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1889 – 2014

Over **125 years Aveng has evolved** in character, capability and reach.

AVENG GROUP

Leaders in infrastructure development

CELEBRATING 125 YEARS • 1889 – 2014

Audited Company Annual Financial Statements 2014

Contents

The reports and statements set out below comprise the consolidated and separate annual financial statements presented to the shareholders:

General information

Country of incorporation and domicile	South Africa	
Directors	Mr Angus Band (Chairman)	
	Mr Peter Ward	
	Mr Hendrik Jacobus Verster	
	Mr Eric Diack	Appointed 1 December 2013
	Mr Peter Erasmus	
	Ms Mavis Ann Hermanus	
	Mr Richard Linden Hogben	Retired 20 August 2014
	Mr Roger Jardine	Resigned 31 August 2013
	Mr Michael Kilbride	
	Mr Juba Mashaba	
	Ms Thoko Mokgosi-Mwantembe	
	Ms Kholeka Mzondeki	Appointed 1 January 2014
	Mr David Robinson	
	Mr Myles Ruck	Resigned 1 December 2013
	Mr Mahomed Seedat	
	Mr Nonkululeko Sowazi	Resigned 1 December 2013
Auditors	Ernst & Young Inc.	
Secretary	M Nana	
Company registration number	1944/018119/06	
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 of South Africa.	
Supervised by	The audited annual financial statements were prepared under the supervision of HJ Verster Chief Executive Officer and acting Group Financial Director	
Published	26 August 2014	

Certificate of the Company Secretary

I, the undersigned, Michelle Nana, in my capacity as Company Secretary, certify that:

— the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act 71 of 2008 of South Africa; and

— all such returns are true, correct and up to date.

M Nana
Company Secretary

25 August 2014

Directors' report

The directors submit their report for the year ended 30 June 2014.

1. Review of activities

Nature of business

Aveng Limited (the "Company") is a South African registered and listed company, included in the Construction and Materials – Heavy Construction sector of the Johannesburg Stock Exchange Limited ("JSE") (Listing reference: "AEG") with interests in construction, contract mining and steel beneficiation.

Company financial results

At 30 June 2014, the Company recorded a loss for the period of R347 million (2013: earnings of R1 208 million).

Full details of the financial performance and position, and changes therein of the Company are set out in the annual financial statements on pages 7 to 24.

Funding and liquidity

As part of a process to secure the short term liquidity requirements of the Company, an unsecured revolving credit facility was secured for R1 billion on 15 July 2013. This facility was drawn in full at year-end. A second unsecured revolving credit facility was secured on 11 December 2013 for R1 billion, of which R250 million was drawn at year-end.

As part of the property sale process an 18 month revolving credit bridge facility was arranged for R1 billion on 27 June 2014 for the purpose of supplying funding during the property sale process. This facility was undrawn at year-end.

Together with a convertible bond of R2 billion (refer to *section 2: Events after reporting period*), liquidity of R5 billion was arranged for the Group. Funds raised through the R2 billion convertible bond will be utilised to settle the revolving credit facility.

Amendments to the black economic empowerment ("BEE") transaction

During the 2012 financial year the shareholders approved amendments to the terms of the 2004 BEE transaction which served to extend this structure. The final shares in terms of the amended BEE share transaction were issued on 30 June 2014. This resulted in the issued share capital of the Company increasing by 26 832 834 shares to 416 670 931 shares. Of the 26 832 834 shares issued, 8 586 507 shares were allocated to both of the Community Investment Trust and the Aveng Empowerment Trust and 9 659 820 to the BEE strategic partner. This concludes the arrangement for the Community Investment Trust and the BEE strategic partner.

Of the total economic benefit of R942 million (as previously reported), R301 million was already paid to employees up to 2013. This was funded by a scrip lending agreement between Investec Private Bank Limited ("Investec") and Aveng Management Company Proprietary Limited, whereby Aveng Management Company Proprietary Limited lent 8 586 593 Aveng treasury shares to Investec in order to facilitate a loan provided to the Aveng Empowerment Trust by Investec. These shares will be returned to Aveng Management Company Proprietary Limited by Investec at the end of the loan period, being 16 February 2015. The shares allocated to the Aveng Empowerment Trust on 30 June 2014 will be used to discharge its obligation to Investec. The scrip lending shares held by Aveng Management Company Proprietary Limited are regarded as treasury shares for accounting purposes in the consolidated annual financial statements and are therefore eliminated in the Group's results.

Refer to circulars published on the Company's website, www.aveng.co.za, for further details.

2. Events after the reporting period

Convertible bond

In line with the strategic objective to strengthen its financial position, the Group embarked on an initiative to diversify its funding sources, and extend the maturity profile and reduce the level and cost of its borrowings. The initiatives will enable the Group to pursue contract claims to a positive conclusion and take advantage of growth opportunities.

In July 2014, the Company successfully placed 7,25% senior unsecured convertible bonds maturing on 24 July 2019 for a principal amount of R2 billion. The bonds are convertible at a premium of 30% on the reference share price at the option of the bondholders (currently R28,76, but may be adjusted downwards as outlined below), subject to approval of shareholders at a meeting to be convened on 19 September 2014. The Company will have the option to effectively force conversion at any time after 7 August 2017 if the weighted average price of the shares is at least 130% of the then determined conversion price for at least 20 out of 30 consecutive trading days.

Directors' report continued

The convertible bond will only become dilutive for ordinary shareholders when the current share price is trading above R28,76, subject to certain downward adjustments to the conversion price due to dividend declaration and other customary bondholder protection clauses.

The convertible bonds will be listed on the Johannesburg Stock Exchange on Friday, 29 August 2014.

3. Share capital and share premium

There has been a change in the issued share capital of the Company as a result of the issue of BEE shares, and the forfeitable share plan ("FSP"). Refer to *note 8: Share capital and share premium* for more details.

4. Directors

In terms of the Company's memorandum of incorporation, the directors listed below will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election:
Mr Peter Ward
Mr Eric Diack
Mr Peter Erasmus
Ms Mavis Ann Hermanus
Ms Kholeka Mzondeki
Mr David Robinson

The following directorate changes have taken place since the last year-end:

Name	Changes
Mr Eric Diack	Appointed 1 December 2013
Mr Richard Linden Hogben	Retired 20 August 2014
Mr Roger Jardine	Resigned 31 August 2013
Ms Kholeka Mzondeki	Appointed 1 January 2014
Mr Myles Ruck	Resigned 1 December 2013
Mr Nonkululeko Sowazi	Resigned 1 December 2013

Mr Adrian Macartney has been appointed as the new Group Financial Director effective from 8 September 2014.

5. Dividends

No dividends were declared for the current or prior period.

6. Auditors

Ernst & Young Inc. continued in office as external auditors. At the Annual General Meeting shareholders will be requested to appoint Ernst & Young Inc. as the Company's auditors for the 2015 financial year and it is noted that Mr WK Kinnear will retire by rotation in terms of the Companies Act No 71 of 2008 of South Africa requirements, after having served five years as the individual registered auditor who undertook the audit. Mr LP van Breda will replace Mr WK Kinnear as the individual registered auditor responsible for the audit.

7. Directors' responsibility relating to annual financial statements

The directors of the Company are responsible for maintaining adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period ended 30 June 2014.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council, requirements of the Companies Act No 71 of 2008 of South Africa, and the Listings Requirements of the JSE.

The directors acknowledge that they are responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. These are designed to provide reasonable, but not absolute assurance, as to the reliability of financial records and the annual financial statements, to adequately safeguard, verify, and maintain accountability of assets and to prevent and detect material misstatements and losses.

Directors' report continued

To enable the directors to meet these responsibilities, the Board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework; effective accounting procedures and adequate segregation of duties are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors have reviewed the Company's cash flow forecast for the year ended 30 June 2015 and in light of this review and the current financial position, are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the annual financial statements are prepared on a going concern basis.

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements. Their unmodified report to the shareholders of the Company is set out on page 6.

Approval of annual financial statements

The annual financial statements of the Company for the year ended 30 June 2014 set out on pages 7 to 24, which have been prepared on the going concern basis, were approved by the Board of directors on 25 August 2014 and were signed on its behalf by:

AWB Band
Chairman

HJ Verster
Chief Executive Office and acting Chief Financial Director

Report of the independent auditors

To the shareholders of Aveng Limited

Report on the financial statements
We have audited the financial statements of Aveng Limited set out on pages 7 to 24, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these 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 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 financial statements present fairly, in all material respects, the financial position of Aveng Limited as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 30 June 2014, we have read the Directors' Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited 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 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 – Warren Kenneth Kinnear
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road
Sandton

25 August 2014

Statement of financial position

as at 30 June 2014

	Notes	2014 Rm	2013 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	3	**2 225**	2 342
Deferred taxation asset	4	**11**	1
		2 236	2 343
Current assets			
Amounts owing by subsidiaries	5	**5 863**	4 901
Other receivables	6	**2**	–
Cash and bank balances	7	**4**	1
		5 869	4 902
TOTAL ASSETS		**8 105**	7 245
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	8	**2 339**	1 719
Reserves		**(28)**	(33)
Retained earnings		**4 408**	5 376
		6 719	7 062
Liabilities			
Non-current liabilities			
Borrowings and other liabilities	9	**1 250**	–
Current liabilities			
Amounts owing to subsidiaries	5	**95**	95
Borrowings and other liabilities	9	**28**	–
Other payables	10	**13**	28
Bank overdraft	7	**–**	60
		136	183
TOTAL LIABILITIES		**1 386**	183
TOTAL EQUITY AND LIABILITIES		**8 105**	7 245

Statement of comprehensive earnings

for the year ended 30 June 2014

	Notes	2014 Rm	2013 Rm
Other earnings		**–**	1
Operating expenses		**(534)**	(13)
Dividend earnings from subsidiaries	11	**199**	1 127
Net operating (loss) / earnings	12	**(335)**	1 115
Finance earnings	13	**57**	123
Finance and transaction expenses paid	14	**(80)**	(3)
(Loss) / earnings before taxation		**(358)**	1 235
Taxation	15	**11**	(27)
(LOSS) / EARNINGS FOR THE PERIOD		**(347)**	1 208
Other comprehensive earnings for the period		**–**	–
Total comprehensive (loss) / earnings for the period		**(347)**	1 208

Separate statement of changes in equity

for the year ended 30 June 2014

	Share capital Rm	Share premium Rm	**Total share capital Rm**	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	**Total reserves Rm**	Retained earnings Rm	**Total equity Rm**
Balance at 1 July 2012	19	1 747	1 766	–	(54)	(54)	4 402	6 114
Earnings for the year	–	–	**–**	–	–	**–**	1 208	**1 208**
Total comprehensive earnings for the year	–	–	–	–	–	–	1 208	1 208
Movement in treasury shares	–	(47)	**(47)**	–	–	**–**	–	**(47)**
Equity settled share-based payment charge for the period	–	–	**–**	21	–	**21**	–	**21**
Dividends	–	–	**–**	–	–	**–**	(234)	**(234)**
Total contributions by and distributions to owners of company recognised directly in equity	–	(47)	(47)	21	–	21	(234)	(260)
Balance at 1 July 2013	19	1 700	1 719	21	(54)	(33)	5 376	7 062
Loss for the year	–	–	**–**	–	–	**–**	(347)	**(347)**
Total comprehensive loss for the year	–	–	**–**	–	–	**–**	(347)	**(347)**
Movement in treasury shares	–	(1)	**(1)**	–	–	**–**	–	**(1)**
Equity settled share-based payment charge for the period	–	–	**–**	5	–	**5**	–	**5**
Issue of shares to BEE consortium	1	620	**621**	–	–	**–**	(621)	**–**
Total contributions by and distributions to owners of company recognised directly in equity	1	619	620	5	–	5	(621)	4
Balance at 30 June 2014	20	2 319	2 339	26	(54)	(28)	4 408	6 719
Note	8	8	8					

Statement of cash flows

for the year ended 30 June 2014

	Notes	**2014 Rm**	2013 Rm
Operating activities			
Cash utilised from operations	17	**(12)**	(12)
Non-cash and other movements	20	**5**	21
Cash (utilised) / generated by operations		**(7)**	9
Changes in working capital			
(Increase) / decrease in other receivables		**(2)**	2
Decrease in other payables		**(15)**	(7)
Cash (utilised) / generated by operating activities		**(24)**	4
Finance earnings	13	**57**	123
Finance and transaction expenses paid	21	**(80)**	(3)
Taxation refund / (paid)	18	**1**	(28)
Cash (outflow) / inflow from operating activities		**(46)**	96
Investing activities			
Movement in investment in subsidiaries		**117**	–
Dividends received		**199**	1 127
Net cash from investing activities		**316**	1 127
Operating free cash inflow		**270**	1 223
Cash flows from financing activities			
Shares repurchased	8	**(7)**	(47)
Increase in borrowings and other liabilities		**1 278**	–
Dividends paid	19	**–**	(234)
Increase in amounts owing to / (by) subsidiaries		**(1 478)**	(1 292)
Net decrease in cash and bank balances		**63**	(350)
Cash and bank balances at the beginning of the year		**(59)**	291
Cash and bank balances at the end of the year	7	**4**	(59)

Accounting policies

for the year ended 30 June 2014

1. Presentation of annual financial statements

Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the South African Companies Act, 71 of 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. These are presented in South African Rand ("ZAR").

1.1 Significant accounting judgements and estimates

The preparation of the annual financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the judgements relating to certain items recognised, which have the most significant effect on the amounts recognised in the annual financial statements. In addition, the Company based its assumptions and estimates on parameters available when the annual financial statements were prepared. Existing circumstances and assumptions about future developments, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when it occurs.

Deferred taxation assets

Deferred taxation assets are recognised for all unused taxation losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred taxation assets that can be recognised, based upon the likely timing and level of future taxable profits.

Estimation assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in the notes to the annual financial statements. The Company based its assumptions and estimates on parameters available when the annual financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when it occurs.

Equity-settled share-based payments

The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of performance conditions, other than conditions linked to the market value of the Company's shares. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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 as to the number of equity instruments that will ultimately vest. The earnings charge or credit for a period represents the movement in cumulative expense recognised at the beginning and at the end of each reporting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Provided that all other performance conditions are satisfied, these awards are treated as vesting irrespective of whether or not the market condition is satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified.

1.2 Investments in subsidiaries

Investments in group companies, which consist of subsidiaries, joint ventures and associates in the separate annual financial statements, are stated at cost less amounts written off where there has been an impairment.

Accounting policies continued

for the year ended 30 June 2014

1.3 *Financial instruments*

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Company does not apply hedge accounting.

Financial assets

Initial recognition and measurement

Financial assets within the scope of *IAS 39* are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

The Company's financial assets are classified as other receivables, amounts due by subsidiaries, and cash and bank balances.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Amounts owing to / from subsidiaries

Amounts owing to subsidiaries are classified as loans and receivables measured at amortised cost.

Amounts owing from subsidiaries are classified as financial liabilities measured at amortised cost.

Other receivables

Other receivables are initially recognised at fair value and are subsequently classified as loans and receivables and measure at amortised costs.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset, 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 Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. 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 Company could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities, within the scope of *IAS 39*, are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification

Accounting policies continued

for the year ended 30 June 2014

of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs. The Company's financial liabilities include other payables, borrowings and amounts owing to subsidiaries.

The Company has not designated any financial liabilities upon initial recognition as at FVTPL.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Other payables
Other payables are initially recognised at fair value and are subsequently classified as other financial liabilities and carried at amortised cost using the effective interest rate ("EIR") method.

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 EIR. The EIR amortisation is included in finance cost in earnings.

Cash and bank balances
Cash and bank balances comprise of cash on hand and bank balances that are measured at amortised cost. Cash held in joint arrangements are available for use by the Company with the approval of the joint arrangement partners. Bank overdrafts are not offset against positive bank balances unless a legally enforceable right of offset exists and there is an intention to settle the overdraft and realise the net cash. For the purposes of the statement of cash flows, cash and bank balances consist of cash and bank balances defined above net of outstanding bank overdrafts.

Bank overdraft and borrowings
Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the EIR method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Derecognition
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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in earnings.

1.4 Taxation

Current taxation
Current taxation comprises the expected tax payable and receivable on the taxable earnings for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates.

Current taxation for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current or prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current taxation is charged to earnings except to the extent that it relates to a transaction that is recognised outside earnings or loss. In this case the current tax items are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity.

Deferred taxation
Deferred taxation is provided using the liability method on all temporary differences at the reporting date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred taxation liabilities are recognised for all taxable temporary differences, except:
- where the deferred income tax liability arises from the initial recognition of goodwill arising on consolidation 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 profits nor taxable income; and
- in respect of taxable 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 and it is probable that the temporary differences will not reverse in the foreseeable future.

Accounting policies continued
for the year ended 30 June 2014

Deferred taxation assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- where the deferred taxation asset relating to the deductible temporary difference arises from the initial recognition 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 profits nor taxable income; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on enacted or substantively enacted tax rates at the reporting date.

Deferred tax is charged to earnings or loss except to the extent that it relates to a transaction that is recognised outside earnings or loss. In this case the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity.

The effect on deferred taxation of any changes in tax rates is recognised in earnings, except to the extent that it relates to items previously recognised in other comprehensive earnings or credited directly to equity.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred taxation assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable income will allow the deferred taxation asset to be recovered.

Deferred taxation assets and deferred taxation liabilities are offset, if a legally enforceable right exists to set off current income taxation assets against current taxation liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.5 Share capital and share premium

Treasury shares

Treasury shares comprise the FSP. The amount of consideration paid for the treasury shares is recognised as a deduction from equity and both issued capital and weighted average number of shares is reduced by the number of treasury shares. Dividends received on treasury shares are eliminated on consolidation. Earnings are not recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Black economic empowerment ("BEE") equity-settled share options

No expense is recognised in earnings for awards made in terms of the BEE transaction where these equity options were granted and had vested before the date that *IFRS 2* was first applicable. In these cases, the Company considers the number of shares to be issued to the BEE partners as contingently issuable shares.

The number of shares that are considered to be contingently issuable for the reporting period is based on the November 2011 shareholders' resolution as to the agreed valuation of the BEE partners' interest in the subsidiaries, Aveng (Africa) Proprietary Limited and Aveng Trident Steel Holdings Proprietary Limited. The valuation method used to determine the value of the BEE partners' shareholding in Aveng (Africa) Proprietary Limited and Aveng Trident Steel Holdings Proprietary Limited at each reporting period, and subsequently the number of contingently issuable shares, was governed by the shareholders' agreement between the Company and the BEE partners.

The value determined using the valuation method detailed in the shareholders' agreement or by means of negotiation between the Company and the BEE partners, of their interest in Aveng (Africa) Proprietary Limited and Aveng Trident Steel Holdings Proprietary Limited, was divided by the Company's closing share price at each reporting period to derive the number of contingently issuable shares. These contingently issuable shares were added to the weighted average number of shares in issue at the end of each reporting period to calculate diluted earnings per share and diluted headline earnings per share.

Subsequently, a final calculation was performed and the number of contingently issuable shares was fixed and agreed by the Board and BEE partners in November 2011. The final shares were issued on 30 June 2014 as a settlement.

Accounting policies continued

for the year ended 30 June 2014

Share-based payments

The Company operates a share incentive plan for the granting of shares to executives and senior employees as consideration for services rendered. Shares are offered to executives and senior employees at market price, upon recommendation by the remuneration committee. Shares awarded to executives and senior employees are awarded over a period of four years. The shares then vest within one year from the date awarded, thus the shares rest over a period of five years. Shares not exercised within ten years are forfeited.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of performance conditions, other than conditions linked to the market value of the Company's shares. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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 as to the number of equity instruments that will ultimately vest. The earnings charge or credit for a period represents the movement in cumulative expense recognised at the beginning and at the end of each reporting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Provided that all other performance conditions are satisfied, these awards are treated as vesting irrespective of whether or not the market condition is satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified.

In addition, an expense is recognised for any modification, which increases the consolidated total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation. Any expense not yet recognised for the award is immediately recognised. In the event that a new award is substituted for the cancelled award, and designated as a replacement award, the cancelled and new awards are treated as if they were a modification to the original award. The dilutive effect of outstanding options is included in the computation of diluted earnings per share.

1.6 Provisions

A provision is recognised when the Company has a present, legal or constructive obligation as a result of past events for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

1.7 Revenue

Dividends are recognised, in earnings, when the Company's right to receive payment has been established.

Accounting policies continued

for the year ended 30 June 2014

2. New and revised standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard	Description	Matter	Impact
IFRS 10	*Consolidated Financial Statements*	*IFRS 10* introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.	No significant impact on the Company's annual financial statements.
IFRS 11	*Joint Arrangements*	*IFRS 11* addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and / or its relative share of those items, and joint ventures which is accounted for by applying the equity method.	No significant impact on the Company's annual financial statements.
IFRS 12	*Disclosure of Interests in Other Entities*	*IFRS 12* is a comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet entities.	No significant impact on the Company's annual financial statements.
IFRS 13	*Fair Value Measurements*	*IFRS 13* establishes a single framework for all fair value measurement when fair value is required or permitted by IFRS and does not change when an entity is required to use fair value measurement. *IFRS 13* rather describes how to measure fair value. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including *IFRS 7*.	No significant impact on the Company's annual financial statements.
IAS 19	*Employee Benefits*	*IAS 19* requires more intensive disclosures.	No significant impact on the Company's annual financial statements.
IAS 27	*Separate Financial Statements*	*IAS 27* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*.	No significant impact on the Company's annual financial statements.
IAS 28	*Investments in Associates and Joint Ventures*	*IAS 28* prescribes the accounting for investment in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. In terms of *IAS 28 Investment in Associates and Joint Ventures*, existence of significant influence is usually evidenced by such representation in instances where an entity holds less than 20% of the voting power in an investee.	No significant impact on the Company's annual financial statements.
IAS 32 & IFRS 7	*Financial Instruments: Disclosure*	The amendment contains new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or are subject to enforceable master netting arrangements or similar arrangements.	No significant impact on the Company's annual financial statements.

Accounting policies continued

for the year ended 30 June 2014

Annual improvements 2009 – 2011 cycle

The application of these annual improvements did not have an impact on the annual financial statements:

IAS 16 Property Plant and Equipment – classification of servicing equipment.

IAS 32 Financial Instruments: Presentation – clarifies the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with *IAS 12 Income Taxes*.

IAS 34 Interim Financial Reporting – clarifies interim reporting of segment information for total assets in order to enhance consistency with the requirements of *IFRS 8 Operating Segments*.

2.2 *Standards and interpretations not yet effective*

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2014 or later periods:

Standard / Interpretation	Effective date: Years beginning on or after
New standards and interpretations	
IFRIC 21 Levies	1 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9 Financial Instruments	30 June 2015
IFRS 14 Regulatory Deferral Account	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Annual improvements	
IFRS 2 Share-based Payment	1 July 2014
IFRS 3 Business Combinations	1 July 2014
IFRS 8 Operating Segments	1 July 2014
IFRS 10 Consolidated Financial Statements	31 December 2014
IFRS 13 Fair Value Measurement	1 July 2014
IAS 16 Property, Plant and Equipment	1 July 2014
IAS 19 Employee Benefits	1 July 2014
IAS 24 Related Party Disclosures	1 July 2014
IAS 38 Intangible Assets	1 July 2014
IAS 40 Investment Property	1 July 2014

It is expected that only the following standards and interpretations will have an impact on the annual financial statements of the Company, the effects of which are still being assessed.

- *IFRS 9* - as issued, reflects the first phase of the IASB's work on the replacement of *IAS 39* and applies to the classification and measurement of financial assets and financial liabilities, as well as hedge accounting.
- *IFRS 15 - Revenue from Contracts with Customers* replaces *IAS 11 – Construction Contracts*, *IAS 18 – Revenue* and related interpretations. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as *IAS 17 – Leases*. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

Notes to the separate annual financial statements
for the year ended 30 June 2014

3. Investments in subsidiaries

Name of company	Country	% holding 2014	2014 Rm	2013 Rm
Aveng Australia Holdings Proprietary Limited	Australia	**100,00**	**1 148**	769
Aveng (Africa) Proprietary Limited	South Africa	**75,00**	**1 058**	1 058
Grinaker LTA Properties Proprietary Limited	South Africa	**100,00**	*****	*
Grinaker LTA Intellectual Property Proprietary Limited	South Africa	**100,00**	**15**	15
Qakazana Investment Holdings Proprietary Limited	South Africa	**100,00**	**–**	496
Richtrau 191 Proprietary Limited	South Africa	**100,00**	*****	*
Steelmetals Proprietary Limited	South Africa	**100,00**	**4**	4
Aveng Trident Steel Holdings Proprietary Limited	South Africa	**75,00**	*****	*
			2 225	2 342

All of the entities listed above are consolidated into the Group structure

** Amounts are less than R1 million.*

Aveng Australia Holdings Proprietary Limited

During the current financial year, Aveng Australia Holding Proprietary Limited issued preference shares to the Company. These preference shares were issued during September 2013 and October 2013, and amounted to R187 million and R191 million respectively.

Qakazana Investment Holdings Proprietary Limited

Qakazana Investment Holdings Proprietary Limited is an entity which was created for the purpose of facilitating the Aveng Limited BEE deal and is consolidated by the Group in accordance with *IFRS 10 – Consolidated Annual Financial Statements*.

It is considered that the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee and able to use its power to affect those returns. The preference shares and the related cumulative preference share dividend payable were redeemed on 30 June 2014 by Qakazana Investment Holdings Proprietary Limited, in cash. Aveng Limited advanced the cash to Qakazana Investment Holdings Proprietary to be able to redeem the preference shares.

Based on these facts and circumstances, management concluded that the Company controls this entity and therefore, consolidates this entity in its consolidated annual financial statements.

On 30 June 2014 the final shares in terms of the BEE share scheme were issued. Aveng Limited received 100% of the shares in Qakazana and therefore Qakazana is a wholly owned subsidiary of Aveng Limited from 30 June 2014. Aveng Limited will continue to consolidate Qakazana, as Aveng controls the entity in terms of *IFRS 10 – Consolidated Annual Financial Statements*.

During the 2012 financial year shareholders approved amendments to the terms of the 2004 BEE transaction which served to extend this structure. The final shares in terms of the amended BEE share transaction were issued on 30 June 2014. This resulted in the issued share capital of the Company increasing by 26 832 834 shares to 416 670 931 shares. Of the 26 832 834 shares issued, 8 586 507 were each allocated to the Community Investment Trust and the Aveng Empowerment Trust, and 9 659 820 to the BEE strategic partner. This concludes the arrangement for the Community Investment Trust and the BEE strategic partner.

4. Deferred taxation asset

	2014 Rm	2013 Rm
Balance at year-end comprises		
Provisions	**1**	1
Assessed losses carried forward	**10**	–
	11	1
Reconciliation of deferred taxation asset		
At the beginning of the year	**1**	–
Transfer from statement of comprehensive earnings – current year	**10**	1
Closing balance	**11**	1

Unused taxation losses

As at June 2014 the Company had unused taxation losses of R37 million (2013: Rnil) available for offset against future profits. A deferred taxation asset has been recognised in respect of R37 million (2013: Rnil) of such losses. The Company performed a five year forecast for the financial years 2015 to 2019 which is the key evidence that supports the recognition of the deferred taxation asset.

Notes to the separate annual financial statements continued

for the year ended 30 June 2014

	2014 Rm	2013 Rm
5. Amounts owing by / (to) subsidiaries		
Reconciliation of amounts owing by subsidiaries		
Opening balance	**4 901**	4 692
Current year movement	**962**	209
Balance at the end of the year	**5 863**	4 901
Reconciliation of amounts owing to subsidiaries		
Opening balance	**(95)**	(1 178)
Current year movement	**–**	1 083
Balance at the end of the year	**(95)**	(95)
Interest-bearing loans to subsidiaries	**5 823**	4 079
Non-interest bearing loans to subsidiaries	**40**	822
Non-interest bearing loans from subsidiaries	**(95)**	(95)
Net amounts owing by subsidiaries	**5 768**	4 806
Current assets	**5 863**	4 901
Current liabilities	**(95)**	(95)
Net amounts owing by subsidiaries	**5 768**	4 806

A provision for doubtful debt relating to the loan to Qakazana Investment Holdings Proprietary Limited was raised during the year. The provision was due to the entity having a negative equity balance of R500 million as at year-end.

A provision for doubtful debt relating to the loan to Aveng Management Company Proprietary Limited was raised during the year. The provision was due to the entity having a negative equity balance of R21 million as at year-end.

The total allowance for doubtful debts relating to amounts owing by subsidiaries amounted to R521 million (2013: Rnil).

Interest is charged at rates determined by the Board. These loans have no fixed terms of repayment. The loan owing from Richtrau 191 Proprietary Limited was written off during the prior year.

Refer to *note 22: Related parties.*

	2014 Rm	2013 Rm
6. Other receivables		
Other receivables	**2**	–
7. Cash and bank balances		
Cash and bank balances consist of		
Cash and bank balances	**4**	1
Bank overdraft	**–**	(60)
	4	(59)
Current assets	**4**	1
Current liabilities	**–**	(60)
	4	(59)
8. Share capital and share premium		
Authorised		
882 034 263 ordinary shares of 5 cents each	**44**	44
Issued		
Share capital (416 670 931 ordinary shares of 5 cents each)	**20**	19
Share premium	**2 319**	1 700
Stated capital	**2 339**	1 719

Notes to the separate annual financial statements continued

for the year ended 30 June 2014

	2014 Rm	2013 Rm
8. Share capital and share premium continued		
Share premium		
Opening balance	**1 700**	1 747
Purchase of 277 891 (2013: 1 342 308) treasury shares in terms of the equity-settled share-based payment plan	**(7)**	(47)
201 560 (2013: Rnil) forfeitable share plan ("FSP") shares vested during the year	**6**	–
Issue of shares to BEE consortium for no consideration	**620**	–
Balance at the end of the year	**2 319**	1 700
Shares held in terms of the equity-settled share-based payment plan		
– Number of shares	**1 418 639**	1 342 308
– Market value (Rm)	**33**	40

Reconciliation of number of shares issued	Number of shares	Number of shares
Number of shares in issue	**389 838 097**	389 838 097
Issue of shares	**26 832 834**	–
Closing balance – shares of 5 cents each	**416 670 931**	389 838 097
Less: Treasury shares held in terms of the equity-settled share-based payment plan	**(1 418 639)**	(1 342 308)
Number of shares in issue less treasury shares	**415 252 292**	388 495 789

The top ten shareholders of the Company as at 30 June 2014 are entities (or clients of these entities aggregated) listed below:	Shares	Holding
Local		
PIC	**59 764 641**	15,3%
Allan Gray Investment Council	**41 832 480**	10,7%
STANLIB Asset Management	**33 640 485**	8,6%
Momentum Asset Management	**29 664 620**	7,6 %
Dimensional Fund Advisors	**22 094 302**	5,7%
Coronation Asset Management Proprietary Limited	**20 080 622**	5,2%
Kagiso Asset Management Proprietary Limited	**17 392 410**	4,5%
Investec Asset Management	**9 913 707**	2,5%
Foreign		
SKAGEN A/S	**21 017 094**	5,4%
The Vanguard Group Inc	**10 175 914**	2,6%
	265 576 275	68,1%

	2014 Rm	2013 Rm
9. Borrowings and other liabilities		
Held at amortised cost		
Interest-bearing borrowings	**1 278**	–
Non-current liabilities		
At amortised cost	**1 250**	–
Current liabilities		
At amortised cost	**28**	–
	1 278	–

There were no secured borrowings in the current or prior period except for the Nedbank property facility.

Notes to the separate annual financial statements continued

for the year ended 30 June 2014

	2014 Rm	2013 Rm
9. Borrowings and other liabilities continued		
Interest-bearing borrowings comprise:		
Secured loans – payment profile financial		
Year		
2014*	**28**	–
2018	**1 250**	–
	1 278	–
Interest rate structure		
Fixed and variable (interest rates)		
Variable – long term – non-current	**1 250**	–
Variable – short term – current	**28**	–
	1 278	–

**The payment profile does not take cognisance of the potential impact that the convertible bond raised on 16 July 2014 may have on the settlement of the revolving credit facilities at 30 June 2014.*

Interest rate risk

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.

Interest rate risk

The following table illustrates the effect on the Company's earnings before taxation, all other factors remaining equal, of changes in the variable interest liabilities at 30 June 2014.

	2014 Rm	2013 Rm
Total variable borrowings	**1 278**	–
Effect on earnings before taxation – plus 50 basis points increase	**(6)**	–
Effect on earnings before taxation – minus 50 basis points increase	**6**	–

Description	Terms	Rate of interest	2014 Rm	2013 Rm
Revolving credit facility (ZAR)	Interest payable monthly with bullet payment payable in June 2016	3 month JIBAR + 2,75%	**1 000**	–
Revolving credit facility (ZAR)	Interest payable monthly with bullet payment payable in December 2016	3 month JIBAR +1,75%	**250**	–
Interest outstanding on interest-bearing borrowings			**28**	–
Revolving credit bridge facility (ZAR)	Interest payable monthly with bullet payment payable in December 2015	3 month JIBAR +2,75%	**–**	–
Total interest-bearing borrowings			**1 278**	–
Total borrowing facilities (includes bank overdraft facility of R950 million (2013: R750 million)			**3 388**	260
Current utilisation			**(1 278)**	(60)
Borrowing facilities available			**2 110**	200

	2014 Rm	2013 Rm
10. Other payables		
Shareholders for dividends	**9**	10
Other payables	**4**	18
	13	28

Notes to the separate annual financial statements continued

for the year ended 30 June 2014

	2014 Rm	2013 Rm
11. Dividend earnings from subsidiaries		
Earnings from investments – dividend earnings		
Subsidiaries – unlisted	–	987
Subsidiaries – preference	199	140
	199	1 127
12. Net operating (loss) / earnings		
Net operating (loss) / earnings for the year is stated after accounting for the following:		
Allowance for doubtful debt*	521	6
Auditors' remuneration – fees	2	2
** A provision for doubtful debt relating to the loan to Qakazana Investment Holdings Proprietary Limited was raised during the year. The provision was due to the entity having a negative equity balance of R500 million as at year-end. A provision for doubtful debt relating to the loan to Aveng Management Company Proprietary Limited was raised during the year. The provision was due to the entity having a negative equity balance of R21 million as at year-end.*		
13. Finance earnings		
Amounts owing by subsidiaries	57	112
Cash and bank balances	–	11
	57	123
14. Finance and transaction expenses paid		
Borrowings	80	3
15. Taxation		
Major components of the taxation expense (income)		
Current		
Local income taxation – current period	–	28
Local income taxation – recognised in current taxation for prior periods	(1)	–
	(1)	28
Deferred		
Deferred taxation – current period	(10)	(1)
	(11)	27
	%	%
Reconciliation between applicable taxation rate and effective taxation rate:		
Applicable taxation rate	28,0	28,0
Prior period adjustments	0,2	–
Exempt income	15,8	(25,8)
Disallowable charges	(40,9)	–
Effective taxation rate for the year	3,1	2,2
16. Equity-settled share-based payment		
The Company has a forfeitable share plan in place under which certain senior executives have been granted shares in the Company. A description of the plan as well as the terms and conditions relating to awards made are disclosed in the remuneration report.		
Opening balance	21	–
Equity-settled share-based payment	5	21
	26	21

Notes to the separate annual financial statements continued

for the year ended 30 June 2014

16. Equity-settled share-based payment continued

Forfeitable share plan

In terms of the Company FSP, senior executives of the Company, including executive directors, are granted shares in the Company for no consideration. The provision of shares will initially serve as a retention mechanism but can in future be used as an incentive mechanism with retention awards only made on an *ad hoc* basis as and when required. As such, there are no other performance conditions attaching to awards made to date. Vesting of the awards will be subject to the satisfaction of performance conditions measured over the performance period. These shares participate in dividends and shareholder rights from grant date. The shares are subject to forfeit if the employee leaves the employment of the Group prior to the third anniversary of the award date.

On resignation, the employee will forfeit all unvested shares. On death, retrenchment, sale of employer company, disability or retirement, only a portion of the shares will vest, calculated based on the number of months worked over the total vesting period, subject to the satisfaction of performance conditions, if any are applicable at that stage. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been cash-settled.

	Number of shares 2014	Number of shares 2013
The movements during the year were as follows:		
Opening balance	**1 342 308**	990 108
Shares granted	**277 891**	352 200
Shares vested/exercised	**(201 560)**	–
Shares forfeited	**(236 263)**	–
Shares reallocated	**236 263**	–
	1 418 639	1 342 308
Average share price (R)	**25,87**	30,90
Total value of forfeitable shares issued during the year to employees (Rm)	**5**	12
Approval	**3 930 012**	3 930 012
% issued to date	**37**	34
Available for future allocation (number of shares)	**2 511 373**	2 587 704

	2014 Rm	2013 Rm
17. Cash utilised from operations		
(Loss) / earnings before taxation	**(357)**	1 235
Adjustments for:		
Dividend earnings	**(199)**	(1 127)
Finance earnings	**(57)**	(123)
Finance and transaction expenses paid	**80**	3
Allowance for doubtful debt	**521**	–
	(12)	(12)
18. Taxation refund / (paid)		
Amounts charged to the statement of comprehensive earnings	**1**	(28)
19. Dividends paid		
Dividends declared and paid	**–**	(234)
20. Non-cash and other movements		
Movement in equity-settled share-based payment reserve	**5**	21
21. Finance and transaction expenses paid		
Finance expenses	**(80)**	(3)

Notes to the separate annual financial statements continued

for the year ended 30 June 2014

	2014 Rm	2013 Rm

22. Related parties

During the year, the Company and its subsidiaries, in the ordinary course of business, entered into various transactions.

There were no related party transactions with directors or entities in which the directors have a material interest.

	2014 Rm	2013 Rm
Related party balances		
Net indebtedness due by / (to) subsidiaries		
Aveng Management Company Proprietary Limited	**199**	220
Aveng (Africa) Proprietary Limited	**4 871**	3 834
Qakazana Investment Holdings Proprietary Limited*	**793**	631
Steelmetals Proprietary Limited	**(47)**	(47)
Aveng Trident Steel Holdings Proprietary Limited	**–**	216
Aveng Limited Share Purchase Trust*	**(48)**	(48)
	5 768	4 806
Related party transactions		
Finance earnings		
Aveng (Africa) Proprietary Limited	**52**	105
Aveng Trident Steel Holdings Proprietary Limited	**5**	7
	57	112
Dividend earnings		
Aveng (Africa) Proprietary Limited	**–**	33
Qakazana Investment Holdings Proprietary Limited*	**166**	140
Steelmetals Proprietary Limited	**33**	41
Aveng Trident Steel Holdings Proprietary Limited	**–**	913
	199	1 127

**Structured entity.*

23. Contingent liabilities

Contingent liabilities at reporting date, not otherwise provided for in the annual financial statements, arising from:

	2014	2013
Parent Company guarantees issued in:		
– South Africa and Rest of Africa (ZARm)	**630**	630
– Australasia and Asia (AUDm)	**4 149**	3 838

Contract performance guarantees issued by the parent company on behalf of its group companies are calculated either on the basis of all or part of the contract sum of each respective assignment, depending on the terms of the agreement, without being offset against amounts received as compensation from the customer.

24. Risk management

The Company is exposed to credit, liquidity and interest rate risks. In order to manage these risks, the Company may enter into transactions which make use of the financial instruments. The Company has developed a risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures.

The Company utilises the following financial instruments:

Capital risk management

The primary objective of the Company's capital management policy is to ensure that the Company maintains a strong credit rating and healthy capital ratios in order to support its business.

The Company manages its capital structure and makes adjustments to it in response to changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2013 and 30 June 2014.

Company includes within its net cash position, cash and bank balances less borrowings and other liabilities.

Capital includes equity attributable to the equity-holders of the parent of R6 719 million (2013: R7 062 million).

Notes to the separate annual financial statements continued

for the year ended 30 June 2014

24. Risk management continued

Liquidity risk

An unsecured revolving credit facility was secured for R1 billion on 15 July 2013. This facility was drawn in full as at year-end. A second unsecured revolving credit facility was secured on 11 December 2013 for R1 billion. R250 million of the second facility was drawn at year-end.

As a result of the above the Company's exposure to liquidity risk has decreased.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to the Company's debt obligations with variable interest rates. The Company's policy is to manage interest rate risk through both fixed and variable, long and short instruments.

Cash balances all carry interest at rates that vary in response to prevailing market rates in the respective geographical areas of the Company's operations.

No financial instruments are entered into to mitigate the risk of interest rates.

The sensitivity of the Company to changes in interest rates on variable rate borrowings is reflected in *note 9: Borrowings and other liabilities.*

Credit risk

The Company's only material exposure to credit risk is in its other receivables (refer to *note 6: Other receivables*), cash balances (refer to *note 7: Cash and bank balances*), and amounts due from subsidiaries (refer to *note 5: Amounts due by / (to) subsidiaries*). The maximum exposure to credit risk is set out in the respective cash and bank balances and other receivables notes.

Cash balances are all kept at rated financial institutions within a credit limit policy which is subject to regular review.

The Company's borrowings capacity is unlimited in terms of the Company's memorandum of incorporation.

Maturity profile of financial instruments

The maturity profile of the recognised financial instruments are summarised below. These profiles represent the undiscounted cash flows that are expected to occur in the future.

	Less than one year Rm	One to five years Rm	Beyond five years Rm	Total Rm
2014				
Financial liabilities				
Interest-bearing borrowings	**28**	**1 250**	**–**	**1 278**
Amounts due by / (to) subsidiaries	**95**	**–**	**–**	**95**
Other payables	**13**	**–**	**–**	**13**
	136	**1 250**	**–**	**1 386**
2013				
Financial liabilities				
Amounts due by / (to) subsidiaries	95	–	–	95
Other payables	28	–	–	28
Bank overdrafts	60	–	–	60
	183	–	–	183

25. Events after the reporting period

Convertible bond

Subsequent to 30 June 2014, the Company issued R2 billion senior unsecured convertible bonds with a tenure of five years. The offering forms part of the Company's strategy to manage its liquidity needs, diversify its funding sources and reduce its reliance on bank debt, and to position itself to take advantage of growth opportunities. The main terms of the bonds are:

- Issuer call: from the end of year three, subject to the share price being 130% of the conversion price;
- Coupon 7,25%; and
- Conversion price: 30% on the preference share price (currently R28,76, but will be adjusted downwards due to dividends declared to shareholders and customary bondholder protection clauses).

The Company will list the unsecured senior convertible bonds on the Johannesburg Stock Exchange on 29 August 2014.

The bondholders have an option to convert the bonds into fully paid Company ordinary shares. The issue of the ordinary shares required for the conversion is subject to the approval of the shareholders at a special shareholders meeting scheduled on 19 September 2014.

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