprayer systems and improved pressure control to aid overall combustion efficiency;
- improvements to ladle furnaces 1 and 2 to the value of R38 000;
- maintenance work of R3 million, mostly to reduce secondary emissions; and
- repairs to the value of R4 million to BOF ducting and conditioning towers and shaking ladle condition towers.

Capital expenditure on the emissions abatement equipment amounted to R6.6 million (R7.8 million in 2012). The Company invested R1.57 million in a pulverised fuel system trial at kiln 10. The system converts coal filter cake into ultra-fine pulverised fuel, which improves combustion in the kiln and produces less carbon.

Compliance with the legally permissible particulate matter emissions level – which reduced from between 100mg/Nm³ and 125mg/Nm³ to 50mg/Nm³ in February, with a further reduction to 30mg/Nm³ anticipated – can only be achieved with substantial capital expenditure. The Company started investigating alternative pre-reduction technologies in 2011, in order to achieve:
- a 30 per cent saving in furnace energy consumption;
- a particulate matter emissions level of 30mg/Nm³;
- reduced electricity consumption in the smelters as a result of improved pre-reduction; and
- increased process efficiency by delinking the kiln and furnace production chain according to required output.

To date, R6.25 million has been spent on the study.

Another major project which will be pivotal to reducing emission levels and the Company's carbon footprint, is the envisaged energy co-generation project. The project is detailed under Energy on page 80.

The emissions (in tons) for the past two years were:

Types of emission	2013	2012
NO_x	**2 693**	1 698
SO_x	**4 813**	6 337
Particulate matter	**1 809**	2 272

Data from the iron- and steelmaking units are reported as direct emissions.

Proactively reducing our emissions

A R12 million raw gas stack cap project undertaken during 2013 has reduced emissions from the post-combustion towers of the rotary kilns in the Iron Plant by 80 per cent.

Thirteen raw gas stack caps force the waste gas generated under normal conditions from the combustion process inside the kilns through the existing electrostatic precipitator for cleaning.

The stack caps were manufactured internally.

The EVRAZ Highveld climate change response strategy, which includes a climate change governance framework and a carbon footprint assessment for Scope 1 (direct) and Scope 2 (indirect) emissions, aims to reduce CO_2 emissions by eight per cent by 2020, using 2011 as baseline.

Carbon footprint measurement is performed by a specialist company, based on factors and formulae used in the steel and related industries.

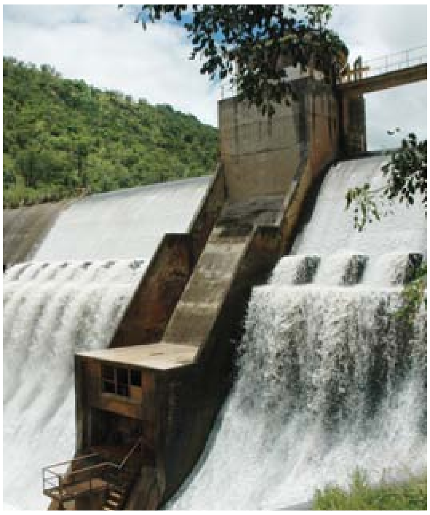
The cost implication of the proposed carbon tax, which is expected to be phased in over a five-year period, could be as high as R172 million a year.

Air quality management at Mapochs Mine focuses on dust suppression initiatives. The mining and crushing activities cause no significant point-source emissions.

Integrated Water and Waste Management Plan (IWWMP)

The EVRAZ Highveld IWWMP provides the Company with a framework for the seamless management of water and waste, two elements which are also interlinked in licensing procedures. The IWWMP was updated in the first half of 2013.

Main risks for the Company are keeping seepage from its Steelworks facilities and the calcine waste disposal facility within the limits committed to government. At Mapochs Mine the predominant risks are a backlog in surface rehabilitation and the resultant silting of the Mapochs Dam.



In 2013 the Company capital expenditure on water and waste management was R4 million (R6.9 million in 2012).

Water management

Water use is governed by the National Water Act No. 36 of 1998. The Steelworks and Mapochs Mine operate in terms of twenty-year IWULs which were issued in 2012.

Mapochs Mine is self-sufficient in water supply, from three open-cast voids, a return-water dam and, if required, boreholes which also supply water to the adjacent town of Roossenekal.

The Steelworks requires large quantities of water, sourced from the Witbank Dam. The dam has a capacity of 104 million m^3. The Steelworks used 4.99 million m^3 of dam water in 2013 (6.028 million m^3 in 2012), with a recirculation target of 75 per cent. If this target is not achieved, the limited capacity of the water recirculation infrastructure causes water overflows into the Brugspruit area.

Waste management

Waste management is regulated by the National Environmental Management: Waste Act No. 59 of 2008 (NEM:WA), DEA guidelines, the South African National Standards (SANS) codes of practices, applicable ISO standards, Global Environmental Best Practice guidelines and Environmental Protection Agency guidelines.

The water and waste storage capacity at the Steelworks can only be increased once an IWML has been granted. The licence application was submitted in 2012.

Continuously focusing on reducing our environmental impacts

A project to establish a demonstration plant to evaluate the feasibility of reworking the calcine waste disposal facility, the Company's largest waste-related hazard, was aborted in 2013. It remains the Company's objective to rework the facility, which contains approximately 17 million tons of calcine from which vanadium, iron, salts and, possibly, titanium, can be extracted. All waste streams at the Steelworks have been classified and quantified in terms of legislation.

At Mapochs Mine, the desilting of the Mapochs Dam continues. The mined-ground rehabilitation method has been adapted, silt fences have been erected and erosions are being filled with rock to combat further silting.

Non-recycled or recovered waste generated by Steelworks

Type of waste	2013 total tons disposed	% of waste stream	Disposal method	Party who disposed waste
Industrial solid waste (hazardous)	309	0.04	Landfill	External waste transportation company to an appropriate hazardous landfill site (GLB+/H:H)
Industrial solid waste (non-hazardous)	267	0.04	Landfill	External waste transportation company to an appropriate general waste landfill site
Industrial process waste (hazardous)	734 460	99.92	Dedicated disposal site – on site	EVRAZ Highveld (on-site)
Total	**735 036**	**100.00**		

Recycled or recovered waste generated by Steelworks

Type of waste	2013 recycling or re-use amount (t)	% of total waste stream	Disposal method	Party who disposed waste
Industrial solid waste recycling (non-hazardous)	256	0.03	Recycled	External recycling company
Industrial process waste recycling (hazardous)	277 758	38.00	Re-used and recycled	Internal and external projects concerning re-use and recycling
Total	**278 014**	**38.03**		

Biodiversity management

EVRAZ Highveld conserves biodiversity in the area of its operations through its IEMP, which includes a land and soil management system for Mapochs Mine, the Steelworks and the calcine waste disposal facility.

The IEMP takes cognisance of the National Environmental Management: Biodiversity Act No. 10 of 2004 (NEM:BA), the Mpumulanga Biodiversity Conservation Plan and bylaws and Chamber of Mines guidelines.

Applying a leading rehabilitation programme

Trials to optimise rehabilitation of disturbed land at Mapochs Mine were successfully concluded in 2013. The trials tested the theory of an integrated rehabilitation plan, following weeks of ground-truthing, eco-system assessments and research into the various levels of biodiversity at the mine. The preparation included studies on soil, plants, aquatic ecosystems and animals in order to achieve successful rehabilitation according to the area's natural environment.

Energy

Energy, and notably in the form of coal and electricity, is the highest single input cost in iron and steel manufacturing. This cost is set to rise substantially over the next five years due to already announced tariff increases by electricity supplier Eskom and by the proposed carbon tax, which is expected to be phased in within the next year. The carbon tax will affect the Company not only in terms of its direct emissions, but also in terms of the carbon tax cost Eskom will pass on to consumers.

Various energy-saving initiatives in 2013 included:

- Replacing fixed-speed equipment with variable-speed drives to balance energy use with output requirements. The project is expected to be completed in the first half of 2014, yielding a 1.98 megawatt or R1.4 million electricity saving a year.
- Determining the feasibility of replacing conventional lighting at the Steelworks with low-energy lighting suited to the harsh working environment. It is estimated that the project will cost R40 million, paying for itself in two years through electricity savings.
- Installing heat pumps in all change houses, to realise an annual saving of 1.35 megawatt.
- Determining the feasibility of using heat pumps in the Steelworks cooling systems to achieve a 20 per cent energy saving within the systems.

The planned electricity co-generation project with the potential of saving significant energy cost has not been commissioned. Co-generation makes use of off-gases and excess or 'waste' heat to generate steam and energy. A business case – for a two-phase project over a twenty-year lifespan – shows that the project is feasible.

The breakdown of energy consumption (measured as GJ per ton) in the Steelworks is:

	2013	2012
Electricity	**8.201**	9.105
Gas (externally sourced)	**3.557**	3.092
Oxygen	**0.804**	0.768
Diesel fuel	**0.075**	0.085
Coal	**23.896**	27.979
Duff coal	**9.815**	10.124
Total energy	**46.348**	**51.153**

Quality

The Metallurgical Services and Quality Control Division monitors product quality to assist the operating divisions in achieving their yield, quality and customer satisfaction targets.

Infrastructure to aid the division in reaching its objective includes fully equipped analytical, micro-biological and mechanical testing laboratories.

These laboratories are independent of the operating divisions and are qualified to issue mill test certificates in accordance with EN10204.

Quality control, which spans the entire value chain from quality planning to in-line and final product inspection, is achieved by:

- ensuring that customer and technical requirements are accurately established and incorporated into quality plans and procedures;
- conducting tests on raw materials, intermediate products and final products to ensure that the properties comply with specifications;
- performing destructive mechanical tests and non-destructive testing on final products to ensure adherence to specifications;
- fostering an understanding of the value each division ultimately adds to customer satisfaction; and
- informing customers, in liaison with the Marketing division, of the importance of accurate communication of product specifications and additional requirements in terms of the envisaged product application.

Major risks managed by the division are:

- the loss of ISO 9001 accreditation;
- non-compliance to the rules and regulations of Lloyds, Det Norske Veritas (DNV) and applicable EU regulations;
- non-adherence to technical specifications and standards agreed on for customer orders; and
- customer dissatisfaction with delivered products.

The laboratories are benchmarked against international round-robin programmes managed by the American Society for Testing Materials and the Institut für Eignungsprüfung (IfEP) and equipment accuracy is maintained through calibration performed by accredited external companies and comprehensive verification

practices performed by testing personnel. The Company annually coordinates and manages a national round robin for tensile testing involving local laboratories and steel mills and participates in a similar international exercise for tensile testing organised by the IfEP.

Product quality accreditations, in addition to ISO 9001, are:

- Lloyds Register and DNV accreditation for manufacturing steel for ship-building applications;
- Accreditation to affix the CE-mark under the European Construction Product Regulation 305\2011 directive, through TÜV, which dictates specifications for products entering the European Union; and
- Accreditation under the European PED 23/97/EC directive, also through TÜV, to certify material produced for use in pressure vessels.

Product identification forms an integral part of quality assurance. The Company system ensures that each product is identified according to its specific cast or heat and, in the case of plate or coil, the unique slab it was produced from. The labelling also provides product dimensions, footweight (for structural products), length, customer, destination, number of individual pieces per pile and the CE mark, where applicable.

Customer complaints regarding identification of products were negligible. The Company records and fully investigates all complaints, whether justified or not, to ensure customer satisfaction.

Customer satisfaction forms an important part of the Company's sustainability objectives. In addition to assisting the operating divisions to develop products to customer specifications, the Metallurgical Services and Quality Control Division also educates customers in terms of product specifications and technical material requirements, in liaison with the Marketing division.

In 2013, Metallurgical Services and Quality Control focused, in conjunction with the plants, on improving quality in finished products and dispatch, following the manufacturing disruptions in 2012 which impacted negatively on product quality and on-time delivery.

In 2014, the focus on improving primary product yield will be extended to end-products by analysing all inputs in the entire production chain that impact on yield.

In 2014, the focus on improving primary product yield will be extended to end-products by analysing all inputs in the entire production chain that impact on yield.

Human capital

The Human Capital Division's 2013 focus was on addressing the effects of the 2012 restructuring activities. The main backlash as a result of the austerity drive to ensure sustainability in a weak market was low employee morale, which was exacerbated by uncertainty about the sustainability of the business and the proposed sale of the Company.

The low employee morale was quantified in an employee climate survey, commissioned through an independent party, in close collaboration with trade unions. The survey showed that the change from a three- to four-shift working schedule was indeed the main motivator in the deterioration of morale. The results of the survey will be analysed and appropriately addressed in 2014.

Human Capital aims to be the best strategic partner in EVRAZ plc, by focusing on strategic objectives to underpin a sustainable business:

- Regularly reviewing the organisational structures in line with operational strategies, market demands and technological advancements;
- Developing and continuously improving a comprehensive talent management process, which takes transformation initiatives into consideration;
- Creating a high-performance culture through an integrated career and performance management system;
- Implementing programmes to improve technical, supervisory, management and leadership competencies;
- Implementing initiatives aimed at improving and harmonising employee relationships at all levels of the organisation;
- Implementing HR operational systems which contribute to business success and comply with labour legislation; and
- Assessing HR competence levels and gaps and implementing measures to ensure optimum HR delivery.

These strategic objectives are supported by basic human rights which the Company guarantee its employees, such as membership of a trade union, shop-steward representation for employees who do not belong to a union, freedom of association, collective bargaining, a well-structured and uniformly applied grievance and disciplinary procedure to prevent discrimination and a ban on employing people under the age of 18.

Fair employment is guaranteed through contractually agreed remuneration and fixed, flexible and overtime working arrangements during the engagement process.

During 2013, five Human Capital units were restructured into four, in line with the corporate objective of optimising efficiency:

Organisational Development and HR Operations

This unit aligns organisational structures with the corporate and operational strategies and drives a high-performance culture through organisational structures, recruitment practices, HR practitioners operating within the divisions and an integrated career and performance management system.

The system, which was first implemented at top-management level in 2011, has been extended top-down to include 214 employees (76 in 2012). Key performance indicators in the scorecards are aligned with strategic and business objectives – ranging from safety and EBITDA to divisionally specific performance elements. Scorecards are linked to employees' personal development plans.

Remuneration and Benefits

Remuneration and Benefits aims to ensure appropriate rewards for employees who meet their performance objectives and to achieve excellence by aligning the Company's remuneration strategies with those of the steel and mining industries. The department focuses primarily on human resources information systems, payroll, retention strategies and performance incentives.

In 2013, the unit continued aligning systems with the four-shift working schedule implemented in 2012, such as the remuneration strategy, clocking rules and leave allocation. Administrative enhancements included simplifying the Company's leave policy and rationalising the number of shift types from 266 to 33.

Remuneration initiatives included commissioning two salary surveys by third parties to compare Company remuneration against the market, providing 207 employees who were appointed before 2004 with medical-scheme cover on Company expense and reviewing the salaries of employees who do not belong to a bargaining unit with the salaries of bargaining-unit members.

In 2013, the minimum wage for bargaining unit employees was R6 205 per month (R5 692 in 2012), some 15 per cent (2012: 14 per cent) above the comparable Metal

and Engineering Industries Main Agreement minimum wage.

Focus areas for 2014 include further improvements to HR information systems and reviewing HR policies and procedures to ensure proper alignment across disciplines.

Employee Relations

This unit focuses on improving employee liaison and wellness and managing productivity, people-related facilities and HR operations.

In 2013, ER followed a proactive approach to address three threats to labour stability: wage negotiations, uncertainty caused by the proposed sale of the business and the low productivity.

Wage negotiations were protracted over a three-month period, finally being concluded with a one-year increase of 8.5 per cent and nine per cent for lower-level employees.

Company labour matters were addressed through proper engagement in established forums, which consisted of management and union representation.

Some 61 per cent of employees are represented by NUMSA and 16 per cent by Solidarity.

Consultation with employees and bargaining councils where appropriate and in line with legislative requirement precedes significant operational changes that could substantially affect employees.

Talent Management

Talent Management is responsible for talent development and retention, which includes programmes for graduate recruitment, leadership and management development, coaching and mentoring, succession planning, career management and assistance with supervisory, operator and technical and engineering skills training.

The training staff complement has been rationalised to 10 (11 in 2012) and service providers are commissioned for training needs as required.

In 2013, talent reviews were completed from CEO to CEO level -2 and participants in the retention and mentor/coach schemes were reviewed.

Mentors and coaches play an integral role in the High Potential Pipeline scheme, to assist employees with leadership potential with on-the-job coaching. The scheme is instrumental in assisting the Company to achieve its employment equity objectives.

Talent acquisition includes the Company's graduate programme, which will sponsor 17 students in 2014 (seven in 2013) to study bachelor degrees in metallurgy and electrical and mechanical engineering. In 2013, the bursary benefits have been increased to ensure an adequate engineering pipeline. Sponsored studies in business administration, business leadership and management development are also available.

In 2014, the unit will review the talent management policy to ensure that it adheres to Company policy and changes in the corporate structure.

Job profiling and career-path mapping will be accelerated to improve morale by providing employees with a clear view of their future at the Company.

The EVRAZ new leaders programme which is run in conjunction with Moscow School of Management SKOL KOVO, was launched in Russia in 2010 and internationally in 2011. The programme develops high performing managers as business leaders for the future. Six managers were involved in the 2013 programme.

Analysis of employee profiles and net employment creation

At year-end, EVRAZ Highveld employed 2 303 people, of which 76 were apprentices and 179 temporary contract employees. The regional breakdown is as follows:

Workforce breakdown and status				
Region	eMalahleni	Mapochs Mine	Marketing and sales	**Total**
Workforce breakdown				
Permanent employees (full-time, permanent contract employees)	1 898	143	7	**2 048**
Apprentices (full-time, fixed term contract)	76	–	–	**76**
Temporary contract employees (full-time and part-time employees on temporary contract, under supervision)	167	12	–	**179**
Total employees *	**2 141**	**155**	**7**	**2 303**

** Excluding Hochvanadium employees.*

There are no permanent contract employees or self-employed workers at the Company.

Independent contractors

EVRAZ Highveld's independent contractor employees increased from around 1 500 at the beginning of the year to 1 800 by year-end. These include security and canteen personnel, on a continuous basis, and construction and maintenance personnel as required.

Collective bargaining agreements (CBA)				
Number of employees covered by CBA	1 451	122	1	**1 574**
% of total employees covered by CBA	74	85	14	**74**
Performance Appraisal				
% of total employees who received a formal appraisal and review during year	27	15	86	**26**

In terms of Company policy, all permanently employed female staff (319 female employees at year-end) are entitled to parental leave benefits.

All permanently employed male staff (1 805 employees at year-end) are entitled to paternity leave, accounted for against their accumulative leave allocation which exceeds legislative requirements.

During 2013, 45 female employees took parental leave, with a return-to-work rate of 100 per cent and, based on parental leave taken in the prior year, a retention rate of 67.6 per cent recorded for the year.

The distribution of new employees hired during 2013 by region, gender and age grouping for 2013 is as follows:

	Region			Gender		Age		
	eMalahleni	Mapochs Mine	Marketing and sales	Male	Female	<30	30 - 50	>50
New employees hired	227	4	2	208	25	102	126	5

Employee movement (expressed as a percentage of turnover) by region, gender and age grouping for 2013 is as follows:

	Movement of employee turnover %							
	Region			Gender		Age		
	eMalahleni	Mapochs Mine	Marketing and sales	Male	Female	<30	30 – 50	>50
Resignation	115	2	2	85	34	53	59	7
Death	11	4		13	2	1	8	6
Dismissal	57	3	1	58	3	13	34	14
Retirement	101	1		92	10		2	100
Redundancy	7			6	1		6	1
Turnover of employees – %	**14.72**	**6.87**	**38.71**	**14.06**	**15.46**	**13.92**	**10.09**	**22.49**

Employee profile analysis

	Top management *	Senior management	Professionally qualified and middle management	Junior management, supervisors, foremen, superintendents	Skilled technical and academically qualified workers	Semi-skilled and discretionary decision-making	Unskilled and defined decision-making
African female	–	2	8	26	77	83	24
African male	–	4	51	159	484	535	150
Asian female	–	–	1	–	3	–	–
Asian male	–	–	9	2	–	1	–
Coloured female	–	1	1	2	3	2	2
Coloured male	–	–	1	6	9	–	14
White female	–	4	23	22	22	3	5
White male	4	14	98	102	114	23	23
Disabled female	–	–	–	–	–	3	2
Disabled male	–	–	–	2	–	–	–
Total female ***	**–**	**7**	**33**	**50**	**105**	**91**	**33**
Total male ***	**4**	**18**	**159**	**271**	**607**	**559**	**187**
Employees by age group ***							
<30 years	–	–	20	61	152	107	135
30 – 50 years	4	21	135	185	423	268	84
>50 years	–	4	37	75	137	275	1

The ratio of basic salary for women and for men is 1:1 as EVRAZ Highveld's policy does not differentiate between genders.

Training							
Total hours training	8	344	4 808	11 984	2 824	26 600	6 880
Average number of training hours per employee	8.00	17.20	29.68	44.39	11.14	25.83	35.83
Training by age group							
<30 years	–	–	25	70	30	302	138
30 – 50 years	1	18	106	143	36	498	51
>50 years	–	2	31	57	8	230	3
Training by gender							
Male	1	15	128	226	42	880	148
Female	0	5	34	44	32	150	44

* *Top management includes the chief executive officer, chief operating officer, chief financial officer and director vanadium operations.*

** *Senior management includes executives and other managers.*

*** *Excludes temporary contract employees.*

Transformation

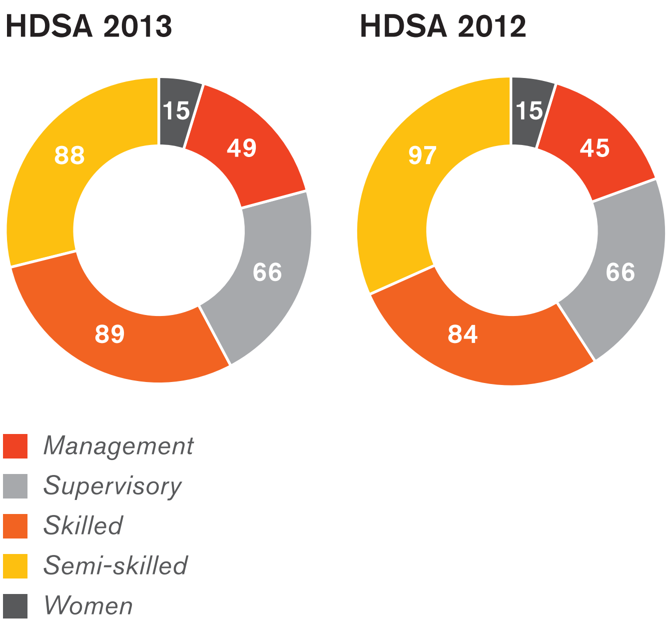
EVRAZ Highveld's transformation activities support B-BBEE to create a better South Africa for all. Transformation activities are managed by Human Capital.

The main challenge at the Company remains achieving the desired ownership and management transformation levels at the Steelworks due to the continuing skills shortage.

The Company's transformation policy is aligned with legislative and prescriptive measures aimed at achieving accurate demographic reflection in the organisation, including the B-BBEE Act and the Broad-Based Socio-Economic Charter for the South African Mining Industry.

Transformation targets

		Target %	Actual HDSA %	Blacks %
Management	**2013**	**50**	**49**	**36**
	2012	50	45	30
	2011	45	47	33
Supervisory	**2013**	**70**	**66**	**58**
	2012	70	66	58
	2011	70	65	55
Skilled	**2013**	**70**	**89**	**87**
	2012	70	84	80
	2011	70	81	78
Semi-skilled	**2013**	**70**	**88**	**85**
	2012	67	97	96
	2011	67	97	96
Women	**2013**	**20**	**15**	**11**
	2012	20	15	11
	2011	16	15	11



The policy formalises the Company's respect for diversity and its contribution to advance transformation at the Steelworks and Mapochs Mine and in the communities within its areas of operation. The policy was reviewed in 2013, to ensure that it adequately addresses the challenges the Company faces and accommodates pending changes to the codes by the DTI.

EVRAZ Highveld achieved an unverified level 6 B-BBEE scorecard with a score of 52.8.

In an effort to achieve a more balanced population representation, employment equity is a key performance indicator of all managers down to CEO level -2 who are involved with employee appointments.

Social responsibility

The Company's social investment projects aim to empower communities through sustainable education, health, housing, community, infrastructure and supply chain initiatives such as local procurement and enterprise development.

	2013	2012
Social responsibility projects spend (R'000)	1 597	1 975

In 2012 the social responsibility policy was adjusted to achieve a greater return on its limited budget by channelling R1 million through the NEF for enterprise development. The fund has significant experience and expertise in enterprise development. In 2013, R1 million was paid to the fund. The Steelworks socio-economic projects are managed through the EVRAZ Highveld eMalahleni Community Forum, based on a budget of one per cent of profit after tax. Despite severe budget restrictions, the Steelworks spent R597 000 on the forum against R975 200 spent in 2012.

Major contributions were made to the White Rose Hospice, a 17-bed palliative care provider for HIV/Aids and cancer patients, the Duvhapark Primary School teacher assistance programme, the Lindokuhle Child-Care Community Project, the Siyathela Early Learning Association

which trains pre-school educators, the Audeaumus Private School for improving specialised teaching skills and the Sinqobile Pre-School for a temporary classroom.

Mapochs Mine focuses on LED projects in surrounding and labour-providing areas, based on the mine's SLP:

- A hydroponics and agricultural project involving 60 households in the 350-household Makwana village. The mine supplied infrastructure, such as hothouse tunnels and water tanks, and trained the households to produce vegetables and fruit on their properties. Surplus produce is bought by the Mapochs Mine canteen and two boarding schools in the area.
- An indigenous nursery to support the Mapochs Mine ground rehabilitation programme. The 8 400 m^2 nursery, which created employment to 11 people, is used to grow seedlings and rescued plants from the mining areas.
- A cleaning and gardening company, A Rayeng (Let's Go), which has been awarded a contract at Mapochs Mine.
- The construction of houses for rent or for sale to employees. In 2013, services for 17 houses have been established and construction of 13 commenced.
- An HIV/Aids awareness programme, which targets grade 6 and 7 learners at 30 primary schools.
- An integrated town-planning project for Roossenekal, which was started by the Company in 2010 in partnership with the Elias Motsoaledi Local Municipality, and was approved by authorities. The professionally compiled plan will assist the municipality in raising finance from regional and central governments for its development and expansion requirements.

The Mapochs Mine Community Trust was established following the conversion of the mine's old-order to new-order mining rights. Following the issue of the Letters of Authority of the trust in October 2013, the elected trustees are now in a position to negotiate, initiate and oversee sustainable community projects on behalf of the trust.

Annual financial **statements**

Approval of the annual financial statements

Following the Board meeting held on 11 March 2014 during which the Board of Directors approved the annual financial statements and further authorised Mr BJT Shongwe and Mr MD Garcia in their respective capacities as chairman and chief executive officer to sign off the annual financial statements, the annual financial statements which appear on pages 91 to 153, are therefore signed on its behalf by:

BJT Shongwe
Chairman
eMalahleni
11 March 2014

MD Garcia
Chief Executive Officer
eMalahleni
11 March 2014

Compliance statement by the company secretary

The company secretary of EVRAZ Highveld Steel and Vanadium Limited certifies that in terms of section 88 (2) of the Companies Act No. 71 of 2008, as amended, that the Company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2013.

Ms A Weststrate
Company Secretary
eMalahleni
11 March 2014

Preparation of annual financial statements

The preparation of the annual financial statements for the year ended 31 December 2013, which appear on pages 91 to 153, has been supervised by the chief financial officer of EVRAZ Highveld Steel and Vanadium Limited, Mr J Valenta (Chartered Accountant).

J Valenta
Chief Financial Officer
eMalahleni
11 March 2014

Independent auditors' report

To the shareholders of EVRAZ Highveld Steel and Vanadium Limited

Report on the consolidated financial statements

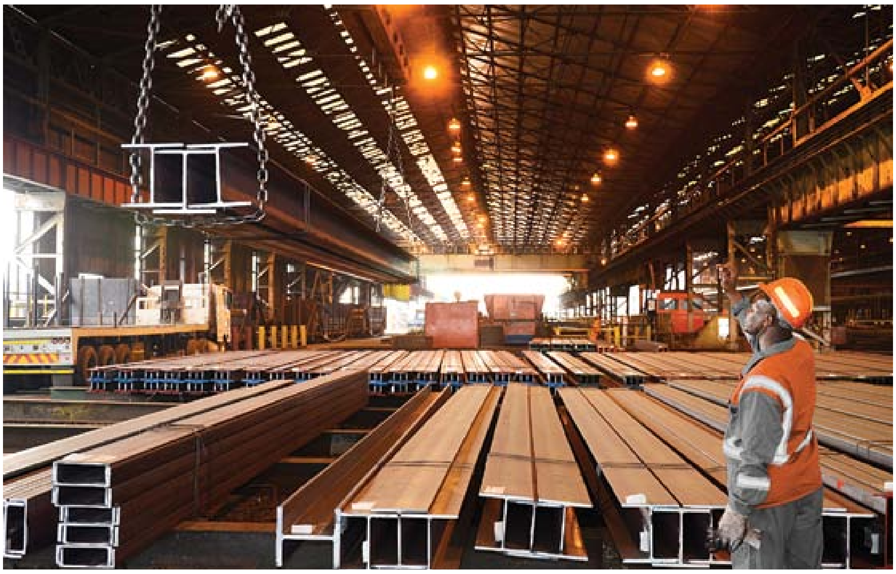
We have audited the consolidated and separate financial statements of EVRAZ Highveld Steel and Vanadium Limited set out on pages 95 to 153, which comprise the statements of financial position as at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements 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.

Auditors' 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 EVRAZ Highveld Steel and Vanadium Limited as at 31 December 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Emphasis of matter on going concern

Without qualifying our opinion, we draw attention to the going concern paragraph in note 1.1 to the financial statements which indicates that the Company is using committed loan facilities that are payable on 31 December 2014 and is trading in an environment where there are threats to production stability and market demand for the Company's products.

Note 1.1 also indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Company'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 2013, we have read the Directors' report, the Audit 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.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Mike Herbst
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road, Sandton,
Johannesburg

20 March 2014

Directors' report

for the year ended 31 December 2013

The directors have pleasure in submitting their report and the annual financial statements of the Company and the Group for the year ended 31 December 2013.

Information on the activities and performance of the Company and the Group are contained in the chairman's review (pages 24 to 26), in the report of the chief executive officer (pages 27 to 29), in the report of the chief financial officer (pages 30 to 35), in the governance review (pages 52 to 67) and in the sustainability review (pages 68 to 87). Information on revenue contribution at a segmental level is outlined in note 25 to the annual financial statements (see pages 147 to 148).

Appropriate accounting policies have been used to prepare the financial statements and all applicable accounting standards have been complied with. Changes in accounting policies in the current year are outlined in note 1 to the annual financial statements.

The directors are of the opinion that the financial statements fairly represent the financial position of the Group at 31 December 2013, and the results of operations and cash flows for the year ended.

Nature of business

EVRAZ Highveld, incorporated in South Africa under the provisions of the Companies Act, is a vertically integrated iron ore, steel and vanadium slag producer. Steel and vanadium slag are produced at the integrated Steelworks situated in eMalahleni, Mpumalanga, with titaniferous magnetite ore for the Steelworks obtained from the Mapochs Mine situated in the Roossenekal area, Limpopo.

EVRAZ Highveld is subsidiary of EVRAZ plc, whose interest amounts to 85.11 per cent (2012: 85.11 per cent) of the total issued share capital of the Company. A further 7.30 per cent of the total issued share capital of the Company is held by RMB Securities Proprietary Limited. No major equity movements occurred during the year. EVRAZ Highveld is also the holding company of wholly-owned subsidiary, Hochvanadium Holding AG (Austria), whose wholly owned subsidiary, Hochvanadium Handels GmbH, processes and sells vanadium products; and holds a 74 per cent interest in Mapochs Mine Proprietary Limited since 29 February 2012.

Operational review

A review of the activities and performance of the operations of the Company are contained in the operational review on pages 20 to 23.

Registration details

EVRAZ Highveld is a company listed on the JSE Limited, with its head-office situated on Old Pretoria Main Road, eMalahleni, Mpumalanga. The Company registration number is 1960/001900/06.

The Company's shares are traded on the JSE under the symbol EHS. The Company also runs a Sponsored Level 1 ADR facility, with the Bank of New York Mellon acting as a depository bank in terms of an exclusive deposit agreement.

The annual financial statements of the Company and the Group fairly represent the state of affairs of the Company and the Group, supported by the maintenance of adequate accounting records.

Corporate governance

The EVRAZ Highveld Board endorses the principles contained in King III where applicable to the Company and confirms its commitment to achieving high standards of corporate governance based on this and international best corporate practice. Full details on the application of King III and other governance principles appear on page 62.

The Board is assisted in its duties by three committees, namely the Audit and Risk, Remuneration and Nominations and the Social and Ethics Committees. The Board and board committees' Charters outline the terms of reference of these committees.

More information on the responsibilities and activities of these sub-committees is included in the Audit and Risk Committee Report on pages 42 to 45, the Remuneration and Nominations Committee Report on pages 46 to 49, and the Social and Ethics Committee Report on pages 36 to 39.

Financial results

The annual financial statements for the Company and Group and accounting policies appear on pages 95 to 153. The results for the year ended 31 December 2013 have been prepared in accordance with IFRS, as issued by the IASB, in the manner required by the Companies Act and the JSE Listings Requirements.

The annual financial statements of the Company and the Group fairly represent the state of affairs of the Company and the Group, supported by the maintenance of adequate accounting records.

Borrowings and cash

Total interest-bearing borrowings of the Group at 31 December 2013 amounted to R315 million (2012: R118 million). Cash and cash equivalents decreased by R245 million to R282 million at 31 December 2013. The Board is, in terms of its constitutional documents, authorised to approve borrowings on behalf of the Company, after satisfying itself that, immediately after the uptake of the borrowings, the Company would satisfy the solvency and liquidity test as provided for in the Companies Act.

Share capital

Full details of the authorised, issued and unissued share capital of the Company at 31 December 2013 are set out in note 13 to the annual financial statements.

Control over the unissued shares of the Company vests with the directors, in general terms. This general authority expires on the date of the forthcoming Annual General Meeting. At this meeting, an ordinary resolution by shareholders to place under the control of the directors the then remaining unissued ordinary shares and the unissued redeemable cumulative preference shares will be considered.

Shareholders

An analysis of shareholders and shareholdings appears on page 158.

Distribution to shareholders

No dividends were declared during 2013, and no final dividend for the year is proposed.

Business factors taken into consideration included the Company's liquidity position, working capital requirements and capital projects.

Interest in subsidiaries and associates

Information on the Company's interest in subsidiaries and associates appears on page 129.

Subsequent events

The directors are not aware of any matter or circumstance arising after the statement of financial position date up to the date of this report not dealt with in this report or in the Group financial statements that would significantly affect the operations or the results of the Group.

Directorate

The names of the directors in office at the date of this report are set out on pages 52 to 56.

The only change in directorship of the Board in 2013 was the resignation of Mr PM Surgey, an independent non-executive director, on 24 May 2013.

In accordance with the MOI, Messrs Baizini, Bhabha, Ngonyama and Tatyanin are required to retire by rotation. Being eligible, they offer themselves for re-election at the forthcoming Annual General Meeting.

In terms of its Charter, the Board is required to meet at least four times a year. During 2013 the Board held four ordinary and four special meetings. Details of these meetings are included on page 60.

In terms of a decision taken by the Board, an external board evaluation is conducted every three years. The last external board evaluation was conducted by the Institute of Directors in South Africa (IoDSA) during 2011.

Satisfactory levels of board governance were reported based on an internal board evaluation of the Board's effectiveness in 2013.

Directors' responsibilities

The directors are responsible for the preparation and integrity of the information included in this integrated report, including the annual financial statements of the Company and Group, which have been prepared in accordance with IFRS.

The directors are also responsible for the process of risk management and for the systems of internal control used by the Company. These systems and controls are designed to provide reasonable assurance regarding the integrity and reliability of the financial statements, and to adequately safeguard, verify and maintain the accountability of the assets.

The directors are required to comply with the Company's Code of Ethics. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Directors' remuneration

Details of directors' remuneration are set out in the Remuneration and Nominations Committee Report on page 49.

Directors' shareholding

At 31 December 2013, none of the directors beneficially held ordinary shares or unexercised options to acquire ordinary shares in the Company.

Company secretary

Details of the company secretary are outlined below the Notice of the Annual General Meeting on page 161.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in assuring accurate financial reporting and adequate systems, controls and risk management processes, by evaluating the appropriateness and adequacy of systems of internal financial and operational control.

The committee also reviews accounting policies and financial information issued to stakeholders.

The committee has reviewed the scope as well as the independence and objectivity of the external auditor and satisfied itself that the external auditor is independent as defined in the Companies Act. The committee has approved the audit fees for the year ended 31 December 2013. Non-audit services by the independent auditors are reported in terms of an agreed policy.

The Company's Internal Audit Department functions independently, appraising, examining and evaluating the Company's systems and internal controls. The scope of the internal audit function is to review the reliability and integrity of financial information, the governance and internal control systems, compliance with laws and regulations and the means of safeguarding assets. Internal audit findings are reported to the Audit and Risk Committee by the internal audit manager.

The directors regularly assess the adequacy of internal accounting controls to ensure the reliability of the financial records for preparing the financial statements and maintaining accountability for assets and liabilities. These assessments are based on information provided by management and the internal audit function and the report of the external auditors on the results of their audit.

Resolutions

Details of the two special resolutions and nine ordinary resolutions for shareholder approval at the forthcoming Annual General Meeting are outlined in the Notice of the Annual General Meeting on pages 160 to 161.

Going concern

The Group incurred a net loss for the year ended 31 December 2013 of R379 million, (2012: R943 million).

Labour stability, health of the market and production stability continue to pose a threat to the operations of the Company and the ability to generate profits.

The Company continues to utilise credit lines that are committed only to 31 December 2014, but are already fully drawn and may not be sufficient to support the Company if the Company cannot achieve its production, sales and cost targets.

Management has taken significant steps to address the cost structure of the Company and the above mentioned risks.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. The Board believes that the Company is a going concern. However, there are matters that may cast significant doubt about the ability of the Company to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

Annual General Meeting

Details of the ordinary and special business for consideration at the forthcoming Annual General Meeting are outlined in the Notice of the Annual General Meeting on pages 160 to 161.

Income statement

for the year ended 31 December

		Group		Company	
		2013	2012	**2013**	2012
			Restated		Restated
	Notes	**Rm**	Rm	**Rm**	Rm
Continuing operations					
Total revenue	2.1	**5 192**	4 354	**4 877**	3 454
Sale of goods		**5 190**	4 346	**3 906**	3 329
Cost of sales		**(4 990)**	(4 746)	**(4 227)**	(4 051)
Gross profit/(loss)		**200**	(400)	**(321)**	(722)
Other operating income	2.2	**77**	138	**244**	1 807
Selling and distribution costs		**(273)**	(248)	**(174)**	(167)
Administrative expenses		**(242)**	(289)	**(231)**	(279)
Other operating expenses	2.3	**(55)**	(55)	**(47)**	(266)
Operating (loss)/profit		**(293)**	(854)	**(529)**	373
Share of loss of joint venture	7.1	(*)			
Finance costs	2.4	**(69)**	(52)	**(57)**	(39)
Finance income	2.5	**2**	8	**139**	125
Dividend income				**832**	
(Loss)/profit before tax from continuing operations		**(360)**	(898)	**385**	459
Income tax	3	**(19)**	(45)	**–**	(57)
(Loss)/profit for the year from continuing operations		**(379)**	(943)	**385**	459
Discontinued operations					
Profit after tax for the year from discontinued operations	4			**–**	43
(Loss)/profit for the year		**(379)**	(943)	**385**	445

** Less than R1 million*

Loss per share (cents) from total operations	5.1				
Basic and diluted		**(382.2)**	(951.1)		
Loss per share (cents) from continuing operations	5.1				
Basic and diluted		**(382.2)**	(951.1)		

Statement of comprehensive income

for the year ended 31 December

		Group		Company	
		2013	2012	**2013**	2012
			Restated		Restated
	Notes	**Rm**	Rm	**Rm**	Rm
(Loss)/profit for the year		**(379)**	(943)	**385**	445
Other comprehensive income/(loss):					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations #	14	**104**	49		
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:					
Re-measurement gain/(loss) on defined benefit plans *	24	**12**	(3)	**11**	(3)
Tax effect		**(*)**	–	**–**	–
Total comprehensive (loss)/income for the year		**(263)**	**(897)**	**396**	**442**

 # No tax effect
** Less than R1 million*

Statement of financial position

as at 31 December

		Group			Company		
		2013	Restated as at 31 December 2012	Restated as at 1 January 2012	**2013**	Restated as at 31 December 2012	Restated as at 1 January 2012
	Notes	**Rm**	Rm	Rm	**Rm**	Rm	Rm
Assets							
Non-current assets							
Property, plant and equipment	6	**1 621**	1 722	1 760	**1 494**	1 589	1 676
Deferred tax asset	16	**62**	79	167	**–**	–	105
Restricted cash	12.3	**40**	–	–	**8**	–	–
Investments	7				**1**	1	1
Investment in joint venture	7.1	**–**			*****		
Loans receivable	8				**1 458**	1 249	–
		1 723	1 801	1 927	**2 961**	2 839	1 782
Current assets							
Inventories	9	**1 059**	858	831	**903**	752	686
Trade and other receivables	10	**498**	465	501	**282**	365	410
Prepayments	11	**24**	15	15	**19**	14	15
Income tax receivable	19	**2**	1	–	**–**	–	–
Loans receivable	8				**182**	193	–
Cash and short-term deposits	12.1	**282**	527	1 184	**209**	4	647
		1 865	1 866	2 531	**1 595**	1 328	1 758
Assets classified as held-for-sale	4				**–**	–	215
		1 865	1 866	2 531	**1 595**	1 328	1 973
Total assets		**3 588**	3 667	4 458	**4 556**	4 167	3 755
Equity and liabilities							
Capital and reserves							
Issued capital	13	**99**	99	99	**99**	99	99
Share premium	13	**486**	486	486	**486**	486	486
Other capital reserves	14	**383**	264	203	**37**	22	10
Retained earnings		**493**	860	1 806	**2 202**	1 806	1 364
Total equity		**1 461**	1 709	2 594	**2 824**	2 413	1 959
Non-current liabilities							
Provisions	15	**746**	773	650	**494**	504	421
Interest-bearing loans and borrowings	18	**11**	16	–	**–**	–	–
		757	789	650	**494**	504	421
Current liabilities							
Trade and other payables	17	**935**	924	1 016	**844**	800	881
Interest-bearing loans and borrowings	18	**304**	102	–	**304**	349	–
Income tax payable	19	**–**	–	45	**–**	–	44
Provisions	15	**131**	143	153	**90**	101	135
		1 370	1 169	1 214	**1 238**	1 250	1 060
Liabilities directly associated with the assets classified as held-for-sale	4				**–**	–	315
Total liabilities		**2 127**	1 958	1 864	**1 732**	1 754	1 796
Total equity and liabilities		**3 588**	3 667	4 458	**4 556**	4 167	3 755

** Less than R1 million*

Statement of changes in equity

for the year ended 31 December

	Group			
	Issued capital and share premium	Other capital reserves	Retained earnings	Total equity
	Rm	Rm	Rm	Rm
	(Note 13)	(Note 14)		
2013				
As at 1 January 2013 (restated)	585	264	860	1 709
Loss for the year			(379)	(379)
Other comprehensive income		104	12	116
Share-based payment reserve		15		15
As at 31 December 2013	**585**	**383**	**493**	**1 461**
2012				
As at 1 January 2012	585	203	1 832	2 620
Change in accounting policy			(26)	(26)
As at 1 January 2012 (restated)	585	203	1 806	2 594
Loss for the year			(943)	(943)
Other comprehensive income/(loss)		49	(3)	46
Share-based payment reserve		12		12
As at 31 December 2012 (restated)	**585**	**264**	**860**	**1 709**

	Company			
	Issued capital and share premium	Other capital reserves	Retained earnings	Total equity
	Rm	Rm	Rm	Rm
	(Note 13)	(Note 14)		
2013				
As at 1 January 2013 (restated)	585	22	1 806	2 413
Profit for the year			385	385
Other comprehensive income			11	11
Share-based payment reserve		15		15
As at 31 December 2013	**585**	**37**	**2 202**	**2 824**
2012				
As at 1 January 2012	585	10	1 390	1 985
Change in accounting policy			(26)	(26)
As at 1 January 2012 (restated)	585	10	1 364	1 959
Profit for the year			445	445
Other comprehensive loss			(3)	(3)
Share-based payment reserve		12		12
As at 31 December 2012 (restated)	**585**	**22**	**1 806**	**2 413**

Statement of cash flows

for the year ended 31 December

		Group		Company	
		2013	2012	**2013**	2012
			Restated		Restated
	Notes	**Rm**	Rm	**Rm**	Rm
Operating activities					
(Loss)/profit before tax from continuing operations		**(360)**	(898)	**385**	459
Loss before tax from discontinued operations	4			**–**	(16)
(Loss)/profit before tax		**(360)**	(898)	**385**	443
Non-cash adjustments to reconcile loss before tax to net cash flows					
Depreciation and impairment of property, plant and equipment	6	**299**	288	**285**	279
Loss/(profit) on disposal and scrapping of property, plant and equipment	2.2 and 2.3	**7**	(1)	**7**	(2)
Finance income	2.5	**(2)**	(8)	**(139)**	(125)
Finance costs	2.4	**69**	52	**57**	41
Dividends received	23.5			**(832)**	–
(Decrease)/increase in environmental rehabilitation provision	15	**(28)**	67	**(4)**	67
Current service cost on post-retirement medical aid	24	**5**	4	**4**	4
Actuarial (gains)/losses on post-retirement medical aid recognised	24	**(1)**	1	**(1)**	2
Annuity purchased for pensioners	24	**(12)**	(11)	**(11)**	(11)
Share-based payment expense	2.8	**15**	12	**15**	12
Movements in provisions		**62**	73	**76**	(33)
Profit on sale of discontinued operations	2.2			**–**	(1 661)
(Reversal of impairment)/impairment of loans receivable	8.3			**(212)**	212
Donation to Mapochs Mine Community Trust	20			**–**	49
Currency translation difference		**5**	11		
		59	(410)	**(370)**	(723)
Increase in inventories		**(173)**	(13)	**(152)**	(33)
(Increase)/decrease in trade and other receivables and prepayments		**(17)**	61	**132**	59
Decrease in payables and provisions		**(195)**	(242)	**(181)**	(140)
		(326)	(604)	**(571)**	(837)
Finance and investment income received	23.1	**2**	8	**1**	8
Finance charges paid	23.2	**(30)**	(12)	**(30)**	(13)
Dividends received	23.5			**364**	–
Income tax paid	23.3	**(4)**	(2)	**–**	–
Cash flows used in operating activities		**(358)**	(610)	**(236)**	(842)

Statement of cash flows (continued)

	Notes	Group 2013 Rm	Group 2012 Restated Rm	Company 2013 Rm	Company 2012 Restated Rm
Investing activities					
Purchase of property, plant and equipment to maintain operating activities	6	(140)	(181)	(131)	(169)
Purchase of property, plant and equipment to increase operating activities	6	–	(22)	–	(23)
Proceeds from sale and scrapping of property, plant and equipment	23.4	3	4	3	4
Repayment of loan receivable from Mapochs Mine Proprietary Limited	8.3			152	38
Cash flows (used in)/generated by investing activities		(137)	(199)	24	(150)
Financing activities					
Proceeds from short-term interest bearing loans and borrowings		204	102	425	349
Proceeds from long-term interest bearing loans and borrowings		–	15		
Payments of long-term interest bearing loans and borrowings		(6)	–		
Cash flows generated by financing activities		198	117	425	349
Net (decrease)/increase in cash and cash equivalents	23.6	(297)	(692)	213	(643)
Cash and cash equivalents at the beginning of the financial year		527	1 184	4	647
Cash transferred to restricted cash	12.3	(40)	–	(8)	–
Effects of exchange rate changes on cash held in foreign currencies		92	35		
Cash and cash equivalents at the end of the financial year		282	527	209	4

Notes to the financial statements

for the year ended 31 December

1. Accounting policies

The consolidated and separate financial statements of EVRAZ Highveld Steel and Vanadium Limited (the Company) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 11 March 2014. The Company is a limited company incorporated and domiciled in the Republic of South Africa whose shares are publicly traded.

The principal activities of the Group and Company are described in the directors' report on pages 91 to 94.

1.1 Basis of preparation

The consolidated and separate financial statements of the Group have been prepared in accordance with IFRS, International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those requirements of the South African Companies Act of 2008 applicable to companies reporting under IFRS.

The consolidated and separate financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value.

The consolidated and separate financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) except when otherwise indicated.

Going concern

The Group incurred a net loss for the year ended 31 December 2013 of R379 million, (2012: R943 million).

Labour stability, health of the market and production stability continue to pose a threat to the operations of the Company and the ability to generate profits. The Company continues to utilise credit lines that are committed only to 31 December 2014, but are already fully drawn and may not be sufficient to support the Company if the Company cannot achieve its production, sales and cost targets.

Management has taken significant steps to address the cost structure of the Company and the abovementioned risks.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. The

Board believes that the Company is a going concern. However, there are matters that may cast significant doubt about the ability of the Company to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2013.

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies, refer Note 1.2.

Intra-group balances, transactions, and any unrealised gains and losses arising from intra-group transactions are eliminated in full in the case of subsidiaries in preparing the consolidated financial statements.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The financial results of subsidiaries and structured entities are consolidated for the same period on the following basis:

Investment in subsidiaries

Subsidiaries are those entities in which the Group has control. Control is achieved when the Group is exposed, 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. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When an investment in an entity has all the characteristics of a common control business combination as defined in IFRS3, the most appropriate policy available is the pooling of interest method or acquisition method. The

Company elected to use the pooling of interest method for the sale of Mapochs Mine division to Mapochs Mine Proprietary Limited.

The pooling of interest method requires that the assets and liabilities are reflected at their previous book values, no goodwill is recorded and any difference arising between the carrying amount of assets and liabilities and the purchase price were accounted for in equity.

Accounting for black-economic empowerment (BEE) transactions

Where equity instruments are issued to a BEE party at less than fair value, these are accounted for as share-based payments.

Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the income statement.

A restriction on the BEE party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

The Company did not issue or transfer equity instruments at less than fair value.

Investment in Environmental Trust Fund

The Company controls the Environmental Trust Fund. The Company's interest in the assets, liabilities, results and cash flows of the trust are included in those of the Company and its subsidiaries from the date of control over the funds until the date control ceases.

1.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous year except as follows:

The Group has adopted the following new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2013. Only where the impact of these is material or has been disclosed separately is reference made to the relevant IFRS in the notes to the financial statements.

i.) The adoption of these new and revised Standards and Interpretations has resulted in changes in the Group's accounting policies and disclosures as follows:

- **IAS 1, Presentation of items of other comprehensive income (Amended)**

  The amendment to International Accounting Standards (IAS) 1 requires that items presented within Other Comprehensive Income (OCI) be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. The amendment becomes effective for annual periods beginning on or after 1 July 2012. The Group adopted the amendments for annual periods beginning on 1 January 2013. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- **IAS 19, Employee benefits (Revised)**

  The Group applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated. Some of the key changes that impacted the Group include the following:

  1) For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, amounts recorded in profit or loss are limited to current and past service costs, gains and losses on settlement, and net interest income (expense). All other changes in the net defined benefit liability, including actuarial gains and losses, are recognised in OCI with no subsequent recycling to profit or loss. Previously, the Group had a R26 million balance of unrecognized actuarial losses as at 1 January 2012. Upon transition to IAS 19 (Revised 2011), this balance was charged to equity (retained earnings) as at 1 January 2012. Unrecognised actuarial losses of R3 million for the period ended 31 December 2012 were charged to the Group's OCI, decreasing the overall equity of the Group by R3 million.

     IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in Note 24. IAS 19 (Revised 2011) has been applied retrospectively, with the following permitted exception:

     – Sensitivity disclosures for the defined benefit obligation for the comparative period (year ended 31 December 2012) have not been provided.

Impact on OCI (Increase/(decrease) in profit/OCI):	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
Statement of other comprehensive income				
Actuarial gains/(losses) on defined benefit plan	**12**	(3)	**11**	(3)
Income tax effect on above	**(*)**	**	**	**
Other comprehensive income/(loss) for the year, net of tax	**12**	(3)	**11**	(3)
Total comprehensive income/(loss) for the year	**12**	(3)	**11**	(3)

* *Less than R1 million.*

** *No income tax effect as the actuarial gain/(loss) relates to the Company and due to the impairment of the net deferred tax asset, there is no income tax effect.*

The transition did not have an impact on the statement of cash flows. There is no significant impact of the Group's basic and diluted EPS.

Impact on equity (increase/(decrease) in net equity):	Group			Company		
	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012	**As at 31 December 2013**	As at 31 December 2012	As at 1 January 2012
	Rm	Rm	Rm	**Rm**	Rm	Rm
Recognition of unrecognised actuarial gains/(losses)	**12**	(3)	(26)	**11**	(3)	(26)
Consequential deferred tax impact of the above	**(*)**	**	**	**	**	**
Net increase/(decrease) in equity	**12**	(3)	(26)	**11**	(3)	(26)

* *Less than R1 million*

** *No income tax effect the actuarial gain/(loss) relates to the Company and due to the impairment of the net deferred tax asset, there is no income tax effect.*

2) The distinction between short-term and other long-term employee benefits is based on the expected timing of the settlement rather than the employees' entitlement to the benefits.

- **IAS 27, Separate financial statements (consequential revision due to the issue of IFRS 10)**
  IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The Group adopted the amendments for annual periods beginning on 1 January 2013. The adoption of the amendment did not have an impact on the financial position or performance of the Group.

- **IAS 28, Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)**
  The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates. The Group adopted the amendment for annual periods beginning on 1 January 2013. The adoption of the amendment did not have an impact on the financial position or performance of the Group.

- **IFRS 7, Disclosures – offsetting financial assets and financial liabilities (amendments to IFRS 7)**
  IFRS 7 provides additional disclosures about rights of set-off and related arrangements. The Group adopted the amendment for annual periods beginning on 1 January 2013. The adoption of the amendment did not have an impact on the financial position or performance of the Group.

- **IFRS 10, Consolidated financial statements**
  IFRS 10 creates a new, broader definition of control than under current IAS 27 and has resulted in the Standards Interpretation Committee (SIC) 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive versus protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. Transition guidance amendments: the IASB has confirmed that relief from retrospective application of IFRS 10 would apply to an investor's interests in investees that were disposed of during a comparative period. The Group adopted the amendment for annual periods beginning on 1 January 2013. The adoption of the amendment did not have an impact on the financial position or performance of the Group.

- **IFRS 11, Joint arrangements**
  IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of 'control' when referring to 'joint control'. Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:
  - Joint operation – by showing the investor's interest/relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
  - Joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

  Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. Transition guidance amendments: to limit the requirement to provide adjusted comparative information to the immediately preceding period only. The Group adopted the amendment for annual periods beginning on 1 January 2013.

  The adoption of the amendment did not have an impact on the financial position or performance of the Group.

- **IFRS 12, Disclosure of interests in other entities**
  The new standard applies to entities that have interests in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added. Transition guidance amendments: to limit the requirement to provide adjusted comparative information to the immediately preceding period only. For the first year that IFRS 12 is applied, the requirement to present comparative information for the disclosures related to unconsolidated structured entities is removed. The Group adopted the amendment for annual periods beginning on 1 January 2013. The adoption of the amendment did not have an impact on the financial position or performance of the Group. The amendments affect the disclosure requirements for subsidiaries. The IFRS 12 disclosures are provided in Note 7.1.

- **IFRS 13, Fair value measurement**
  IFRS 13 describes how to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13). Under IFRS 13 fair value is presumed to be an 'exit price'. New disclosures related to fair value measurements are also included. The Group adopted the amendment for annual periods beginning on 1 January 2013. Application of IFRS 13 has not impacted the fair value measurements of the Group. Fair value hierarchy is provided in Note 26.6.

- **IFRIC 20, Stripping costs in the production phase of a surface mine**
  The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset') if certain criteria are met. The stripping activity asset must be depreciated on a unit of production basis unless another method is more appropriate. The Group applied the amendments during the year and as at year end R6 million stripping costs had been capitalised and were fully depreciated.

- **Improvements to IFRS – issued May 2012**
  - Application of IFRS 1 where an entity has previously applied IFRS and treatment of borrowing costs capitalised under previous GAAP.
  - IAS 1 – Clarification of the requirements for comparative information.
  - IAS 16 – Classification of servicing equipment.
  - IAS 32 – Tax effect of distribution to holders of equity instruments aligned with IAS 12.
  - IAS 34 – Clarification of interim financial reporting and segment information for total assets and liabilities.

  The Group adopted the amendments for annual periods beginning on 1 January 2013.

ii.) New and revised IFRS and Interpretations issued but not yet effective. The following Standards, amendments to Standards and Interpretations, effective in future accounting periods have not been adopted in these financial statements:

- **IAS 32, Offsetting financial assets and financial liabilities (amendments to IAS 32)**
  These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- **IAS 36, Recoverable amount disclosures for non-financial assets (amendments to IAS 36)**
  The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. It no longer requires the disclosure of information that was regarded as commercially sensitive by preparers. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- **IAS 39, Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)**
  The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- **IFRIC 21, Levies**
  IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards and fines or other penalties for breaches of legislation. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- **IFRS 9, Financial instruments – classification and measurement**
  This, the first phase of the IASB's project to replace IAS 39 in its entirety, addresses the classification and measurement of financial instruments. Amendments published in October 2010 incorporate the existing de-recognition principles of IAS 39 directly into IFRS 9.

  Financial assets
  All financial assets are initially measured at fair value. Subsequent measurement of debt instruments is only at amortised cost if the instrument meets the requirements of the 'business model test' and the 'characteristics of financial asset test'. All other debt instruments are subsequently measured at fair value. All equity investments are subsequently measured at fair value either through OCI or profit and loss. Embedded derivatives contained in non-derivative host contracts are not separately recognised. Unless the hybrid contract qualifies for amortised cost accounting, the entire instrument is subsequently recognised at fair value through profit and loss.

  Financial liabilities
  For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI. The remainder of the change in fair value is presented in profit and loss. All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9. At its July 2013 meeting, the IASB decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known.

- **IFRS 9, IFRS 7, Mandatory effective date and transition disclosures (amendments to IFRS 9 and IFRS 7)**
  Mandatory effective date for IFRS 9 has been deferred until the issue date of the completed version of IFRS 9 is known. Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed.

- **IFRS 10, IFRS 12 and IAS 27, Investment entities (amended)**
  This amendment applies to investments in subsidiaries, joint ventures and associates held by a reporting entity that meet the definition of an investment entity. This amendment is not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- **Improvements to IFRS – issued in December 2013**
  - IFRS 2 – Definition relating to vesting conditions.
  - IFRS 3 – Accounting for contingent consideration in a business combination.
  - IFRS 8 – Aggregation of operating segments.
  - IFRS 8 – Reconciliation of the total of the reportable segment assets to the entity's assets.
  - IFRS 13 – Short-term receivables and payables.
  - IAS 16 – Revaluation method – proportionate restatement of accumulated depreciation (amortisation).
  - IAS 14 – Key Management Personnel (KMP).
  - IFRS 1 – Meaning of effective IFRSs.
  - IFRS 3 – Scope exceptions for joint ventures.
  - IFRS 13 – Scope paragraph 52 (portfolio exception).
  - IAS 40 – Interrelationship of IFRS 3 and IAS 40 when classifying property as IP or owner-occupied property.

These improvements become effective for annual periods beginning on or after 1 July 2014, at which time the Group will adopt the improvements.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial results or disclosures of the Group.

1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated and separate financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

i.) Decommissioning and rehabilitation obligations

Estimating the future costs of environmental and rehabilitation obligations is complex and requires management to make estimates and judgements as most of the obligations will be fulfilled in the future and laws are often not clear regarding what is required. The resulting provisions are further influenced by changing technologies, political, environmental, safety, business and statutory considerations. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. The carrying amount of the provision for the Group at the reporting date is R677 million (2012: R694 million).

ii.) Asset lives and residual values

Items of property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. Annually, depreciation methods applied and the actual lives and residual values of the assets are assessed and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The carrying amount of property, plant and equipment for the Group at the reporting date is R1 621 million (2012: R1 722 million).

iii.) Post-retirement employee benefits

Post-retirement medical aid liabilities are provided for certain existing employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, healthcare inflation cost and rates of increase in costs.

iv.) Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets and depreciation and amortisation charges.

v.) Consolidation of Structured Entities

EVRAZ Highveld holds a 74 per cent equity interest in Mapochs Mine Proprietary Limited, with a further 23 per cent being held by a structured entity Umnotho Iron and Vanadium Proprietary Limited (Umnotho) and three per cent being held by the Mapochs Mine Community Trust (MMCT). Umnotho and MMCT were established for EVRAZ Highveld, with the benefit from these two entities being primarily for EVRAZ Highveld and not their respective shareholders. Given that EVRAZ Highveld, in substance, controls both Umnotho and MMCT, and notwithstanding the absence of shareholding in these entities, both Umnotho and MMCT are fully consolidated.

vi.) Joint arrangements

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions related to those activities require unanimous consent. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify the joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. The following were specifically considered:

- the structure of the joint arrangement
- the rights and obligations arising from:
  - the legal form of the separate vehicle
  - the terms of the contractual arrangement, which indicate that the Group has rights to the net assets of the arrangement.

The Group has a joint arrangement which is structured through a separate legal entity, Nyanza Light Metals Proprietary Limited, and the contractual arrangement indicates that the Group has rights to the net assets of the arrangement.

Taking into consideration the relevant facts and circumstances, the Group concluded that the arrangement was a joint venture.

1.4 Summary of significant accounting policies

Accounting policies that refer to ‘consolidated or Group’, apply equally to the Company’s financial statements where relevant.

a. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, sales-related taxes and value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable. Significant risks and rewards of ownership have passed when title and insurance risk has passed to the customer and the goods have been delivered to a contractually agreed location.

b. Interest and dividend income

Interest income and preference dividends are recognised on a time proportionate basis, taking into account the principal amount invested and the effective rates over the period to maturity, when it is determined that such income will accrue to the Group.

Other dividend income is recognised at the time when the amount of the dividend can be measured reliably and the right to receive payment is established.

c. Exploration costs

Exploration costs that are incurred before the technical and economic assessment is approved by the Investment Committee, is expensed as incurred.

d. Inventories

Inventories and work-in-progress are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make a sale. Stock write-downs to net realisable value and stock losses are expensed during the period in which the write-down or loss occurs. Cost is determined on the following bases:

i.) Finished goods and work-in-progress are valued on a weighted average basis. Raw materials are valued at delivered cost determined on a weighted average basis; consumable stores are valued at delivered cost determined on a weighted average basis, with appropriate reductions for obsolescence and slow-moving items.

ii.) Vanadium slag is a by-product and is valued on a market-related basis. The final realisable value is used as a basis to calculate the cost of the slag by taking into account profit margins, processing cost and other costs.

iii.) Slag deposits and dumps are carried at zero value. On sale of these deposits and dumps, the revenue generated is accounted for as profit and is included in revenue.

iv.) Scrap steel purchased is carried at cost on a weighted average basis, and scrap produced as a by-product of the steelmaking process is valued at fair value, which is the current market price for scrap steel.

e. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

i.) Property, plant and equipment, excluding rolls and linings for forming steel, is depreciated on a straight-line basis at rates that will reflect the outflow of economic benefits, from the Group, over the estimated life of the specific asset as a result of utilisation within the operation after taking into account the estimated residual value of the asset.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

ii.) The estimated useful lives of property, plant and equipment are as follows:

	Number of years
Improvements to property	20 – 50
Plant	2 – 50
Equipment	2 – 15

Rolls and linings for forming steel are depreciated on the basis of tons rolled and produced. Land and work under construction are not depreciated. Work under construction becomes depreciable when the assets are substantially ready for their intended use and depreciated over their useful life.

Mineral rights are valued at historical cost and amortised on the basis of tonnage mined.

The Group annually reviews all of its depreciation rates, residual values and depreciation methods to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

iii.) Expenditure incurred to replace a component at intervals greater than once a year of an item of property, plant and equipment, including major inspection and overhaul expenditure, is capitalised and depreciated over the period during which enduring benefits will be enjoyed, and the component replaced is derecognised.

Major maintenance expenditure, with intervals in excess of once a year is capitalised and depreciated over the period during which enduring benefits will be enjoyed. Day-to-day maintenance and repairs expenditure, incurred in intervals shorter than once a year are charged against income when incurred.

iv.) An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the income statement in the year the asset is derecognised. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset and are included in profit before interest and tax, but adjusted in calculating headline earnings.

v.) The present value of the expected cost for decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (note 1.3) and provisions (note 15) for further information about the recorded decommissioning provision.

f. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership and the rights to control the asset to the lessee. All other lease payments are classified as operating leases and are recognised as an expense in the income statement on a straight-line basis over the lease term.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at the inception of the lease and a corresponding liability is raised. Capitalised leased assets are depreciated using the straight-line method over the expected useful lives of the assets. Finance lease obligations, net of finance charges, are included in liabilities. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement. The Group did not have any leases for the year.

g. Impairment of non-financial assets

The Group assesses all assets at each reporting date to determine whether there is any indication that assets are impaired or if the reversal of a previously recognised impairment is required. If any such indications exist, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment or reversal (if any).

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment is recognised immediately as an expense. Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset.

Where an impairment subsequently reverses, the carrying amount of the asset 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 been recognised for the asset in previous periods. A reversal of an impairment is recognised as income. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. No impairment was necessary for the year.

h. Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised therein.

i) Current income tax

The charge for current income tax is based on the results for the year as adjusted for items of permanent difference, non-taxable income or disallowed expenses. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date. Prior year over- and under-provisions are also adjusted during the current year. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the dividends are declared.

ii) Deferred income tax

Deferred tax is accounted for using the liability method on temporary differences at the reporting date between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax assets and liabilities are recognised for all taxable and deductible temporary differences, except:

- where the deferred income tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable and deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if a legally enforceable right exist, when they relate to income taxes levied by the same taxation authority and the same taxable entity.

iii) Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax, except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

i. Foreign exchange

i.) Foreign exchange translation

The South African Rand is the functional currency of the Company which reflects the economic substance of the underlying events and circumstances.

The exchange rates of Euro to SA Rand used in preparing the consolidation of the Company's subsidiaries incorporated in Austria into the Group's financial statements was as follows:

	Weighted average rate	Closing rate
Year ended 31 December 2013	**12.83**	**14.42**
Year ended 31 December 2012	10.56	11.19

The weighted average exchange rates have been calculated based on the average of the exchange rates during the relevant year.

ii.) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

iii.) Overseas subsidiaries

In preparing the financial statements of the individual entities in the Group, transactions in currencies other than the entity's functional currency are recorded at rates of exchange prevailing on the date of the transactions. The functional currency for the Company's most significant subsidiary is the Euro.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries are expressed in the presentation currency of the Group using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at date of the transactions.

Exchange differences arising on the translation are recognised in OCI and Foreign Currency Translation Reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Exchange differences arising on the loan to a subsidiary that forms part of the net investment in the subsidiary are recognised in the consolidated financial statements as part of OCI and included in the Group's currency translation reserve.

j. Employee benefits

i.) Pension and post-retirement medical benefits

The Group operates a defined contribution scheme for its employees as well as a post-retirement medical benefit scheme.

Pension

Contributions made by the Group in respect of defined contribution funds are charged as an expense as service is rendered.

Post-retirement medical benefit scheme

The obligation to provide post-retirement medical aid benefits is recognised with reference to actuarial valuations performed annually. The cost of providing benefits under this defined benefit plan is determined separately using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

ii.) Medical

Contributions by the Group in respect of employees are expensed in the period in which the related service is rendered by the employee. Medical aid plans are controlled by non-related administrators.

iii.) Short- and long-term benefits

Short-term employee benefits are employee benefits; such as salaries, bonuses, housing allowances, leave and other contributions; that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service.

The vesting portion of long-term benefits for leave and retention bonus are recognised and provided for at reporting date, based on current salary rates and company contributions.

The Group recognises a liability and an expense for performance based bonus incentives where contractually obliged or where there is a past practice that has created a constructive obligation.

k. Financial assets and financial liabilities

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and cash equivalents, short-term deposits, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

i.) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in profit or loss.

ii.) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iii.) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2013 and 2012.

iv.) Available-for-sale financial investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in OCI until the investment is derecognised, at which time the cumulative gain or loss recorded in OCI is recognised in profit or loss, or determined to be impaired, at which time the cumulative loss recorded in OCI is recognised in profit or loss. The Group did not have any available-for-sale investments during the years ended 31 December 2013 and 2012.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

i.) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held-for-trading are recognised in the profit or loss.

ii.) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

iii.) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. At the reporting date no financial guarantee liabilities existed, but guarantees issued by the Group are disclosed as contingent liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 26.4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is or a group of financial assets are impaired. A financial asset is or a group of financial assets are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor is or a group of debtors are experiencing significant financial difficulty, default or delinquency in making interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For amounts due from financial assets carried at amortised cost, the Group first assesses for each whether objective evidence of impairment exists individually that are significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individual financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses these for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit losses that have not yet been incurred.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Financial assets carried at amortised cost together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset carried at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment is or a group of investments are impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in OCI.

De-recognition of financial instruments

Financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

l. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of future economic benefits will occur, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and is discounted to present value where the effect is material. Policies relating to specific provisions are detailed below:

i.) Provision for environmental expenditure

Provision is made for environmental rehabilitation cost where either a legal or constructive obligation is recognised as a result of past events. Measurement of environmental liabilities are based on the current legal requirements and existing technology. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provision. The unwinding of the discount is expensed as it is incurred and is recognised in the income statement as a finance cost. The carrying amount of liabilities are regularly reviewed and adjusted for appropriate new facts or changes in law or technology.

Cost of ongoing current programmes to prevent and control emissions and to rehabilitate the environment are expensed as incurred.

ii.) Provision for leave liabilities

Provision for leave liability is recognised monthly based on the period of time worked per employee and is measured in accordance with applicable salary per employee.

iii.) Provision for bonus liabilities

A provision is raised for bonus entitlements applicable to the current year paid in the subsequent year. The provision is recognised when the employee becomes entitled to payment and is calculated as per the bonus rules applicable to every level of employee.

iv.) Provision for litigation

Provisions are raised for legal claims where management and expert third parties have agreed that it is probable that an outflow of future economic benefits will occur. Where applicable, a provision is raised for interest and legal fees.

v.) Post-retirement medical benefits

A provision is raised for active members who have a right to post-retirement medical benefits. This relates to engagements before 31 December 2001. The obligation to provide post-retirement medical aid benefits is recognised with reference to actuarial valuations performed annually. Refer to j. Employee Benefits for more information on this.

m. Dividends

Dividends payable to holders of equity instruments are recognised in the period in which they are authorised and approved by the Board of Directors. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year-end are not recognised at the reporting date, but are disclosed in the notes to the financial statements.

n. Discontinued operations

Discontinued operations are material, distinguishable components of an enterprise that have been sold, or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale of a discontinued operation is determined up to the discontinuance date.

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated/amortised.

o. Earnings per share

Basic earnings per share comprise the profit on all activities after tax attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share represent the profit on ordinary activities after tax attributable to the equity shareholders, divided by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of dilutive potential shares resulting from share options.

p. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and short-term deposits with an original maturity of three months or less. Cash and short-term deposits are measured at amortised cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of short-term borrowings and restricted cash.

Restricted cash consists of balances that are deposited at third parties to which the Group has only restricted access, dependant on certain suspensive conditions. Restricted cash which is not available for use by the Group within 12 months after year end, is classified as a non-current asset. If the suspensive conditions are expected to be met within the 12 months, the restricted cash is classified as a current asset.

q. Share-based payment transactions

Certain employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

r. Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (note 2.8).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

s. Interests in joint arrangements

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control, which is the contractually agreed sharing of control over the arrangement. Joint controls exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

i) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities, relating to the arrangement.

The joint arrangement of the Group is classified as a joint venture.

ii) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the joint venture. The Group's investment in its joint ventures is accounted for using the equity method.

Under the equity method, the investment is initially recognised at cost. The carrying amount is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement and statement of comprehensive income (OCI) reflects the Group's share of the results of the joint venture operations. Any change in OCI of the investee is presented as part of the Group's OCI and the Group recognises its share of any change recognised directly in the equity of the joint venture, in the statement of equity of the Group. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax.

The financial statements of the joint venture are not prepared for the same reporting period as the Group, therefore adjustments were made to bring the reporting period in line with the Group. The reporting period for the joint venture is March to February. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Notes to the financial statements (continued)

for the year ended 31 December

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
2. Other income and expenses				
2.1 Total revenue				
Sale of goods	**5 190**	4 346	**3 906**	3 397
Finance income	**2**	8	**139**	125
Dividend income from subsidiary company (note 23.5)			**832**	–
Total revenue	**5 192**	**4 354**	**4 877**	**3 522**
2.2 Other operating income				
Reversal of litigation provision (note 15)	**2**	18		18
Net profit on disposal and scrapping of property, plant and equipment (note 23.4)		1		2
Disposal of Mapochs Mine to Mapochs Mine Proprietary Limited				1 661
Management Fees			**9**	7
Settlement of claim against channel induction furnace supplier		109		109
Environmental provision adjustment (note 15)	**25**	–	**4**	–
Reversal of loan impairment (note 8.3)			**212**	
Inventory count adjustments	**35**		**4**	
Sundry	**15**	10	**15**	10
Total other operating income	**77**	**138**	**244**	**1 807**

In the fourth quarter of 2010 the Board resolved to impair, in its present condition, the channel induction furnace resulting in a write-off of the book value of R230 million in terms of accounting principles. This furnace was originally intended for superheating blown metal after the shaking ladle and to melt extra scrap in the Steel Plant. After two major breakdowns it was concluded that the furnace was most probably not fit for purpose. The matter was settled in 2012 whereby damages were paid to the Company in the amount of US$13 million on certain conditions, amongst which that the vessel was removed at the cost of the supplier. The removal operations were completed by 30 September 2013, except for the generator as a buyer has not yet been found.

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
2.3 Other operating expenses				
Impairment of loans (note 8.3)				(212)
Net loss on disposal and scrapping of property, plant and equipment (note 23.4)	**(7)**		**(7)**	
Insurance	**(20)**	**(19)**	**(17)**	**(18)**
Bad debts (note 10)	**(7)**		**(7)**	
Sundry	**(21)**	(36)	**(16)**	(36)
Total other operating expenses	**(55)**	**(55)**	**(47)**	**(266)**

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
2. Other income and expenses (continued)				
2.4 Finance costs				
Interest on overdrafts and other	**(30)**	(10)	**(30)**	(11)
Interest on environmental rehabilitation provision (note 15)	**(28)**	(31)	**(17)**	(20)
Interest on post-retirement medical benefits provision (note 24)	**(11)**	(11)	**(10)**	(10)
Total finance costs	**(69)**	**(52)**	**(57)**	**(41)**
2.5 Finance income				
Interest on cash investments	**2**	8	**1**	8
Interest on loans (note 8.3)	**–**	–	**138**	117
Total finance income	**2**	**8**	**139**	**125**
2.6 Other disclosable items included in the income statement				
Continuing operations				
Included in cost of sales:				
Depreciation	**288**	275	**274**	267
(Reversal of write-down)/write-down of inventories to net realisable value	**(19)**	18	**(33)**	18
Costs of inventories recognised as an expense	**4 721**	4 453	**3 986**	3 842
Included in administrative expenses:				
Depreciation	**11**	13	**11**	12
Net foreign exchange differences	**(3)**	(22)	**(3)**	(21)
Auditors' remuneration				
Audit fees	**3**	3	**2**	3
2.7 Employee benefits expense				
Salaries and wages	**834**	877	**778**	830
Staff benefits expenses	**71**	63	**66**	59
Pension costs	**57**	59	**54**	57
Post-retirement benefits expenses	**5**	5	**4**	6
Total employee benefits expense	**967**	**1 004**	**902**	**952**

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm

2. Other income and expenses (continued)

2.8 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly (executive committee), including any director (executive and non-executive) of the Group.

Compensation for key management was as follows:	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Salaries and short-term employee benefits	**47**	43	**45**	43
Share-based payments (note 14)	**15**	12	**15**	12
	62	55	**60**	55

Information regarding performance parameters, incentive schemes to encourage retention and long-term incentive plans for executive directors are determined by EVRAZ plc, in conjunction with the Remuneration and Nominations Committee.

The three most highly-paid employees, who are not directors in the Company received the following cumulative remuneration in 2013:

	Rm	Rm
– Base pay	**7**	9
– Bonuses	**1**	2
– Share-based payments	**1**	1
– Other benefits	**2**	2
	11	14

As at 31 December 2013, all executive managers had indefinite employment contracts with a one-month notice period. As at 31 December 2012, all executive managers had indefinite employee contracts with a one-month notice period, except for one executive manager whose contract expired on 28 February 2013.

3. Taxation

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
3.1 Income tax				
South African				
Normal				
Prior year under provision	–	(44)	–	(44)
Deferred				
Current	18	88	–	42
Non-South African				
Normal				
Current	1	1	–	–
Income tax expense/(credit)	**19**	**45**	**–**	**(2)**
Attributable to:				
Continuing operations	19	45	–	57
Discontinued operations (note 4)	–	–	–	(59)
	19	45	–	(2)
3.2 Income tax reconciliation				
Standard tax	(97)	(251)	111	124
Non-taxable income	(1)	(3)	(234)	(467)
Prior year over provision	–	(44)	–	(44)
Permanent difference arising from discontinued operations	–	–	–	(59)
Impairment of deferred tax asset	148	297	148	297
Difference in statutory taxation rates	(64)	(35)	–	–
Non-deductible/(deductible) expenditure	33	81	(25)	147
Income tax for the year	**19**	**45**	**–**	**(2)**

4. Discontinued operations

Mapochs Mine mines iron ore and despatches lumpy ore to the Steelworks for the production of hot metal, steel and vanadium slag. The ore fines are sold to Vanchem Vanadium Products Proprietary Limited, a third party, pursuant to their vested rights in the ore fines. Mapochs Mine was disposed of on 29 February 2012 as all the legislative obligations related to the conversion of the old-order mining rights to new-order mining rights by the DMR had been fulfilled. As Mapochs Mine Proprietary Limited, the company which owns Mapochs Mine, is 74% owned and controlled by the Company, it is not considered to be a discontinued operation from a Group perspective. Based on case law, the deferred tax asset was derecognised in 2011 as the income tax deductions could not be claimed by the seller. The results for discontinued operation for the two months in 2012 are presented below. The Mapochs Mine belongs to the steel segment. The result of this disposal group is presented below:

	Company	
	2013	2012
	Rm	Rm
Total revenue	–	68
Revenue	–	68
Cost of sales	–	(76)
Gross loss	–	(8)
Selling and distribution costs	–	(4)
Administrative expenses	–	(2)
Operating loss	–	(14)
Finance costs	–	(2)
Loss before tax from discontinued operations	–	(16)
Income tax credit	–	59
Profit for the year from discontinued operations	–	43
The assets and related liabilities of this disposal group are:		
Assets		
Property, plant and equipment	–	–
Deferred tax asset	–	–
Inventories	–	–
Trade and other receivables	–	–
Assets classified as held-for-sale	–	–
Liabilities		
Trade and other payables	–	–
Long-term liabilities	–	–
Liabilities directly associated with assets classified as held-for-sale	–	–
Net (liabilities)/assets directly associated with disposal groups	–	–
The net cash flows of the disposal group are as follows:		
Cash flows from operating activities	–	(15)
Cash flows from investing activities	–	–
Cash flows from financing activities	–	–
Net cash outflow	–	**(15)**

5. Earnings per share

Basic earnings per share amounts are calculated by dividing Group profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Group			
	2013		2012	
			Restated	Restated
	Basic	Basic Diluted	Basic	Basic Diluted
5.1 Basic and diluted loss per share				
Net loss from continuing operations – Rm	(379)	(379)	(943)	(943)
Net loss from total operations – Rm	(379)	(379)	(943)	(943)
Weighted average number of ordinary shares in issue	99 150 098	99 150 098	99 150 098	99 150 098
Basic and diluted loss per share from continuing operations (cents)	(382.2)	(382.2)	(951.1)	(951.1)
Total basic and diluted loss per share (cents)	**(382.2)**	**(382.2)**	**(951.1)**	**(951.1)**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

	Group			
	2013		2012	
			Restated	Restated
	Headline	Headline Diluted	Headline	Headline Diluted
5.2 Headline loss per share				
Net loss from continuing operations – Rm	(374)	(374)	(1 022)	(1 022)
Loss from total operations – Rm	(374)	(374)	(1 022)	(1 022)
Weighted average number of ordinary shares in issue	99 150 098	99 150 098	99 150 098	99 150 098
Loss per share from continuing operations (cents)	(377.2)	(377.2)	(1 030.4)	(1 030.4)
Total headline loss per share (cents)	**(377.2)**	**(377.2)**	**(1 030.4)**	**(1 030.4)**

Headline loss per share is calculated in terms of *Circular 2/2013 Headline Earnings* issued by the South African Institute of Chartered Accountants

	Group	
	2013	2012
		Restated
	Rm	Rm
The reconciliation of headline loss is as follows:		
Loss for the year	(379)	(943)
(Deduct)/add after tax effect of:		
Proceeds on settlement of channel induction furnace matter	–	(79)
Loss/(gain) on disposal, scrapping and impairment of property, plant and equipment	5	(*)
Headline loss	**(374)**	**(1 022)**
Weighted average number of shares for calculating diluted earnings per share		
Weighted average number of ordinary shares in issue	99 150 098	99 150 098

* *Less than R1 million.*

6. Property, plant and equipment

	Group				
	Land and mineral rights	Improvements to property	Plant and equipment	Work under construction	**Total**
	Rm	Rm	Rm	Rm	**Rm**
Cost					
As at 1 January 2012	15	88	3 498	126	**3 727**
Additions	–	–	21	182	**203**
Transfers from work under construction	–	34	195	(229)	**–**
Mapochs Mine Dam de-silting cost	–	–	–	50	**50**
Disposals and scrappings	–	–	(109)	–	**(109)**
Sale of assets to Mapochs Mine Proprietary Limited at carrying value	–	(13)	(98)	–	**(111)**
Disposals and scrappings	(14)	(39)	(134)	–	**(187)**
Additions to Mapochs Mine Proprietary Limited at carrying value	14	26	36	–	**76**
As at 31 December 2012	15	109	3 507	129	**3 760**
Additions #	–	–	23	171	**194**
Critical plant spares transferred from inventory	–	–	17	–	**17**
Transfers from work under construction	–	59	120	(179)	**–**
Write-off of decommissioning asset	–	(4)	–	–	**(4)**
Disposals and scrappings	–	–	(107)	–	**(107)**
As at 31 December 2013	**15**	**164**	**3 560**	**121**	**3 860**
Depreciation and impairment					
As at 1 January 2012	2	41	1 924	–	**1 967**
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	–	6	282	–	**288**
Depreciation charge for the year	–	6	288	–	**294**
Change in estimated useful lives	–	–	(6)	–	**(6)**
Sale of assets to Mapochs Mine Proprietary Limited at carrying value	–	(13)	(98)	–	**(111)**
Disposals	–	(13)	(98)	–	**(111)**
Additions to Mapochs Mine Proprietary Limited at carrying value	–	–	–	–	**–**
Disposals and scrappings	–	–	(106)	–	**(106)**
As at 31 December 2012	2	34	2 002	–	**2 038**
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	1	11	287	–	**299**
Depreciation charge for the year	1	11	287	–	**299**
Change in estimated useful lives	–	–	–	–	**–**
Write-off of decommissioning asset	–	(1)	–	–	**(1)**
Disposals and scrappings	–	–	(97)	–	**(97)**
As at 31 December 2013	**3**	**44**	**2 192**	**–**	**2 239**
Net book value					
As at 31 December 2013	**12**	**120**	**1 368**	**121**	**1 621**
As at 31 December 2012	13	75	1 505	129	**1 722**

Total additions for the year includes an amount of R54 million which was paid subsequent to year end.

6. Property, plant and equipment (continued)

A register giving details of all property, plant and equipment, including freehold property, is available for inspection at the registered office of the Group on request.

The headline earnings has been adjusted by R7 million loss before taxation (2012: R1 million profit) on disposal, scrapping and impairment of property, plant and equipment. The after taxation adjustment to headline earnings amounts to R5 million loss (2012: less than R1 million profit) (note 5).

No plant and equipment was decommissioned during the year (2012: Rnil).

During the year, the Group carried out a high-level review of the estimated remaining useful lives of its property, plant and equipment, which included a review of the Mapochs life of mine, and no need for re-estimation was identified. The 2012 review led to the re-estimation of the useful lives of property, plant and equipment with a cost of R289 million and a net carrying amount of R64 million. The effect of this was a reduction of the depreciation charge of R6 million during the 2012 year.

During a review in 2013, property, plant and equipment with an original cost of R65 million (2012: Rnil) and a carrying amount of R8 million (2012: Rnil) on the fixed asset register were identified as no longer in use. These assets were scrapped or sold during the year.

	Company				
	Land and mineral rights	Improvements to property	Plant and equipment	Work under construction	**Total**
	Rm	Rm	Rm	Rm	**Rm**
6. Property, plant and equipment					
Cost					
As at 1 January 2012	9	54	3 379	101	**3 543**
Additions	–	–	21	171	**192**
Transfers from work under construction	–	26	168	(194)	**–**
Disposals, scrappings and impairments	–	–	(108)	–	**(108)**
Transfer to non-current assets classified as held-for-sale	(8)	(5)	10	(8)	**(11)**
As at 31 December 2012	1	75	3 470	70	**3 616**
Additions #	–	–	23	160	**183**
Critical plant spares transferred from inventory	–	–	17	–	**17**
Transfers from work under construction	–	–	116	(116)	**–**
Disposals, scrappings and impairments	–	–	(107)	–	**(107)**
As at 31 December 2013	**1**	**75**	**3 519**	**114**	**3 709**
Depreciation and impairment					
As at 1 January 2012	–	28	1 839	–	**1 867**
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	–	3	276	–	**279**
Depreciation charge for the year	–	3	282	–	**285**
Change in estimated useful lives	–	–	(6)	–	**(6)**
Disposals and scrappings	–	–	(106)	–	**(106)**
Transfer to non-current assets classified as held-for-sale	–	–	(13)	–	**(13)**
As at 31 December 2012	–	31	1 996	–	**2 027**
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	–	4	281	–	**285**
Depreciation charge for the year	–	4	281	–	**285**
Change in estimated useful lives	–	–	–	–	**–**
Disposals and scrappings	–	–	(97)	–	**(97)**
As at 31 December 2013	**–**	**35**	**2 180**	**–**	**2 215**
Net book value					
As at 31 December 2013	**1**	**40**	**1 339**	**114**	**1 494**
As at 31 December 2012	1	44	1 474	70	**1 589**

** Includes additions, disposals and scrappings related to non-current assets classified as held-for-sale.*
 # Total additions for the year includes an amount of R52 million which was paid subsequent to year end.

6. Property, plant and equipment (continued)

**** Summary of sale of assets to Mapochs Mine Proprietary Limited**

	Company				
	Land and mineral rights Rm	Improvements to property Rm	Plant and equipment Rm	Work under construction Rm	**Total Rm**
Total cost of assets					
2010 assets classified as held-for-sale	(6)	(27)	(138)	(2)	**(173)**
2011 assets classified as held-for-sale	–	(7)	19	(23)	**(11)**
2012 assets classified as held-for-sale	(8)	(5)	10	(8)	**(11)**
Transfer from work under construction	–	–	(25)	25	**–**
Cost of assets sold to Mapochs Mine Proprietary Limited	**(14)**	**(39)**	**(134)**	**(8)**	**(195)**
Total accumulated depreciation of assets					
2010 assets classified as held-for-sale	–	(10)	(110)	–	**(120)**
2011 assets classified as held-for-sale	(2)	(3)	25	–	**20**
2012 assets classified as held-for-sale	–	–	(13)	–	**(13)**
Accumulated depreciation of assets sold to Mapochs Mine Proprietary Limited	**(2)**	**(13)**	**(98)**	**–**	**(113)**
Carrying value of assets sold	**(12)**	**(26)**	**(36)**	**(8)**	**(82)**

A register giving details of all property, plant and equipment, including freehold property is available for inspection at the registered office of the Company on request.

No plant and equipment was decommissioned during the year (2012: Rnil).

During the year, the Company carried out a high-level review of the estimated remaining useful lives of its property, plant and equipment and no need for re-estimation was identifed. The 2012 review led to the re-estimation of the useful lives of property, plant and equipment with a cost of R289 million and a net carrying amount of R64 million. The effect of this was a reduction of the depreciation charge of R6 million during the 2012 year.

During a review in 2013, property, plant and equipment with an original cost of R65 million (2012: Rnil) and a carrying amount of R8 million (2012: Rnil) on the fixed asset register were identified as no longer in use. These assets were scrapped or sold during the year.

	Company 2013 Rm	Company 2012 Rm
7. Investments		
Unsecured loan to subsidiary before impairment (note 8)	**1 589**	1 607
Cost of unlisted shares	**1**	1
	1	1

The Company subordinated its claim against Mapochs Mine Proprietary Limited in favour of Mapochs' third parties. This agreement is unconditional and shall endure indefinitely unless otherwise determined. The loan is payable to the Company by Mapochs Mine Proprietary Limited as and when free cash is available. Interest is charged at prime rate.

Interest in subsidiaries

for the year ended 31 December

		Issued share capital	Percentage holding %	Cost of investment R	Loans and current accounts (owed to)/owed by R
7.1 Interest in subsidiaries/joint ventures					
Unlisted subsidiary companies					
Hochvanadium Holding AG *	**2013**	**10 000**	**100**	**505 825**	**–**
	2012	10 000	100	505 825	(35 012)
	2012				(247 232 906)
Mapochs Mine Proprietary Limited - A-class shares **	**2013**	**350**	**–**	**–**	**–**
	2012	350	–	–	–
Mapochs Mine Proprietary Limited - Ordinary shares **	**2013**	**650**	**74*****	**481**	**1 589 341 641**
	2012	650	74	481	1 441 916 175

* *The loan from Hochvanadium Holding AG is unsecured, interest free and has no fixed repayment terms. The loan of R247 million is unsecured and carries interest at rates between 2.5% and 3.5% with no fixed repayment terms. Hochvanadium Holding AG is incorporated in Austria.*
Principal activities: processing and selling vanadium products

** *Mapochs Mine Proprietary Limited was incorporated on 11 April 2008, in South Africa.*
Principal activities: mining activities.

*** *No non-controlling interest as Umnotho Iron and Vanadium Proprietary Limited and Mapochs Mine Community Trust are fully consolidated.*

	Percentage holding %	Cost of investment R	Loans and current accounts R
Other investments			
Middelburg Steel and Alloys Proprietary Limited	16.66	1 576 000	(1 576 000)

7. Investments (continued)

The holding company

The holding company of the Group is EVRAZ plc which is based in London and listed on the London Stock Exchange.

Joint venture in which the Group is a venturer

The Group has a 20% interest in Nyanza Light Metals Proprietary Limited, which is exploring the production of titanium dioxide from the extraction of titanium from waste slag facilities. However, based on the contractual arrangements between the shareholders the Group is entitled to 50% of the voting rights and representation on the entity's board of directors. Unanimous consent is required for all major operational decisions. Based on the facts and circumstances, management determined that the Group has joint control.

The interest in the joint venture is accounted for using the equity method.

Summarised financial information (100% share) of the joint venture, based on its IFRS accounting records, and reconciliation with the carrying amount of the investment in the Group's consolidated financial statements are set out below:

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
Sales and other operating revenues	**–**	–		
Interest income	**–**	–		
Interest expense	**(*)**	–		
Depreciation and amortisation	**–**	–		
Other expenses	**(*)**	–		
Loss before income tax	**(*)**	**–**		
Income tax expense	**–**	–		
Loss for the year	**(*)**	**–**		
Group's share of loss for the year	**(*)**	**–**		
Current assets, including VAT receivable of R2 million (2012: Rnil)	**2**	–		
Non-current assets	**7**	–		
Total assets	**9**	**–**		
Current liabilities, including trade payables of R7 million (2012: Rnil)	**7**	–		
Non-current liabilities, including long-term borrowings of R9 million (2012: Rnil)	**9**	–		
Total liabilities	**16**	**–**		
Net assets	**(7)**	**–**		
Proportion of the Group's ownership	**20%**	**0%**		
Carrying amount of investment in consolidated financial statements	**–**	–	*	

** Less than R1 million.*

Nyanza Light Metals Proprietary Limited cannot distribute its profits until it obtains the consent from the two venture partners.

	Company 2013 Rm	Company 2012 Rm
8. Loans receivable		
8.1 Mapochs Mine Proprietary Limited		
Total loan receivable	1 442	1 516
Reversal of impairment	165	
Interest	134	114
Repayment	(152)	(23)
	1 589	1 607
Impairment		(165)
	1 589	1 442
Less: transfer to current assets	(182)	(193)
	1 407	1 249
8.2 Umnotho Iron and Vanadium Proprietary Limited		
Total loan receivable	–	59
Reversal of impairment	47	
Interest	4	3
Repayment		(15)
	51	47
Impairment	–	(47)
	51	–
Less: transfer to current assets	–	–
	51	–
8.3 Total		
Total loan receivable	1 442	1 575
Reversal of impairment (note 2.2)	212	
Interest (note 2.5)	138	117
Repayment	(152)	(38)
	1 640	1 654
Impairment (note 2.3)		(212)
	1 640	1 442
Less: transfer to current assets	(182)	(193)
Non-current asset	**1 458**	**1 249**

The loans receivable were assessed for impairment and management concluded not to impair the loans and to reverse the 2012 impairment. The recoverability of the loan receivable from Mapochs Mine Proprietary Limited was based on the present value of future loan repayments to the Company. The loan repayments were calculated on the free cash available by Mapochs Mine Proprietary Limited as a result of future available ore reserves, iron ore selling prices, costs and capital expenditure. The loan receivable from Umnotho Iron and Vanadium Proprietary Limited is not impaired and the 2012 impairment is reversed. Management concluded that, based on the projected free cash flow, dividends will be declared by Mapochs Mine Proprietary Limited – which are to be utilised by Umnotho for the repayment of the loan to the Company. The loan carries interest at prime rate.

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
9. Inventories				
Finished goods	**193**	210	**155**	142
Work-in-progress	**546**	289	**439**	279
Raw materials	**120**	148	**126**	136
Consumable stores	**200**	211	**183**	195
Inventories	**1 059**	**858**	**903**	**752**

The provision for write-down of inventories due to net realisable value for the Group is R36 million (2012: R55 million) (work-in-progress R13 million (2012: R33 million) and finished goods R23 million (2012: R22 million)) (note 2.6).

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
10. Trade and other receivables				
Trade receivables	**450**	452	**234**	352
Other receivables	**48**	13	**48**	13
Trade and other receivables	**498**	**465**	**282**	**365**
Age analysis of trade receivables past due but not impaired is:				
31 to 60 days	**60**	72	**60**	71
61 to 90 days	**3**	14	**3**	13
In excess of 91 days	**16**	5	**16**	6
	79	91	**79**	90
Trade receivable neither past due nor impaired	**371**	361	**155**	262
	450	452	**234**	352
Age analysis of other receivables past due but not impaired is:				
In excess of 121 days	**–**	*	**–**	*
	–	*	**–**	*
Movements in the provision for impairment of receivables:				
As at 1 January	**3**	3	**3**	3
Charge for the year	**7**	–	**7**	–
As at 31 December	**10**	3	**10**	3

** Less than R1 million.*

Provision for impairment is derived by individually assessing the recoverability of all receivables.

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
11. Prepayments				
Prepayments	**24**	15	**19**	14

Prepayments for 2013 and 2012 consist mainly of prepaid insurance and deferred selling expenses.

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm

12. Cash and short-term deposits

12.1 Cash and cash equivalents	**282**	527	**209**	4
12.2 Less: short-term interest-bearing loans and borrowings (note 18)	**(304)**	(102)	**(304)**	(349)
long-term interest-bearing loans and borrowings (note 18)	**(11)**	(16)	**–**	–
12.3 Restricted cash				
Non-current	**40**	–	**8**	–
12.4 Net cash and short-term deposits	**7**	409	**(87)**	(345)

During the year cash and cash equivalents were placed overnight and earned interest at 4.80% (2012: between 4.80% and 5.30%). Included in the cash and cash equivalents at year end is cash that is denominated in foreign currency of R17 million (2012: R1 million), earning interest at between 0.00% and 0.05% (2012: 0.10%). Cash and cash equivalents held in the foreign subsidiaries earned interest ranging between 0.00% and 0.196% (2012: between 0.06% and 0.12%).

At 31 December 2013, the Group had available Rnil million (2012: Rnil million) of undrawn committed borrowing facilities and Rnil million (2012: R300 million) of undrawn uncommitted borrowing facilities.

The restricted cash disclosed as a non-current asset consist of R32 million paid to an insurance company to enable it to issue a guarantee to the Department of Mineral Resources for the Mapochs Mine environmental rehabilitation obligation. The insurance company deposited this balance in an Experience Account and interest calculated at 90% of the First National Bank Limited money market rate is earned on the net credit balance. The guarantee is valid for three years, commencing on 1 September 2013 and the funds are only available if the agreement is terminated with a three months notice period. An amount of R8 million is deposited with a commercial bank for two supplier guarantees, which deposit earns interest at a rate of 4.80% per annum. The deposit is considered to be of a long-term nature due to the long-term nature of the supply agreements.

	Group and Company	
	2013	2012
	Rm	Rm

13. Issued capital and premium

Authorised		
139 990 000 ordinary shares of R1 each	**140**	140
1 000 000 variable rate redeemable cumulative preference shares of 1 cent each	*****	*
Issued		
99 150 098 (2012: 99 150 098) ordinary shares of R1 each	**99**	99
Share premium	**486**	486
As at 31 December	**585**	**585**

** Less than R1 million.*

During the year no shares were issued (2012: nil).

The directors are authorised to allot all or any of the remaining unissued shares on such terms and conditions as they may determine. This authority will remain in place until the next Annual General Meeting.

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm

14. Other capital reserves

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
As at 1 January	**264**	203	**22**	10
Currency translation differences	**104**	49		
Share-based payment reserve (note 2.8)	**15**	12	**15**	12
As at 31 December	**383**	**264**	**37**	**22**

On 13 October 2011, 6 September 2012 and 24 September 2013, the ultimate parent adopted Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the ultimate parent upon vesting.

The vesting date for each tranche occurs within the 90 days period after announcement of the annual results of EVRAZ plc. The expected vesting dates of the awards outstanding at 31 December 2013 are presented below:

	Number of shares of EVRAZ plc		
	2013	2012	2011
11 April 2014	**294 812**	139 364	87 240
11 April 2015	**294 812**	185 832	–
11 April 2016	**442 219**	–	–
11 April 2017	**442 219**	–	–
	1 474 062	325 196	87 240

The plans are administrated by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2012 – 2013. In 2011, after the Group's reorganisation the shares of EVRAZ Group S.A., which were granted to the participants, have been substituted by the shares of EVRAZ plc.

EVRAZ Highveld accounted for share-based compensations at fair value pursuant to the requirements of IFRS 2 Share-based Payment. The weighted average fair value of share-based awards granted in 2013 was US$2.13 per share of EVRAZ plc (in 2012 and 2011 US$3.41 and US$48.26 per share of EVRAZ Group S.A., respectively). The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period.

	Incentive plan		
	2013	2012	2011
Dividend yield - %	**–**	1.9 – 5.4	3.6 – 4.8
Expected life - years	**0.6 - 3.6**	0.6 – 2.6	0.5 – 2.5
Market prices of the shares at the grant dates	**US$2.13**	US$3.61	US$51.57

14. Other capital reserves (continued)

The historical volatility has been used for valuation of the share-based awards. The volatility reflects the assumption that it is indicative of future trends which may not necessarily be the actual outcome.

The following table illustrates the number of and movements in share-based awards during the years:

	2013	2012
Outstanding at 1 January	813 452	300 498
Granted during the year	1 474 081	638 145
Forfeited during the year	(64 633)	(27 774)
Exercised during the year:	(231 973)	(97 417)
Transfer from another subsidiary within EVRAZ Group	(104 410)	–
Outstanding at 31 December	**1 886 517**	**813 452**

The weighted average share price at the dates of exercise was US$1.42 and US$4.31 in 2013 and 2012, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2013 and 2012 was 1.7 and 1.2 years, respectively.

For the years ended 31 December 2013 and 2012, expense arising from the equity-settled share-based compensations was R15 million and R12 million, respectively.

15. Provisions

Included under provisions are the following major categories which have arisen as a result of past obligating events which could be reasonably quantified and are expected to be incurred:

Leave pay
In terms of the Group's policy, employees are entitled to accumulate leave benefits not taken within a leave cycle. It is expected that leave will be taken within the foreseeable future. The provision is reviewed annually.

Bonus
A provision is raised for bonus entitlements applicable to the current year paid in the subsequent year.

Litigation
Provisions are raised against legal claims. It is uncertain when judgement will be reached or when the final amount will be settled, as it is dependant on the judicial process.

Environmental rehabilitation
In accordance with prevailing legislation, provision is made for environmental rehabilitation costs where a legal or constructive obligation is recognised as a result of past events and where cost of future expenditure can be reliably quantified. The Group has environmental rehabilition obligations for the following areas: Mapochs Mine, Vanchem calcine dump, Steelworks, Spitskop Quarry and the Columbus Joint Venture dump. Estimates are based on costs and are regularly reviewed and adjusted as appropriate for new circumstances. It is expected that environmental rehabilitation costs will be incurred from 2013 up to final closure date. Reputable third parties were used in the cost estimations.

Post-retirement medical benefits
(Refer note 24 – Medical benefits).

	Group					
	Leave pay	Bonus	Litigation and legal fees	Environmental rehabilitation	Post-retirement medical benefits	**Total**
	Rm	Rm	Rm	Rm	Rm	**Rm**
15. Provisions (continued)						
As at 1 January 2012	56	45	26	555	95	**777**
Change in accounting policy	–	–	–	–	26	**26**
As at 1 January 2012 (restated)	56	45	26	555	121	**803**
Amounts charged/(credited) to income	56	73	(17)	67	5	**184**
Mapochs Mine de-silting (note 6)	–	–	–	50	–	**50**
Interest	–	–	(3)	31	11	**39**
Actuarial loss on defined benefit plan, net of tax	–	–	–	–	3	**3**
Payments and debits charged against provision	(62)	(81)	–	(9)	(11)	**(163)**
As at 31 December 2012 (restated)	50	37	6	694	129	**916**
Amounts charged/(credited) to income	27	33	–	(25)	5	**40**
Amount credited to income due to decrease in decommissioning asset	–	–	–	(3)	–	**(3)**
Interest and discount rate adjustment	–	–	–	28	11	**39**
Actuarial gain on defined benefit plan	–	–	–	–	(13)	**(13)**
Payments and debits charged against provision	(25)	(46)	(2)	(17)	(12)	**(102)**
As at 31 December 2013	**52**	**24**	**4**	**677**	**120**	**877**
Total non-current provisions						
2013	**–**	**–**	**–**	**626**	**120**	**746**
2012	–	–	–	644	129	**773**
Total current provisions						
2013	**52**	**24**	**4**	**51**	**–**	**131**
2012	50	37	6	50	–	**143**

The environmental rehabilitation provision has been determined by escalating the current value with an expected future inflation rate of between 4.8% and 5.9% (2012: between 5.5% and 5.9%) and by discounting the escalated amount with a risk adjusted rate of between 6.15% and 8.24% (2012: between 5.33% and 6.37%).

15. Provisions (continued)

	Company					
	Leave pay	Bonus	Litigation and legal fees	Environmental rehabilitation	Post-retirement medical benefits	**Total**
	Rm	Rm	Rm	Rm	Rm	**Rm**
As at 1 January 2012	53	44	26	323	84	**530**
Change in accounting policy	–	–	–	–	26	**26**
As at 1 January 2012 (restated)	53	44	26	323	110	**556**
Amounts charged/(credited) to income	52	71	(19)	67	6	**177**
Payments and debits charged against provision	(58)	(79)	–	(8)	(11)	**(156)**
Actuarial loss on defined benefit plan, net of tax	–	–	–	–	3	**3**
Interest	–	–	(3)	18	10	**25**
As at 31 December 2012 (restated)	47	36	4	400	118	**605**
Amounts charged/(credited) to income	26	32	–	(4)	4	**58**
Payments and debits charged against provision	(24)	(45)	–	(14)	(11)	**(94)**
Actuarial gain on defined benefit plan	–	–	–	–	(12)	**(12)**
Interest	–	–	–	17	10	**27**
As at 31 December 2013	**49**	**23**	**4**	**399**	**109**	**584**
Total non-current provisions						
2013	**–**	**–**	**–**	**385**	**109**	**494**
2012	–	–	–	386	118	**504**
Total current provisions						
2013	**49**	**23**	**4**	**14**	**–**	**90**
2012	47	36	4	14	–	**101**
Summary of liabilities transferred to Mapochs Mine Proprietary Limited						
Total liabilities associated with assets held for sale						
2010 liabilities on assets held for sale	(3)	(1)	–	(150)	(10)	**(164)**
2011 liabilities on assets held for sale	–	–	–	(82)	(1)	**(83)**
2012 liabilities on assets held for sale	–	(1)	–	(2)	–	**(3)**
Liabilities sold to Mapochs Mine Proprietary Limited	**(3)**	**(2)**	**–**	**(234)**	**(11)**	**(250)**

The environmental rehabilitation provision has been determined by escalating the current value with an expected future inflation rate of between 4.8% and 5.9% (2012: between 5.5% and 5.9%) and by discounting the escalated amount with a risk adjusted rate of between 6.15% and 7.64% (2012: between 5.33% and 6.37%).

16. Deferred tax

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Movement in deferred tax:				
Balance at beginning of year	**(79)**	(167)	**–**	(105)
Provision prior years	**(6)**	(1)	**(10)**	(1)
Capital allowance	**(17)**	4	**(13)**	(14)
Provisions	**(12)**	33	**(16)**	52
Tax loss	**(135)**	(247)	**(148)**	(235)
Post retirement provision	**(8)**	(2)	**(8)**	2
Other	**–**	4	**–**	–
Recognition of deferred tax asset associated with discontinued operation	**–**	–	**–**	(59)
Impairment of deferred tax asset	**–**	100	**–**	100
Deferred tax asset not recognised	**195**	197	**195**	197
Transfer to assets classified as held-for-sale			**–**	63
Balance at end of year	**(62)**	**(79)**	**–**	**–**
Deferred taxation is provided on temporary differences applicable to:				
Capital allowances	**322**	339	**235**	255
Provisions	**(154)**	(142)	**(14)**	(65)
Tax losses	**(685)**	(544)	**(683)**	(528)
Post-retirement medical benefits	**(37)**	(29)	**(30)**	(22)
Deferred tax asset impaired and not recognised	**492**	297	**492**	297
Deferred tax asset sold to Mapochs Mine Proprietary Limited	**–**	–	**–**	63
	(62)	**(79)**	**–**	**–**

In light of the Company's financial performance in 2013 and the then uncertainty of future taxable profits to account against the Company's deferred tax asset, management concluded, following due assessment, that it was prudent to impair the Company's deferred taxation asset to the extent that it exceeded the deferred taxation liability. Whilst the taxable income forecast for the Company was based on its most favourable outlook scenario, the current assessed tax loss implied that it would take many years before the Company was in a position to utilise the tax assets as at 31 December 2013. Following the impairment, a zero balance for deferred taxation is disclosed for the Company. The deferred taxation asset for the Group comprises the deferred taxation asset attributable to Mapochs Mine Proprietary Limited. A management assessment of this asset concluded that no impairment is necessary.

17. Trade and other payables

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Trade payables	**670**	701	**618**	577
Other payables	**265**	223	**226**	223
Trade and other payables	**935**	**924**	**844**	**800**

18. Interest-bearing loans and borrowings

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Long-term loans				
Umnotho weSizwe Group Proprietary Limited	11	16	–	–
Total long-term loans (note 12.2)	**11**	**16**	**–**	**–**
Short-term loans				
Call borrowing	–	102	–	102
Loan from related party	304	–	304	–
Loan from subsidiary	–	–	–	247
Total short-term loans (note 12.2)	**304**	**102**	**304**	**349**

During the year the Company utilised overnight call borrowing facilities incurring interest at market rates (2012: between 5.00% and 5.95%). Funds borrowed from the foreign subsidiary (Austria), which is Euro-denominated, incurred interest ranging between 2.50% and 3.50% in 2012. This foreign loan from the subsidiary was fully repaid in 2013. The loan from the related party (East Metals AG - Switzerland), which is Dollar-denominated, carries interest at 2.25% and is repayable by 31 December 2014. If during the period before 31 December 2014, EVRAZ plc ceases to hold more than 75% of the Group's share capital, the loan together with any accrued interest becomes immediately due and payable.

As at 31 December 2013, the Group had available Rnil million (2012: R300 million) of undrawn uncommitted borrowing facilities.

In terms of the agreement for the sale of Mapochs Mine as an operating division of the Company to Mapochs Mine Proprietary Limited, Umnotho Iron and Vanadium Proprietary Limited (Umnotho) paid a portion of the loan due by Umnotho to EVRAZ Highveld. The funds for this were provided to Umnotho by the Umnotho weSizwe Group Proprietary Limited. Umnotho is, as a structured entity, consolidated within the Group. The loan payable by Umnotho to Umnotho weSizwe Group Proprietary Limited is therefore disclosed as a long-term loan on Group level, and carries interest at prime rate.

The directors may, in terms of the Memorandum of Incorporation (MOI), borrow from time to time such sums and for such purposes of the Group as they may deem fit.

19. Income tax receivable

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Balance at beginning of year	(1)	45	–	44
Income statement charge (excluding deferred taxation) (note 3.1)	1	(44)	–	(44)
Currency translation on taxation	2	–	–	–
Taxation paid (note 23.3)	(4)	(2)	–	–
Balance at end of year	**(2)**	**(1)**	**–**	**–**

20. Related party transactions

The ultimate parent

EVRAZ Highveld Steel and Vanadium Limited is the parent based and listed in South Africa. The ultimate parent of the Group is EVRAZ plc, incorporated in London.

There were no sale or purchase transactions between the Group and EVRAZ plc during the financial year (2012: Rnil), only directors fees were paid to EVRAZ plc for foreign directors of R1 million (2012: R1 million).

Details of material related party transactions entered into during the year are summarised below:

	Group					
	Loans	Donation	Technical services	Sales	Purchases	**Net amounts owed to/(owed by) as at 31 December 2013**
	Rm	Rm	Rm	Rm	Rm	**Rm**
East Metals AG (fellow subsidiary)	304			256		**285**
EVRAZ Vametco (fellow subsidiary)			51			**6**
Umnotho weSizwe Group Proprietary Limited	11					**11**

	Company					
	Loans	Donation	Technical services	Sales	Purchases	**Net amounts owed to/(owed by) as at 31 December 2013**
	Rm	Rm	Rm	Rm	Rm	**Rm**
Mapochs Mine Proprietary Limited	1 589		69		486	**(1 572)**
Mapochs Mine Community Trust						
Umnotho Iron and Vanadium Proprietary Limited	51					**(51)**
Hochvanadium Handels GmbH (subsidiary)				225		**43**

20. Related party transactions (continued)

	Group					
	Loans	Donation	Technical services	Sales	Purchases	Net amounts owed to/(owed by) as at 31 December 2012
	Rm	Rm	Rm	Rm	Rm	Rm
East Metals AG (fellow subsidiary) – inventory purchased				454		(2)
East Metals AG (fellow subsidiary) – sales			71	–		7
Umnotho weSizwe Group Proprietary Limited	16					16

	Company					
	Loans	Donation	Technical services	Sales	Purchases	Net amounts owed to/(owed by) as at 31 December 2012
	Rm	Rm	Rm	Rm	Rm	Rm
Mapochs Mine Proprietary Limited	1 607		58		386	(1 588)
Mapochs Mine Community Trust	49	(49)				–
Umnotho Iron and Vanadium Proprietary Limited	47		–			(47)
Hochvanadium Handels GmbH (subsidiary)				165		(25)
Hochvanadium Holding AG (subsidiary)	247					247

Terms and conditions of transactions with related parties

Outstanding trading balances at the year-end are unsecured, interest free and settlement occurs in cash. Outstanding loans bear interest as per notes 8 and 18. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: Rnil). In 2013 the Company did not impair the loans receivable from Mapochs Mine Proprietary Limited and Umnotho Iron and Vanadium Proprietary Limited. This assessment to test for impairment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
21. Commitments				
Capital expenditure				
Contracted	**72**	52	**70**	48

The Group is continuing to invest in assets to ensure future compliance with environmental legislation. The timing and amounts are yet to be finally determined. It is expected that all capital commitments will be expended in the coming year and be financed out of internally generated cash flow or available cash from borrowings.

22. Contingent liabilities and guarantees

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R370 million (2012: R264 million) was issued on 1 September 2013 in favour of the Department of Mineral Resources for the unscheduled closure of Mapochs Mine. This guarantee was issued on condition that a portion be deposited in cash with the insurer with restricted use by the Group, as per the below:

The restricted cash disclosed as a non-current asset consist of R32 million (2012: Rnil million) paid to an insurance company to enable it to issue a guarantee to the Department of Mineral Resources for the Mapochs Mine environmental rehabilitation obligation. The insurance company deposited this balance in an Experience Account and interest, calculated at 90% of the First National Bank Limited money market rate, is earned on the net credit balance. The guarantee is valid for three years, commencing on 1 September 2013 and the funds are only available if the agreement is terminated with a three months notice period. An amount of R8 million (2012: Rnil million) is deposited with a commercial bank for two supplier guarantees (as discussed below), which deposit earns interest at a rate of 4.80% per annum. The deposit is considered to be of a long-term nature due to the long-term nature of the supply agreements.

As required by certain suppliers of the Company, guarantees were issued in favour of these suppliers to the value of R8 million (2012: R8 million) in the event the Company will not be able to meet its obligations to the suppliers. The Group issued guarantees to the value of R8 million (2012: R9 million).

In terms of the Company's employment policies, certain employees could become eligible for post-retirement medical aid benefits at any time in the future prior to their retirement subject to certain conditions. The potential liability for the Group should they become medical scheme members in the future is R14 million before tax and R10 million after tax (2012: R32 million before tax and R23 million after tax). The potential liability for the Company should they become medical scheme members in the future is R14 million before tax and R10 million after tax (2012: R32 million before tax and R23 million after tax).

A supplier company has claimed against the Company in respect of structural damage to assets sold in the past. The claim was in the amount of R42 million. Arbitration was completed in 2012 and the claim was dismissed with cost.

22. Contingent liabilities and guarantees (continued)

On 5 June 2008, the Commission initiated a complaint against the Company for an alleged contravention of section 4(1)(b)(i) of the Competition Act, No. 89 of 1998 (the Competition Act). The allegations against the Company are that it fixed prices and trading conditions for flat and long steel products. In a letter from the Commission dated 18 September 2009, the Commission confirmed that it would not be pursuing a case of collusion in the long steel market against the Company. On 30 March 2012 the Commission referred the complaints relating to the flat steel market to the Competition Tribunal for prosecution. The allegations against the Company contained in the Commission's complaint referral are that the Company fixed prices and trading conditions for flat steel products, and divided markets in respect of flat steel products, which are contraventions of sections 4(1)(b)(i) and 4(1)(b)(ii) of the Competition Act respectively. It is further alleged in the Commission's complaint referral that the Company has contravened sections 4(1)(b)(i) and 4(1)(b)(ii), alternatively section 4(1)(a), of the Competition Act by engaging in the exchange of information with a competitor through information exchanges and meetings of the SAISI or its committees. Should the Competition Commission be successful, it could impose a maximum penalty of R554 million against the Company.

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
23. Notes to the cash flow statement				
23.1 Finance and investment income received				
Finance and investment income received (note 2.1 and note 2.5)	**2**	–	**139**	117
Interest on loans (note 2.5)	**–**	(8)	**(138)**	(8)
	2	(8)	**1**	109
23.2 Finance charges paid				
Finance costs (note 2.4)	**(69)**	(52)	**(57)**	(41)
Non-cash adjustments:				
Interest on environmental rehabilitation provision (note 15)	**28**	31	**17**	20
Interest on post-retirement medical benefits provision (note 24)	**11**	11	**10**	10
Interest on litigation and other	**–**	(2)	**–**	(2)
	(30)	(12)	**(30)**	(13)
23.3 Income tax paid				
Amounts prepaid at beginning of year	**1**	(45)	**–**	(44)
Income statement charge (excluding deferred taxation)	**(1)**	44	**–**	44
Currency translation reserve on taxation	**(2)**	–		
Amounts prepaid at end of year (note 19)	**(2)**	(1)	**–**	–
	(4)	(2)	**–**	–
23.4 Proceeds from sale of property, plant and equipment				
Book value of property, plant and equipment disposed of	**10**	3	**10**	2
(Loss)/profit on disposal and scrapping of property, plant and equipment (note 2.3 and note 2.2)	**(7)**	1	**(7)**	2
	3	4	**3**	4
23.5 Dividend income received				
Dividends received			**832**	–
Offset against loan repayments			**(468)**	–
Net dividend received			**364**	–

23. Notes to the cash flow statement (continued)

23.6 Reconciliation of movement in net cash

	Group 2013 Rm	Group 2012 Rm	Company 2013 Rm	Company 2012 Rm
Net cash used in operating activities	(358)	(610)	(236)	(842)
Net cash (used in)/generated by investing activities	(137)	(199)	24	(150)
Net cash generated by financing activities	198	117	425	349
Net cash (outflow)/inflow	(297)	(692)	213	(643)
Cash at beginning of year	527	1 184	4	647
Cash transferred to restricted cash (note 12.3)	(40)	–	(8)	–
Effects of exchange rate changes on cash held in foreign currencies	92	35		
Cash and cash equivalents at end of year (note 12.1)	**282**	527	**209**	4

24. Employee benefit obligations

Retirement benefits

The Group provides retirement benefits for its employees. The schemes available are defined benefit funds and defined contribution funds. All retirement and pension funds are governed by the South African Pension Funds Act of 1956.

Highveld Retirement Fund

The Highveld Retirement Fund is a defined contribution fund. Members pay a contribution of 6.5% or 7.5% (2012: 6.5% or 7.5%) of pensionable salary, with the employer's contribution of 14% (2012: 14%) of pensionable salary being expensed as incurred.

Defined Benefit Pension Fund

During 2007 the remaining employees belonging to the Highveld Staff Pension Fund exercised an option to transfer to Highveld Retirement Fund and Provident Fund. Applications were lodged in terms of Section 14 to transfer their benefits and during 2010 these transfers were completed. The fund is in the process of being wound up.

Multi-employer defined contribution and benefit funds

In the Group, 1 568 employees (2012: 1 681) are members of various multi-employer defined contribution funds as well as defined benefit funds which are controlled by different administrators. The Group contributed R18 million (2012: R18 million) to these funds. Members of EVRAZ Highveld consist of 1 449 employees and for Mapochs Mine 119 employees. Contributions for EVRAZ Highveld were R17 million and for Mapochs Mine R1 million. The defined benefit fund is a national fund with various participating employers where the Company's liability will be limited to its employees who are members of the fund. The trustees decided to convert the active member section of the defined benefit fund to a defined contribution fund with effect 1 April 2012, in order to ensure the long term financial sustainability of the fund. The conversion will have no impact on the current pensioners of the fund. Pensioners will continue to receive their pensions and future pension increases from the fund. Various employers are members of the fund and the trustees could not allocate the actuarial surplus to the respective employers. It was, however, unanimously approved by the trustees that the remaining surplus, after enhancements to active and former members, be reserved to subsidise increased future member and employer contributions. The payment of surplus enhancements commenced in 2012. The surplus was determined by an actuarial valuation performed on 1 April 2008. The employer's portion of the surplus is sufficient to fund increased future member contributions over the next eight years from 6.6% to 7.5%, and employer contributions over the next 22 years from 6.6% to 10.5%.

24. Employee benefit obligations (continued)

Post-retirement medical benefits

The provision relates to active members who have the right to post-retirement medical benefits. The benefits differ depending on the employee's employment date and entitlement to these benefits is dependent upon the employee remaining in service until retirement age and is subject to periodic review. New engagements after 31 December 2001 do not enjoy any post-retirement medical aid benefits. The Group recognises the estimated aggregate liabilities on an actuarial basis over the working lives of eligible employees. The accumulated post-retirement medical aid obligation and the annual cost of those benefits are determined annually by independent actuaries. When qualifying employees retire annuities are purchased in their names releasing the Group of all future liabilities. Annuities of R12 million were acquired in 2013 (2012: R11 million) for qualifying employees proceeding on retirement.

	Group		Company	
	2013	2012	**2013**	2012
		Restated		Restated
	Rm	Rm	**Rm**	Rm
Net benefit expense				
Recognised in profit or loss:				
Interest cost	**11**	11	**10**	10
Current service cost	**5**	4	**4**	4
Settlement (gains)/losses	**(1)**	1	**(1)**	2
Recognised in other comprehensive income:				
Actuarial losses arising from changes in demographic assumptions	**6**	3	**7**	3
Actuarial gains arising from changes in financial assumptions	**(18)**	–	**(18)**	–
Net benefit expense	**3**	19	**2**	19
Benefit liability				
Defined benefit obligation	**120**	129	**109**	118
Medical benefit obligation				
Obligation at beginning of the year	**129**	121	**118**	110
Interest cost	**11**	11	**10**	10
Current service cost	**5**	4	**4**	4
Utilised to buy annuities for pensioners	**(12)**	(11)	**(11)**	(11)
Experience adjustments and removal of annuity loadings	**(13)**	4	**(12)**	5
Obligation at end of the year	**120**	129	**109**	118
The principal assumptions used in determining the post-employment medical benefit obligation are shown below:	%	%	%	%
Discount rate	**9.50**	8.25	**9.50**	8.25
Health care cost inflation	**7.75**	7.25	**7.75**	7.25

24. Employee benefit obligations (continued)

Assumed health care cost trend rates have a significant effect on the amounts recognised in profit and loss. A 1% change in the assumed health care trend rates, without a corresponding change in the discount rate applied would have the following effects:

	Group		Company	
	1% increase	1% decrease	1% increase	1% decrease
2013				
Effect on the aggregate current service cost and interest cost	**3**	**(3)**	**3**	**(2)**
Effect on the defined benefit obligation	**26**	**(20)**	**24**	**(18)**
2012				
Effect on the aggregate current service cost and interest cost	4	(3)	3	(3)
Effect on the defined benefit obligation	29	(23)	27	(21)

The history of experience adjustments is as follows:

Group	**2013**	2012	2011	2010	2009
Present value of defined benefit obligation	**120**	129	121	117	110
Experience gain/(loss) adjustment on plan liabilities	**6**	(8)	3	2	17

The Group expects to contribute approximately R5 million to its post-retirement medical plan in 2014.

Company *	**2013**	2012	2011	2010	2009
Present value of defined benefit obligation	**109**	118	110		
Experience gain/(loss) adjustment on plan liabilities	**7**	(8)	3		

The Company expects to contribute approximately R4 million to its post-retirement medical plan in 2014.

* *Company information where Mapochs Mine is excluded did not form part of the 2009 and 2010 valuation reports by the actuaries. The Company numbers for 2011 exclude the Mapochs Mine division.*

25. Business segments

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments, as follows:

Steel
The major products of the steel segment are magnetite iron ore, structural steel, plate and coil.

Vanadium
The major products of the vanadium segment are vanadium slag and ferrovanadium. Vanadium slag is a by-product from the steelmaking process, and this slag is transferred from the Steelworks to the Vanadium Plant, which then forms the input into the business of the Vanadium business.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

Financial information pertaining to business segments is as follows:

Segmental income statements

for the year ended 31 December

	Steel *		Vanadium **		Eliminations		Group total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Continuing operations								
Revenue from external customers	**3 703**	3 155	**1 487**	1 191	**–**	–	**5 190**	4 346
Results								
Depreciation	**290**	279	**9**	9	**–**	–	**299**	288
Cost of inventories recognised as an expense	**3 543**	3 607	**1 174**	823	**4**	23	**4 721**	4 453
Operating (loss)/profit	**(545)**	(1 153)	**252**	299	**–**	–	**(293)**	(854)

* *Mapochs Mine Proprietary Limited's results are included in the steel segment.*
** *Hochvanadium and the EVRAZ Highveld vanadium results are included in the vanadium segment.*
Trade and other payables cannot be accurately split for segmental purposes.

Eliminations
Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to individual segments as the underlying instruments are managed on a group basis.

25. Business segments (continued)

Reconciliation of assets	2013 Rm	2012 Rm
Segment operating assets	**3 808**	3 933
Inventories	**(53)**	(29)
Accounts receivable	**(167)**	(236)
Investment in subsidiary	**–**	(1)
Deferred taxation	**–**	–
Group operating assets	**3 588**	3 667

Reconciliation of liabilities	2013 Rm	2012 Rm
Segment operating liabilities	**2 155**	2 249
Accounts payable	**(28)**	(44)
Interest-bearing loans and borrowings	**–**	(247)
Group operating liabilities	**2 127**	1 958

	Steel *		Vanadium **		Eliminations		Group total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Operating assets	**3 316**	3 201	**492**	732	**(220)**	(266)	**3 588**	3 667
Operating liabilities	**2 045**	2 135	**110**	113	**(28)**	(290)	**2 127**	1 958

* *Mapochs Mine Proprietary Limited's results are included in the steel segment.*
** *Hochvanadium and the EVRAZ Highveld vanadium results are included in the vanadium segment.*

Financial information pertaining to geographical segments is as follows:

	South Africa		Africa		Americas		Europe		Australasia		Group	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Continuing operations												
Revenue from external customers by location of customer	**3 441**	2 640	**127**	235	**167**	177	**1 455**	1 201	**–**	93	**5 190**	4 346

In 2013, sales to two customers (2012: two customers) were made where the total value per customer exceeded 10% of the total revenue for the Group. The revenue attributable to these customers for the year was 41% (2012: 40%).

Profit before interest and taxation equals segment revenue less segment expenses. Segment expenses represent direct or reasonably allocatable expenses on a segmental basis.

Assets and liabilities include directly and reasonably allocable assets and liabilities. Given the concentration of assets and liabilities in South Africa, it is not meaningful to allocate such elements on a geographical basis.

26. Financial instruments

The Group financial instruments consist of trade and other receivables, investments, cash and short-term deposits, trade and other payables, and derivative financial instruments. Derivative instruments are forward exchange contracts used by the Group for hedging purposes. The Group did not undertake any forward exchange contracts during the period under review.

The Group is exposed to market risk, liquidity risk and credit risk. The Group's senior management oversees the management of these risks.

26.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: foreign currency risk, interest rate risk and commodity price risk. Refer to notes below for further details and sensitivity analysis.

26.1.1 Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investment in foreign subsidiaries.

The Group manages its foreign currency risk by entering into forward exchange contracts. No foreign exchange contracts were undertaken during the period under review.

As a result of operations in Europe, the Group's statement of financial position can be affected by movements in the Rand/Euro exchange rate on translation into the functional currency of the Group.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in exchange rates with other variables held constant, of the Group's profit before tax and the Group's equity:

	Group			Company		
	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity at year-end	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity at year-end
	%	Rm	Rm	%	Rm	Rm
2013						
ZAR/USD	**+10**	**(24)**	**(17)**	**+10**	**(24)**	**(17)**
ZAR/Euro	**+10**	**16**	**11**	**+10**	**(5)**	**(4)**
ZAR/USD	**-5**	**12**	**8**	**-5**	**12**	**8**
ZAR/Euro	**-5**	**(8)**	**(6)**	**-5**	**2**	**2**
2012						
ZAR/USD	+10	*	*	+10	–	–
ZAR/Euro	+10	1	1	+10	2	1
ZAR/Euro	-5	(1)	–	-5	(1)	(1)

** Less than R1 miilion*

26. Financial instruments (continued)

The volatility in the exchange rates has been high for the year under review. The sensitivity analysis took cognisance of this volitality and a 10% increase and 5% decrease was assumed.

26.1.2 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is not exposed to interest rate risk as it borrows funds at fixed interest rates. The Group's objective for managing this risk is to minimise the cost of borrowing funds and to maximise the return on deposits. These objectives are achieved by regularly assessing the Group's future cash flows to determine the required maturity profile of borrowings or deposits. There has been no change in the management process of this risk from the prior year. Once the maturity profile is established, suitable instruments are employed to optimise returns. Details of the interest rate profile for cash short-term deposits are disclosed in note 12 and interest bearing loan borrowings in note 18.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in interest rates with other variables held constant, of the Group's profit before tax and the Group's equity:

	Group			Company		
	Increase/ (decrease) in interest rate based on year-end cash position before taxation	Increase/ (decrease) in profit before taxation	Increase/ (decrease) in equity at year-end	Increase/ (decrease) in interest rate based on year-end cash position before taxation	Increase/ (decrease) in profit before taxation	Increase/ (decrease) in equity at year-end
	%	Rm	Rm	%	Rm	Rm
2013						
ZAR	**+0.50**	**(0)**	**(0)**	**+0.50**	**(0)**	**(0)**
	-0.50	**(0)**	**(0)**	**-0.50**	**(0)**	**(0)**
2012						
ZAR	+0.50	(1)	(1)	+0.50	(2)	(2)
	-0.50	1	1	-0.50	2	2

The sensitivity is based on a 0.50% increase due to global economic uncertainties and an increase in South African inflation rates.

26.1.3 Commodity price risk

The Group is not materially affected by the volatility of commodity prices embedded in financial instruments.

26.2 Liquidity risk management

The Group assesses its liquidity needs through continuous monitoring and forecasting of actual cash flows in order to meet all its obligations when they become due.

The liquidity risk is managed by matching the maturity profile of working capital items. Adequate banking and reserve borrowing facilities are maintained to cover potential mismatches in the maturity profile.

26. Financial instruments (continued)

	Group				
	0 – 12 months Rm	1 – 2 years Rm	3 – 5 years Rm	>5 years Rm	Total Rm
2013					
Assets					
Trade and other receivables	492	3	3	–	498
Cash and short-term deposits	282				282
Liabilities					
Trade and other payables	931	1	3	–	935
Interest-bearing loans and borrowings	304				304
2012					
Assets					
Trade and other receivables	462	3	–	–	465
Cash and short-term deposits	527				527
Liabilities					
Trade and other payables	923	1	–	–	924
Interest-bearing loans and borrowings	102				102

	Company				
	0 – 12 months Rm	1 – 2 years Rm	3 – 5 years Rm	>5 years Rm	Total Rm
2013					
Assets					
Trade and other receivables	276	3	3	–	282
Loans receivable	182				182
Cash and short-term deposits	209				209
Liabilities					
Trade and other payables	840	1	3	–	844
Interest-bearing loans and borrowings	304				304
2012					
Assets					
Trade and other receivables	362	3	–	–	365
Loans receivable	193				193
Cash and short-term deposits	4				4
Liabilities					
Trade and other payables	799	1	–	–	800
Interest-bearing loans and borrowings	349				349

26. Financial instruments (continued)

26.3 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Credit risk relates to potential exposure on cash and short-term deposits, investments and trade receivables. The Group limits its exposure arising from money market and derivative instruments by only dealing with well established financial institutions of high credit standing. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions are spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings awarded by international credit rating agencies.

In 2013, sales to two customers (2012: two customers) were made where the total value per customer exceeded 10% of the total revenue for the Group. The revenue attributable to these customers for the year was 41% (2012: 40%). Customers are spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial position of customers and letters of credit or credit guarantee cover is purchased in most cases.

The maximum credit exposure for the financial instruments is as follows:

	2013	2012
	Rm	Rm
Trade and other receivables	498	465
Cash and short-term deposits	282	527
Total credit exposure	**780**	**992**

26.4 Fair value of financial assets and liabilities

The carrying amounts for cash and short-term deposits, as well as the current portion of receivables, payables and interest-bearing borrowings, approximate fair value due to the short-term nature of these instruments.

26.5 Capital management

The primary objective of the Group's capital management programme is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

Changes in economic and operating conditions may necessitate the Group to make adjustments to its capital structure. These adjustments may include changes in policy relating to dividend payments to shareholders, the issue of new equity shares or the return of capital to shareholders.

The Group monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 40%. The Group includes within net debt interest-bearing loans and borrowings less cash and short-term deposits.

26. Financial instruments (continued)

	Group 2013 Rm	Group 2012 Rm
Cash and short-term deposits	**282**	527
Restricted cash	**40**	–
Borrowings	**(315)**	(118)
Net cash	**7**	409
Share capital	**585**	585
Reserves	**876**	1 124
Total capital	**1 461**	1 709
Gearing ratio	**Ungeared**	Ungeared

26.6 Fair value hierachy

Management assessed that the fair values of trade and other receivables, cash and short term deposits, other current assets, trade and other payables, and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments. The carrying amount of loans receivable and payable approximate their fair values due to market-related interest rates and terms being applicable to all long-term receivables and payables.

The Group did not enter into forward exchange contracts for the period under review.

27. Subsequent events

On 17 February 2014 Hochvanadium Holding AG declared a dividend of Euro 18 million to the Company.

Definitions

Company

The Company includes the EVRAZ Highveld Steelworks.

Current assets

Current assets include inventories, trade and other receivables, pre-payments and cash and short-term deposits.

Current liabilities

Current liabilities include trade and other payables, short-term provisions, income tax payable and interest-bearing loans and borrowings.

Current ratio

Current assets divided by current liabilities.

Dividend cover (times)

i. Based on declared ordinary dividends
   Basic earnings per share (cents) divided by declared ordinary dividends attributable to financial year profits (cents).

ii. Based on paid ordinary dividends
   Basic earnings per share (cents) divided by paid ordinary dividends during current financial year (cents).

Dividend yield percentage

Declared ordinary dividends per share attributable to financial year profits divided by the market share price at year-end expressed as a percentage.

Earnings yield percentage

Group headline earnings per share divided by the market share price at year-end expressed as a percentage.

EBITDA

Earnings before interest, taxation, depreciation, amortisation, net foreign exchange differences, net profit or loss on disposal of property, plant and equipment and insurance and settlement proceeds on items of property, plant and equipment scrapped from total operations.

Environmental Trust Fund

Highveld Steel and Vanadium Corporation Limited Environmental Fund Trust.

Exports as percentage of revenue

Gross value of exports divided by gross revenue expressed as a percentage.

GAAP

Generally Accepted Accounting Principles.

Group

The Group consists of the Company, Mapochs Mine Proprietary Limited (Mapochs), Umnotho Iron and Vanadium Proprietary Limited (Umnotho), Mapochs Mine Community Trust (MMCT), Hochvanadium Holding AG and, for the comparative period, the Highveld Steel and Vanadium Corporation Limited Environmental Fund Trust. EVRAZ Highveld holds a 74 per cent equity interest in Mapochs, with a further 23 per cent being held by a structured entity Umnotho and three per cent being held by the MMCT. Umnotho and MMCT were established for EVRAZ Highveld, with the benefit from these two entities being primarily for EVRAZ Highveld and not their respective shareholders. Given that EVRAZ Highveld in substance controls both Umnotho and MMCT and notwithstanding the absence of shareholding in these entities, both Umnotho and MMCT are fully consolidated.

Gross revenue per man-year

Gross revenue dividend by number of employees at year-end.

IAS
International Accounting Standards.

IASB
International Accounting Standards Board.

IFRIC
International Finance Reporting Interpretation Committee.

IFRS
International Financial Reporting Standards issued by the International Accounting Standards Board.

Interest cover
Profit before interest and taxation divided by interest paid.

Interest bearing loans and borrowings as a percentage of shareholders' equity
Interest-bearing loans and borrowings divided by shareholders' equity expressed as a percentage.

Net cash and cash equivalents
Cash and short-term deposits less interest-bearing loans and borrowings and loans from subsidiaries.

Net cash and cash equivalents as percentage of shareholders' equity
Net cash and cash equivalents divided by shareholders' equity expressed as a percentage.

Net cash inflow/(outflow)
Net cash inflow/(outflow) represent the sum of cash flows from operating and investing activities.

Net worth (cents/share)
Shareholders' equity divided by the ordinary shares in issue.

Non-current liabilities
Non-current liabilities include long-term provisions and long-term loans.

OCI
Other comprehensive income

Price: earnings ratio
Market share price at year-end divided by Group headline earnings per share.

Quick ratio
Current assets less inventories, divided by current liabilities.

Return on capital employed (ROCE)
Profit before interest and taxation divided by the sum of shareholders' equity and non-current liabilities expressed as a percentage.

SAICA
South African Institute of Chartered Accountants.

Shareholders' equity
Shareholders' equity includes issued share capital, share premiums, other capital reserves and retained earnings.

Total liabilities as percentage of shareholders' equity
Current liabilities and non-current liabilities divided by shareholders' equity expressed as a percentage.

Abbreviations

A

ADR	American Depositary Receipt
AEL	Atmospheric Emissions Licence
AGM	Annual general meeting
APPA	Atmospheric Pollution Prevention Act No. 45 of 1965
ART	Antiretroviral therapy

B

BEE	Black economic empowerment
B-BBEE	Broad-based black economic empowerment

C

CBA	Collective bargaining agreements
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
COBIT	Control Objectives for Information and Related Technology
Company	EVRAZ Highveld Steel and Vanadium Limited
COO	Chief operating officer
COPD	Chronic obstructive airway disease
CSDP	Central Securities Depository Participant

D

DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DNV	Det Norske Veritas
DTI	Department of Trade and Industry
DWA	Department of Water Affairs

E

EBITDA	Earnings before interest, tax, depreciation, amortisation, net foreign exchange differences, net profit or loss on disposal of property, plant and equipment and insurance and settlement proceeds on items of property, plant and equipment scrapped from total operations
EAP	Employee assistance programme
EIA	Environmental Impact Assessment
EVRAZ Highveld	EVRAZ Highveld Steel and Vanadium Limited

F

FAC	First-aid case
FD	Financial director
FeV	Ferrovanadium

G

GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse gas
GJ/t	Gigajoule per ton
GRI	Global Reporting Initiative

H

HDSA	Historically disadvantaged South African
HIV	Human immunodeficiency virus
HR	Human Resources

I

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IEMP	Integrated Environmental Management Plan
IfEP	Institut für Eignungsprüfung
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IT	Information Technology
IOD	Injury on duty
ISO	International Organisation for Standardisation
ITIL	Information Technology Infrastructure Library
IWML	Integrated Waste Management Licence
IWUL	Integrated Water Use Licence
IWWMP	Integrated Water and Waste Management Plan

J

JSE	Johannesburg Securities Exchange Limited

K

KPI	Key performance indicator
King III	King Report on Corporate Governance for South Africa 2009

L

LED	Local economic development
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate

M

MPRDA	Minerals and Petroleum Resources Development Act No. 28 of 2002
MVO	Modified vanadium oxide

N

NEF	National Empowerment Fund
NEMA	National Environmental Management Act No. 107 of 1998
NEM:AQA	National Environmental Management: Air Quality Act No. 39 of 2004
NEM:BA	National Environmental Management: Biodiversity Act No. 10 of 2004
NEM:WA	National Environmental Management: Waste Act No. 59 of 2008
NIHL	Noise-induced hearing loss
NLTI	Non-lost-time injury
NLTIFR	Non-lost-time injury frequency rate
NUMSA	National Union of Mineworkers of South Africa

We endeavour to deliver ongoing growth and value while pursuing environmentally responsible policies within a framework of sustainability.

O

OHSAS	Occupational Health and Safety Advisory Services
OSB	Open slag bath

P

PPE	Personal protective equipment

R

ROCE	Return on capital employed

S

SANS	South African National Standards
SAMREC	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SHE	Safety, health and environment
SHEQ	Safety, health, environment and quality
SLP	Social and Labour Plan

U

Umnotho	Umnotho Iron and Vanadium Proprietary Limited

V

VCT	Voluntary counselling and testing
VVP	Vanchem Vanadium Products Proprietary Limited

Shareholders analysis

Shareholder spread	Number of shareholders	
	Number	%
Shareholder type		
Public:		
Certificated	600	35.97
Electronic	1 067	63.97
Non-public:		
Certificated	–	0.00
Electronic	1	0.06
Total	**1 668**	**100.00**

List of major shareholders having a direct or indirect beneficial interest in 5 per cent or more of the Group's issued shares

	Shares	%
Mastercroft Limited *	84 386 344	85.11
RMB Securities Proprietary Limited	7 236 304	7.30

** Mastercroft Limited is part of the Evraz Group.*

Ordinary share performance on the JSE Limited for the years ended 31 December

	2013	2012	2011	2010	2009
Market price per share (cents)					
– year-end	**1 699**	1 344	3 649	8 350	6 449
– highest	**2 450**	4 133	10 395	9 000	8 065
– lowest	**1 105**	1 001	3 000	5 965	4 550
Number of ordinary shares in issue ('000)	**99 150**	99 150	99 150	99 150	99 150
Number of deals recorded	**2 596**	2 151	11 793	19 277	15 090
Volume of shares traded ('000)	**4 028**	2 010	13 590	21 865	19 414
Volume of shares traded as a percentage of total issued shares (%)	**4.06**	2.03	13.71	22.05	19.58
Earnings yield (%)*	**(0.22)**	(76.67)	(0.41)	(4.63)	2.61
Dividend yield (%)*	**–**	–	–	–	–
Price: Earnings ratio*	**(4.50)**	(1.30)	(241.20)	(21.62)	38.36

** Based on year-end price per share, headline earnings per share and dividends per share attributable to financial year profits declared.*

Shareholders' diary

Financial year-end	31 December 2013
Financial statements – publication dates	11 March 2014
Annual financial statements	April 2014
Annual General Meeting	26 May 2014
Interim report	19 August 2014

Notice of Annual General Meeting

Notice is hereby given that the fifty-third Annual General Meeting of members of EVRAZ Highveld Steel and Vanadium Limited will be held at EVRAZ Highveld Steel and Vanadium Limited, Old Pretoria Main Road, eMalahleni, Mpumalanga, on Monday, 26 May 2014 at 09h30 for the purpose of considering and if deemed fit, passing with or without modification the ordinary and special resolutions as set out below. All agenda items will be regarded as severable.

The record date for purposes of determining which shareholders are entitled to receive this notice is Friday, 4 April 2014.

The record date for shareholders to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the Annual General Meeting is Friday, 16 May 2014. Accordingly, the last date to trade in order to be eligible to attend and vote at the Annual General Meeting is Friday, 9 May 2014. Forms of proxy for the Annual General Meeting are to be lodged by 09h30 on Thursday, 22 May 2014.

Special resolution number 1: financial assistance

That the directors be and they are hereby authorised, subject to provision of Section 45 of the Companies Act, No. 71 of 2008 and of the JSE Listings Requirements, to provide financial assistance to a subsidiary of the Company upon such terms and conditions as the directors may from time to time determine, provided that the directors are satisfied that immediately after the granting of such financial assistance, the Company would satisfy the solvency and liquidity tests.

Special resolution number 2: non-executive directors' fees

That no increase based on the 2013 fees payable to the non-executive directors of the Company, members and chairmen of board committees is proposed for 2014.

	Member / Directors / Chairman	For the year 2014	For the year 2013
Board of directors	Director	R176 550	**R176 550**
	* Chairman	R604 550	**R604 550**
Audit and Risk committee	Member	R74 900	**R74 900**
	* Chairman	R128 400	**R128 400**
Remune-ration and Nominations committee	Member	R53 500	**R53 500**
	* Chairman	R80 250	**R80 250**
Social and Ethics committee	Member	R32 100	**R32 100**
	* Chairman	R48 150	**R48 150**

* *Amount includes member fees*

Ordinary resolution number 3: adoption of annual financial statements

To receive and consider the annual financial statements for the financial year ended 31 December 2013. The auditors' opinion is available for inspection at the Company's registered address.

Ordinary resolution number 4: appointment of external auditors

To appoint Ernst & Young Inc. as external auditors of the Company to hold office until the conclusion of the next Annual General Meeting.

Ordinary resolution number 5: re-election of retiring directors

To re-elect the following directors, who are required to retire by rotation as directors of the Company in terms of the Company's MOI and who are eligible and available for re-election, as directors of the Company:

5.1 GC Baizini
5.2 M Bhabha
5.3 B Ngonyama
5.4 PS Tatyanin

Ordinary resolution number 6: placing unissued shares in the hands of the directors

That the directors be and they are hereby authorised, subject to the provisions of the JSE Listings Requirements: to allot and issue, all or any portion of the remaining unissued ordinary shares of R1 each and the 1 000 000 unissued variable rate redeemable cumulative preference shares of 1 cent each in the capital of the Company at such time or times to such person or persons, company or companies, for such consideration and upon such terms and conditions as the directors may from time to time determine.

Ordinary resolution number 7: confirmation of the Company's remuneration policy

That, as a non-binding vote, the Company's remuneration policy as set out in the remuneration report on pages 46 to 49 on the integrated report be and is hereby confirmed.

Ordinary resolution number 8: appointment of chairman of the Audit and Risk Committee

That B Ngonyama, an independent non-executive director of the Company, be appointed as member and chairman of the Audit and Risk Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 9: appointment of members of the Audit and Risk Committee

That the following independent non-executive directors of the Company, be appointed as members to the Audit and Risk Committee until the next Annual General Meeting of the Company:

9.1 M Bhabha
9.2 T Mosololi

Ordinary resolution number 10: appointment of chairman of the Social and Ethics Committee

That BJT Shongwe, an independent non-executive director of the Company, be appointed as member and chairman of the Social and Ethics Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 11: appointment of members of the Social and Ethics Committee

That the following directors of the Company, two of whom are independent non-executive directors, be appointed as members of the Social and Ethics Committee until the next Annual General Meeting of the Company:

11.1 M Bhabha
11.2 B Ngonyama
11.3 PS Tatyanin

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A form of proxy must be lodged with the share transfer secretaries of the Company not less than 48 (forty-eight) hours before the time set for the meeting. Completion of a form of proxy will not preclude a member from attending the meeting.

A form of proxy is included in this report.

Shareholders who have already dematerialised their shares must use the attached voting instruction form for the purpose of advising their Central Securities Depository Participant (CSDP) or broker of their voting instructions.

If, however, such shareholders wish to attend the Annual General Meeting in person, they will need to provide them with the necessary authority in terms of the custody agreement entered into with the CSDP or broker.

By order of the Board

EVRAZ | EVRAZ HIGHVELD STEEL AND VANADIUM

EVRAZ Highveld Steel and Vanadium Limited
Ms A Weststrate
Company Secretary
eMalahleni
11 March 2014

Business address
Old Pretoria Main Road, eMalahleni, Mpumalanga

Registered office
Portion 93 of the farm Schoongezicht, 308 JS, eMalahleni, Mpumalanga

Postal address
P O Box 111, Witbank 1035

Share transfer secretaries
Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001

Form of proxy

EVRAZ
EVRAZ HIGHVELD STEEL AND VANADIUM

Registration number 1960/001900/06
(Incorporated in the Republic of South Africa)
Share code: EHS
ISIN: ZAE 000146171
(the Company)

I / We

____

(Name in block letters)

of

____

____

(Address in block letters)

being (a) member(s) of EVRAZ Highveld Steel and Vanadium Limited, do hereby appoint

____

of ____

or failing him/her ____

of ____

or, failing him/her, the chairman of the meeting as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of members to be held on Monday, 26 May 2014 at 09h30 and at any adjournment thereof, and to vote or abstain from voting as follows on the resolutions to be proposed at such meeting.

Please indicate how you wish your proxy to vote by placing a cross in the box which applies:

	For	Against	Abstain
1. Special resolution no. 1: directors to be authorised to provide financial assistance to a subsidiary of the Company			
2. Special resolution no. 2: non-executive directors' fees			
3. Ordinary resolution no. 3: adoption of annual financial statements			
4. Ordinary resolution no. 4: appointment of external auditors			
5. Ordinary resolution no. 5: re-election of retiring directors:			
5.1 GC Baizini			
5.2 M Bhabha			
5.3 B Ngonyama			
5.4 PS Tatyanin			
6. Ordinary resolution no. 6: placing of unissued shares under the control of the directors			
7. Ordinary resolution no. 7: confirmation of the Company's remuneration policy			
8. Ordinary resolution no. 8: appointment of chairman of the Audit and Risk Committee – B Ngonyama			
9. Ordinary resolution no. 9: appointment of members of the Audit and Risk Committee:			
9.1 M Bhabha			
9.2 T Mosololi			
10. Ordinary resolution no. 10: appointment of chairman of the Social and Ethics Committee – BJT Shongwe			
11. Ordinary resolution no. 11: appointment of members of the Social and Ethics Committee:			
11.1 M Bhabha			
11.2 B Ngonyama			
11.3 PS Tatyanin			

Date **Signature**

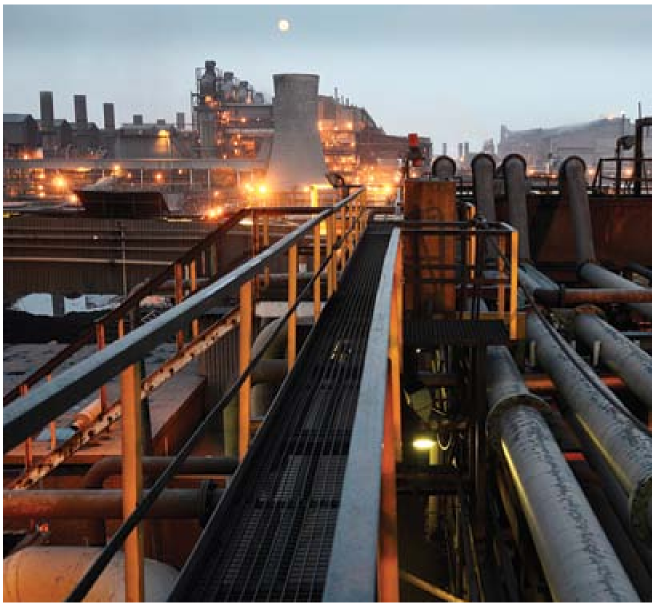
Please read the notes and instructions overleaf.

Notes to the form of proxy

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

2. Every person present and entitled to vote at the Annual General Meeting as a member or as a proxy or as a representative of a body corporate shall on a show of hands have one vote only, irrespective of the number of shares such person holds or represents, but in the event of a poll, every ordinary share shall have one vote.

3. Please indicate with an "X" in the appropriate spaces overleaf how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain at his/her discretion.



Instructions on signing and lodging the form of proxy

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.

2. The chairman of the meeting shall be entitled to decline to accept the authority of a person signing the proxy form:
   (a) under a power of attorney; or
   (b) on behalf of a company;

   unless that person's power of attorney or authority is deposited at the offices of the Company's share transfer secretaries not less than 48 (forty-eight) hours before the meeting together with the form of proxy.

3. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose.

4. When there are joint holders of shares, any one holder may sign the form of proxy.

5. The completion and lodging of this form of proxy will not preclude the member who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.

6. Completed forms of proxy should be returned to the Company's share transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), South Africa, so as to reach them not later than 48 (forty-eight) hours before the time set for the holding of the meeting.

Voting instruction form

EVRAZ | EVRAZ HIGHVELD STEEL AND VANADIUM

Registration number 1960/001900/06
(Incorporated in the Republic of South Africa)
Share code: EHS
ISIN: ZAE 000146171
(the Company)

Only for use by shareholders who have dematerialised their shares in the Company

For use in respect of the Annual General Meeting to be held on Monday, 26 May 2014 at 09h30, at EVRAZ Highveld Steel and Vanadium Limited in the Board Room at the Steelworks, Old Pretoria Main Road, eMalahleni, Mpumalanga.

Shareholders who have already dematerialised their shares may use this form to advise their CSDP or broker of their voting instructions on the proposed resolution in the space provided below. However, should such shareholders wish to attend the Annual General Meeting in person, they will need to request their CSDP or broker to provide them with the necessary authority in terms of the custody agreement entered into with the CSDP or broker.

I / We

(Name in block letters)

being (a) shareholder(s) of the Company who has/have dematerialised my/our shares in the Company do hereby indicate in the spaces provided below to my/our CSDP/broker my/our voting instructions on the resolutions to be proposed at the Annual General Meeting of EVRAZ Highveld Steel and Vanadium Limited to be held on Monday, 26 May 2014 at 09h30.

Voting instruction

	For	Against	Abstain
Special resolution no. 1			
Special resolution no. 2			
Ordinary resolution no. 3			
Ordinary resolution no. 4			
Ordinary resolution no. 5:			
5.1 GC Baizini			
5.2 M Bhabha			

	For	Against	Abstain
5.3 B Ngonyama			
5.4 PS Tatyanin			
Ordinary resolution no. 6			
Ordinary resolution no. 7			
Ordinary resolution no. 8: B Ngonyama			
Ordinary resolution no. 9:			
9.1 M Bhabha			
9.2 T Mosololi			
Ordinary resolution no. 10: BJT Shongwe			
Ordinary resolution no. 11:			
11.1 M Bhabha			
11.2 B Ngonyama			
11.3 PS Tatyanin			

1. Please indicate in the appropriate spaces above the number of votes to be cast Each share carries the right to one vote.
2. All the votes need not be exercised nor need all votes be cast in the same way, but the total of the votes cast and in respect of which abstention is directed may not exceed the total of the votes exercisable.
3. Any alteration or correction made to this voting instruction form must be initialled by the signatory.
4. When there are joint holders of shares, any one holder may sign the voting instruction form.
5. Completed voting instruction forms should be forwarded to the CSDP or broker through which the EVRAZ Highveld shares have been dematerialised to reach their offices by not later 09h30 on Thursday, 22 May 2014.

Signed at ______________________________ on ______________ 2014.

____
Signature

This voting instruction form is not for use by registered shareholders.

Key contacts

Chief Executive Officer
Mike Garcia
+27 13 690 8721

Chief Financial Officer
Jan Valenta
+27 13 690 9108

General enquiries: SHEQ and Risk Management
Ken Bladwell
+27 13 690 9004

Director: Vanadium Operations South Africa
Malcolm Curror
+27 12 318 3213

General Manager: Corporate Security
Douw de Leeuw
+27 13 690 9558

Manager: Government Relations and Internal Communications
Thea-Lynn MacLeod
+27 13 690 8885

General Mine Manager: Mapochs Mine
Johannes Maepa
+27 13 273 5002

Chief Commercial and Business Development Officer
Robert Martin
+27 13 690 8774

General Manager: Human Resources and Transformation
Jerry Molefe
+27 13 690 9529

General Manager: Marketing and New Business Development
Kefilwe Mothupi
+27 13 690 9003

Chief Operating Officer (Acting)
Johan Nel
+27 13 690 9571

General Manager: Procurement
Colin Short
+27 13 690 8891

General Manager: Projects
Malcolm Simpson
+27 13 690 9422

Company Secretary
André Weststrate
+27 13 690 8888

Company information

Registered address
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308 JS
eMalahleni
Mpumalanga

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eMalahleni
Mpumalanga

Postal address
PO Box 111
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Website details
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Registered auditors
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Sponsor
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Illovo, 2196
+27 11 507 0430

Share transfer secretaries
Computershare Investor Services Proprietary Limited
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Johannesburg, 2001
0861 100 950 (shareholder queries)
+27 11 370 5000 (switchboard)

Integrated Report
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EVRAZ HIGHVELD STEEL AND VANADIUM

EVRAZ HIGHVELD STEEL AND VANADIUM LIMITED

Registered Office

Portion 93 of the farm
Schoongezicht No. 308 JS
District eMalahleni
Mpumalanga

Contact details

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