AVENG
Leaders in infrastructure





Audited consolidated annual financial statements 2015

Building a lasting legacy

Contents

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General information

Country of incorporation and domicile	South Africa	
Directors	Mr Mahomed Seedat (Chairman)	
	Mr Eric Diack	
	Mr Hendrik Jacobus Verster	
	Mr Angus Band	
	Mr Peter Erasmus	
	Ms Mavis Ann Hermanus	
	Mr Philip Hourquebie	Appointed 5 August 2015
	Mr Michael Kilbride	
	Mr Adrian Macartney	Appointed 8 September 2014
	Mr Juba Mashaba	
	Ms Thoko Mokgosi-Mwantembe	
	Ms Kholeka Mzondeki	
	Mr David Robinson	Retired 17 August 2015
	Mr Peter Ward	
Auditors	Ernst & Young Inc.	
Secretary	Michelle Nana	
Company registration number	1944/018119/06	
Level of assurance	These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 (as amended) of South Africa.	
Supervised by	The audited consolidated annual financial statements were prepared by:	
	Clare Giletti CA(SA)	
	under the supervision of:	
	Adrian Macartney CA(SA), Group Finance Director	
Published	18 August 2015	

Audit Committee report

The Audit Committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of Aveng Limited and its subsidiaries. Four audit committee meetings, and four special audit committee meetings were held during the year, at which the members fulfilled their functions as prescribed by the Companies Act 71 of 2008 (as amended) of South Africa. The Audit Committee confirms that it is satisfied with the independence of its external auditor, Ernst & Young Inc. The full report on the functions of the Audit Committee will be available on 4 September 2015 on the Group's website.

In accordance with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, the Audit Committee is required to consider the appropriateness of the expertise and experience of the Group Finance Director. In respect of this requirement and for the year under review, the committee is satisfied that Mr Adrian Macartney, the Group Finance Director, possesses the appropriate expertise and experience to fulfil his responsibilities in that position.

Statement on internal financial controls

Based on information from and discussions with management and the Group internal audit function, the Audit Committee confirms that it has no reason to believe that there were any material breakdowns in the design or operating effectiveness of internal financial controls during this financial year which have not been addressed or are not in the process of being addressed. The financial records can therefore be relied on for preparing the consolidated annual financial statements.

Statement on internal control and risk management

The risk management and internal audit functions monitor the effectiveness of internal control systems and make recommendations to management and the Audit and Risk Committees. The Board has therefore concluded, based on recommendation of the Audit Committee and their own understanding, that there is no reason to believe that there were any material internal control or risk management shortcomings during this financial year that have not been addressed or are in the process of being addressed. For further information, refer to the risk management report that will be available on the Group's website on 4 September 2015.

E Diack
Chairman
Audit Committee

14 August 2015

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 (as amended) of South Africa; and
- all such returns are true, correct and up to date.

Michelle Nana
Company secretary

17 August 2015

Directors' report

The directors submit their report for the year ended 30 June 2015.

1. Review of activities

Nature of business

The consolidated annual financial statements comprise the financial results of Aveng Limited and its subsidiaries ("the Group") at 30 June 2015. 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 ("JSE") (Listing reference: "AEG") with interests in construction, contract mining and steel beneficiation. Primary subsidiaries include Aveng (Africa) Proprietary Limited and Aveng Australia Holdings Proprietary Limited.

Group financial results

At 30 June 2015, the Group recorded a loss to equity holders of the parent for the period of R460 million (2014: loss of R381 million), representing a loss per share of 114,8 cents (2014: loss per share of 101,9 cents). Headline loss for the period was R578 million (2014: earnings of R421 million), representing headline loss per share of 144,3 cents (2014: 112,5 cents). The main reason for the variance between the loss per share and headline loss per share is the impairment of property, plant and equipment, goodwill and related intangible assets, offset by the profit on sale of subsidiary. Refer to the impairment of property, plant and equipment, goodwill and related intangible assets section below for further detail.

Full details of the financial position and performance and changes therein for the Group are set out in the consolidated financial statements on pages 10 to 125.

Impairment of goodwill, property, plant and equipment and related intangible assets

Goodwill amounting to R291 million, associated with the Built Environs business was fully impaired during the financial year. Property, plant and equipment amounting to R273 million was impaired during the financial year. Additionally an impairment charge amounting to R57 million relating to intangible assets was recognised.

Funding and liquidity

The unsecured revolving credit facilities of R2 billion secured in the prior year were undrawn at year-end.

The 18 month revolving credit bridge facility of R1 billion secured in the prior year for the purpose of supplying funding during the property sale process, was undrawn at year-end.

Short term liquidity of the company is found to be satisfactory to the Board with available facility of R4,2 billion as at 30 June 2015.

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. This initiative has enabled the Group to pursue contract claims to a positive conclusion and take advantage of growth opportunities.

Directors' report continued

1. Review of activities continued

In July 2014, the Group successfully placed 7,25% senior unsecured convertible bonds maturing on 24 July 2019 for a principal amount of R2 billion. The bonds are convertible into 69,6 million Aveng Limited shares at the holder's option based on a conversion price of R28,76 subject to shareholders' approval, which was received on 19 September 2014. The Group has the option to call the bonds at par plus accrued interest at any time on or after 7 August 2017 up to 20 consecutive dealing days before the redemption date, if the aggregate value of the underlying shares per bond for a specified period of time is 130% of the conversion price.

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 are listed on the JSE. Refer to *note 25* for additional information.

Black economic empowerment (BEE) transaction

The Community Investment Trust and the Aveng Empowerment Trust continue to hold 8 586 507 shares in the Group respectively, and 9 659 820 shares are held by the BEE strategic partner.

8 586 593 Aveng treasury shares were lent to Investec Private Bank Limited ("Investec") by Aveng Management Company Proprietary Limited in terms of a scrip lending agreement. These shares were returned to the Group by Investec on 16 February 2015. The shares allocated to the Aveng Empowerment Trust on 30 June 2014 were used to discharge its obligation to Investec. The scrip lending shares held by Aveng Management Company Proprietary Limited continue to be regarded as treasury shares for accounting purposes in these consolidated financial statements and are therefore eliminated in the Group's results.

Unconsolidated structured entities

The Group has the following structured entities which are not consolidated:

Community Investment Trust
The trust makes donations to public benefit organisations involved in technical and business education as well as job creation initiatives aligned to the broader building and construction industry.

Empowerment Trust
The trust was formed for the benefit of employees. Trustees allocate units in the Empowerment Trust to employees to recognise their contributions to the development of the Group.

Capital expenditure

Capital expenditure of R876 million for the year (2014: R1,2 billion) related to R175 million (2014: R384 million) of expansion investment and R649 million (2014: R677 million) replacement investment in property, plant and equipment, and R52 million (2014: R176 million) investment in intangible assets. Net book value of property, plant and equipment disposed amounted to R(328) million (2014: R(190) million). During the current year, the Group disposed of intangible assets that were fully depreciated. There were no disposals relating to intangible assets during the previous year.

Queensland Curtis Liquefied Natural Gas ("QCLNG") contract

During July 2014, McConnell Dowell repaid AUD30 million (R301 million) of the advance payments received from the client for the QCLNG export gas pipeline contract. The outstanding amount of AUD112,5 million (R1 055 million) has no certain settlement date.

Directors' report continued

2. Major business acquisitions and disposals of assets

Business restructuring

Effective from 1 July 2014, management responsibility for Aveng Engineering will lie with Aveng Grinaker-LTA. The change in reporting structure enhances the Group's competitive advantage in the renewable power and water markets, which is expected to grow over the next few years. There will be no change in the segment reports as both operating groups fall within the same segment.

Electrix disposal

McConnell Dowell disposed of its shares in Electrix on 31 October 2014 for R1,3 billion. The profit on sale of this subsidiary (treated as a disposal group) amounted to R777 million before taxation. This had a result of improving debt and providing liquidity to McConnell Dowell. Refer to *note 7*.

Business acquisitions

Dynamic Fluid Control Proprietary Limited, a wholly-owned subsidiary of Aveng (Africa) Proprietary Limited, acquired 100% of the equity and voting rights of Atval Proprietary Limited ("Atval") effective from 1 July 2014. Atval was established in 1985 and is a leading South African manufacturer of high pressure knife-gate valves with 25 years of proven experience in the South African market. The company primarily focuses on high-pressure pinch valves that are extensively used in mineral processing, particularly abrasive tailings pipe lines, with annuity income generated from maintenance of valve sleeve linings.

Disposal of non-core assets

During the previous financial year, the Group made a decision to dispose of non-core properties. These properties were classified as non-current assets held-for-sale and will be sold as a single portfolio of land and buildings. The sale of the portfolio of properties is imminent and the Competition Commission approval has been received. Refer to *note 23.*

These properties continue to meet the definition of a disposal group. As at year-end, the Group had a binding agreement with Imbali Props 21 Proprietary Limited, an entity of the Collins Property Group for approximately R1,2 billion. The Group will retain a 30% interest in Dimopoint Proprietary Limited, a special purpose vehicle created for the purpose of holding the non-core properties and which is currently wholly owned by Aveng (Africa) Proprietary Limited. The Group remains committed to this transaction and the Competition Commission approval has been received.

Once the sale is concluded, the intention of management is to lease back these properties. It is unlikely that the lease period will be for the majority of their useful lives. These leases will be classified as operating leases in terms of *IAS 17 Leases.*

3. Events after the reporting period

The non-core properties have been classified as non-current assets held-for-sale. Refer to *note 23: Non-current assets held-for-sale* of the consolidated financial statements. The competition compliance approval has been obtained for this transaction and all necessary documents have been signed after year-end. All conditions precedent have been met after year-end and therefore the disposal transaction is substantially complete.

As part of this transaction the Group will have committed lease payments for these properties after the disposal.

Directors' report continued

4. Share capital and share premium

Details pertaining to the authorised and issued share capital of the Company at 30 June 2015 are contained in *note 24* of the consolidated annual financial statements.

5. 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 will be eligible for re-election:

- Mr Angus Band;
- Mr Juba Mashaba;
- Mr Mahomed Seedat;
- Mr Michael Kilbride; and
- Mr Philip Hourquebie.

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

Name	Changes
Mr Adrian Macartney	Appointed 8 September 2014
Mr Philip Hourquebie	Appointed 5 August 2015
Mr David Robinson	Retired 17 August 2015

Details of the directors' remuneration and interests are set out in *note 48: Directors' emoluments and interests* of the consolidated annual financial statements.

6. Dividends

No dividends were declared for the current or prior period.

7. 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 Group's auditors for the 2016 financial year.

8. Shareholders

The following information will be available on 4 September 2015 on the Group's website:

- shareholders' diary;
- an analysis of shareholders including shares held by directors; and
- notice of Annual General Meeting.

9. Directors' responsibility relating to the consolidated 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 consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period ended 30 June 2015.

The consolidated 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")

Directors' report continued

Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act 71 of 2008 (as amended) 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 Group and place considerable importance on maintaining a strong control environment. These controls are designed to provide reasonable, but not absolute assurance, as to the reliability of financial records and the consolidated annual financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatements and losses.

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 which are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group 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 Group's cash flow forecast for the year ended 30 June 2016 and in light of this review and the current financial position, are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the consolidated annual financial statements are prepared on a going-concern basis.

The external auditors are responsible for independently reviewing and reporting on the Group's consolidated annual financial statements. Their unmodified report to the shareholders of the company is set out on page 9.

Approval of consolidated annual financial statements

The consolidated annual financial statements of the Group for the year ended 30 June 2015 set out on pages 10 to 125, which have been prepared on the going-concern basis, were approved by the Board of directors on 17 August 2015 and were signed on its behalf by:

HJ Verster Chief Executive Officer	**AH Macartney** Group Finance Director

Report of the independent auditors

for the year ended 30 June 2015

To the shareholders of Aveng Limited

Report on the Consolidated and Separate Financial Statements

We have audited the consolidated and separate financial statements of Aveng Limited set out on pages 10 to 125, which comprise the statements of financial position as at 30 June 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated and Separate 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 auditors' 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 controls 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 Aveng Limited as at 30 June 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2015, 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 – Louis Pieter van Breda
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Sandton
Johannesburg

17 August 2015

Statement of financial position

as at 30 June 2015

	Notes	2015 Rm	2014 Rm
Assets			
Non-current assets			
Investment property	9	**–**	86
Goodwill arising on consolidation	10.2 / 12	**342**	663
Intangible assets	10.1 / 13	**339**	321
Property, plant and equipment	10.1 / 11	**5 626**	6 346
Equity-accounted investments	14	**151**	306
Infrastructure investments	15	**778**	–
Financial investments*	16	**–**	190
Deferred taxation	17	**1 580**	1 403
Derivative instruments*	18	**6**	**
Amounts due from contract customers	19	**900**	2 946
		9 722	12 261
Current assets			
Inventories	21	**2 529**	2 793
Derivative instruments*	18	**35**	1
Amounts due from contract customers	19	**9 394**	8 405
Trade and other receivables	20	**2 424**	2 785
Cash and bank balances	22	**2 856**	4 136
		17 238	18 120
Non-current assets held-for-sale	23	**559**	607
Total assets		**27 519**	30 988
Equity and liabilities			
Equity			
Share capital and share premium	24	**2 023**	2 008
Other reserves*		**1 162**	1 127
Retained earnings*		**9 790**	10 250
Equity attributable to equity-holders of parent		**12 975**	13 385
Non-controlling interest		**23**	11
Total equity		**12 998**	13 396
Liabilities			
Non-current liabilities			
Deferred taxation	17	**221**	257
Borrowings and other liabilities	25	**2 037**	2 303
Payables other than contract-related	26	**–**	102
Employee-related payables	28	**468**	682
Derivative instruments*	18	**–**	3
		2 726	3 347
Current liabilities			
Amounts due to contract customers	19	**2 562**	2 677
Borrowings and other liabilities	25	**426**	564
Payables other than contract-related	26	**102**	95
Employee-related payables	28	**648**	893
Derivative instruments*	18	**2**	60
Trade and other payables*	27	**7 961**	9 743
Taxation payable	44	**94**	213
		11 795	14 245
Total liabilities		**14 521**	17 592
Total equity and liabilities		**27 519**	30 988

* *Comparatives have been amended as detailed in note 2: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

** *Less than R1 million.*

Statement of comprehensive earnings

for the year ended 30 June 2015

	Notes	2015 Rm	2014 Rm
Revenue	32	**43 930**	52 959
Cost of sales*	33	**(41 566)**	(49 324)
Gross earnings		**2 364**	3 635
Other earnings*	34	**471**	302
Operating expenses*	35	**(3 063)**	(3 171)
(Loss) / earnings from equity-accounted investments	14	**(60)**	33
Net operating (loss) / earnings		**(288)**	799
Impairment / loss with derecognition of property, plant and equipment and intangible assets	11 / 13	**(330)**	(15)
Impairment of goodwill arising on consolidation	12	**(291)**	(816)
Profit on sale of subsidiary	7	**777**	–
Earnings / (loss) before financing transactions		**(132)**	(32)
Finance earnings	36	**177**	136
Interest on convertible bonds	25	**(167)**	–
Other finance expenses	37	**(316)**	(319)
Loss before taxation		**(438)**	(215)
Taxation	38	**(80)**	(161)
Loss for the period		**(518)**	(376)
Other comprehensive earnings			
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
Exchange differences on translating foreign operations		**(372)**	402
Available-for-sale fair value reserve		**–**	93
Other comprehensive loss released / (recognised) from equity-accounted investments		**28**	(28)
Other comprehensive (loss) / earnings for the period, net of taxation		**(344)**	467
Total comprehensive (loss) / earnings for the period		**(862)**	91
Total comprehensive (loss) / earnings for the period attributable to:			
Equity-holders of the parent		**(804)**	86
Non-controlling interest		**(58)**	5
		(862)	91
Loss for the period attributable to:			
Equity-holders of the parent		**(460)**	(381)
Non-controlling interest		**(58)**	5
		(518)	(376)
Other comprehensive earnings for the period, net of taxation			
Equity-holders of the parent		**(344)**	467
Results per share (cents)			
Loss – basic	39	**(114,8)**	(101,9)
Loss – diluted	39	**(114,4)**	(94,8)
Headline (loss) / earnings – basic		**(144,3)**	112,5
Headline (loss) / earnings – diluted		**(143,8)**	104,7
Number of shares (millions)			
In issue	39	**416,7**	416,7
Weighted average	39	**400,6**	374,0
Diluted weighted average	39	**402,1**	402,1

* *Comparatives have been amended as detailed in note 2: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

EBITDA for the Group, being net operating earnings before interest, tax, depreciation and amortisation is R662 million (June 2014: R1 708 million).

Statement of changes in equity
for the year ended 30 June 2015

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency translation reserve Rm	Available-for-sale fair value reserve* Rm	Equity-accounted investments reserve Rm	Equity-settled share-based payment reserve Rm	Convertible bond equity reserve Rm	Total other reserves* Rm	Retained earnings* Rm	Total attributable to equity holders of the parent* Rm	Non-controlling interest Rm	Total equity Rm
Balance at 1 July 2013	19	1 369	1 388	727	–	–	21	–	748	11 159	13 295	12	13 307
Loss for the period	–	–	–	–	–	–	–	–	–	(381)	(381)	5	(376)
Other comprehensive earnings for the period (net of taxation)	–	–	–	402	93	(28)	–	–	467	–	467	–	467
Adoption of IFRS 9 accounting standard	–	–	–	–	(93)	–	–	–	(93)	93	–	–	–
Total comprehensive earnings for the period	–	–	–	402	–	(28)	–	–	374	(288)	86	5	91
Movement in treasury shares	–	(1)	(1)	–	–	–	–	–	–	–	(1)	–	(1)
Equity-settled share-based payment charge	–	–	–	–	–	–	5	–	5	–	5	–	5
Issue of shares to BEE consortium	1	620	621	–	–	–	–	–	–	(621)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
Total contributions and distributions recognised	1	619	620	–	–	–	5	–	5	(621)	4	(6)	(2)
Balance at 1 July 2014 as restated	**20**	**1 988**	**2 008**	**1 129**	**–**	**(28)**	**26**	**–**	**1 127**	**10 250**	**13 385**	**11**	**13 396**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(460)**	**(460)**	**(58)**	**(518)**
Other comprehensive loss for the period (net of taxation)	**–**	**–**	**–**	**(372)**	**–**	**28**	**–**	**–**	**(344)**	**–**	**(344)**	**–**	**(344)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(372)**	**–**	**28**	**–**	**–**	**(344)**	**(460)**	**(804)**	**(58)**	**(862)**
Movement in treasury shares	**–**	**15**	**15**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15**	**–**	**15**
Equity-settled share-based payment charge	**–**	**–**	**–**	**–**	**–**	**–**	**(11)**	**–**	**(11)**	**–**	**(11)**	**–**	**(11)**
Transfer of convertible bond option to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**402**	**402**	**–**	**402**	**–**	**402**
Deferred transaction costs allocated to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**	**–**	**(12)**	**–**	**(12)**
Increase in equity investment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**76**	**76**
Foreign currency translation movement	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
Total contribution and distributions recognised	**–**	**15**	**15**	**–**	**–**	**–**	**(11)**	**390**	**379**	**–**	**394**	**70**	**464**
Balance at 30 June 2015	**20**	**2 003**	**2 023**	**757**	**–**	**–**	**15**	**390**	**1 162**	**9 790**	**12 975**	**23**	**12 998**
Note	**24**	**24**	**24**										

** Comparatives have been amended as detailed in note 2: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

Statement of cash flows
for the year ended 30 June 2015

	Notes	2015 Rm	2014 Rm
Operating activities			
Cash retained / (utilised) from operations	40	**(92)**	(98)
Depreciation	11	**929**	881
Amortisation	13	**21**	28
Non-cash and other movements	41	**(457)**	549
Cash generated by operations		**401**	1 360
Changes in working capital:			
Decrease / (increase) in inventories		**201**	(13)
Decrease / (increase) in amounts due from contract customers		**547**	(2 094)
Decrease / (increase) in trade and other receivables		**357**	(12)
(Decrease) / increase in amounts due to contract customers		**(43)**	310
(Decrease) / increase in trade and other payables		**(1 953)**	693
(Decrease) / increase in derivative instruments		**(101)**	62
Decrease in payables other than contract-related		**(102)**	(102)
Decrease in employee-related payables		**(258)**	(106)
Total changes in working capital		**(1 352)**	(1 262)
Cash (utilised) / generated by operating activities		**(951)**	98
Finance expenses paid	42	**(361)**	(283)
Finance earnings received	43	**174**	127
Taxation paid	44	**(397)**	(252)
Cash outflow from operating activities		**(1 535)**	(310)
Investing activities			
Property, plant and equipment purchased			
– expansion	11	**(175)**	(384)
– replacement	11	**(649)**	(677)
Proceeds on disposal of property, plant and equipment		**245**	256
Proceeds on disposal of investment property		**97**	–
Acquisition of intangible assets	13	**(52)**	(176)
Capital expenditure net of proceeds on disposal		**(534)**	(981)
Loans advanced to equity-accounted investments net of dividends received		**(68)**	(140)
Proceeds on disposal of equity-accounted investments		**5**	
Loans advanced to infrastructure investment companies		**(208)**	–
Acquisition of subsidiary (net of cash acquired)		**(23)**	–
Net proceeds on disposal of subsidiary		**1 314**	–
Dividend earnings		**22**	33
Cash inflow / (outflow) from investing activities		**508**	(1 088)
Operating free cash outflow		**(1 027)**	(1 398)
Financing activities with equity-holders			
Shares repurchased	24	**(7)**	(7)
Loans advanced by non-controlling interest		**76**	–
Dividends paid	45	**(7)**	(6)
Financing activities with debt-holders			
Proceeds from convertible bonds		**1 947**	–
(Repayment) / proceeds from borrowings raised		**(2 066)**	1 336
Net decrease in cash and bank balances before foreign exchange movements		**(1 084)**	(75)
Foreign exchange movements on cash and bank balances		**(196)**	314
Cash and bank balances at the beginning of the period		**4 136**	3 897
Total cash and bank balances at the end of the period	22	**2 856**	4 136
Borrowings excluding bank overdrafts		**2 463**	2 867
Net cash position		**393**	1 269

Accounting policies

for the year ended 30 June 2015

1. Presentation of consolidated financial statements

The accounting policies below are applied throughout the consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at fair value.

The consolidated financial statements are presented in South African Rand ("ZAR") and all values are rounded to the nearest million ("Rm") except when otherwise indicated. The accounting policies adopted are consistent with those of the previous year as well as the Group's interim results as at 31 December 2014, except as disclosed in *note 2: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

Assessment of significance or materiality of amounts disclosed in these consolidated financial statements

The Group presents amounts in these consolidated financial statements in accordance with *International Financial Reporting Standards ("IFRS").* Only amounts that have a relevant and material impact on the consolidated financial statements have been separately disclosed. The assessment of significant or material amounts is determined by taking into account the qualitative and quantitative factors attached to each transaction or balance that is assessed.

Statement of compliance

The consolidated financial statements of Aveng Limited and its subsidiaries have been prepared on a going concern basis in accordance with the *IFRS* as issued by 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, the Johannesburg Stock Exchange Limited ("JSE") Listings Requirements, and the requirements of the Companies Act No 71 of 2008 (as amended) of South Africa.

South African infrastructure investments

With effect from 1 July 2014, the concessions and property-related activities of the Group were reorganised to fall within Aveng Capital Partners ("ACP"). All future infrastructure and real estate investments will be managed by ACP. This business unit has been determined to be operating as a venture capital organisation, such that the investments managed by ACP have been reclassified as financial assets at fair value through profit or loss. This includes investments in associates and joint ventures that would otherwise have been equity-accounted. The 10,9% investment in the N3 Toll Concession (RF) Proprietary Limited has been classified as a financial investment at fair value through profit or loss as a result of the early adoption of *IFRS 9 Financial Instruments.* In future such investments will be designated as at fair value through profit or loss upon initial recognition. For the year ended 30 June 2015, fair value remeasurements of R185 million have been recognised in earnings. These remeasurements have been included in headline earnings.

ACP is included in the *Construction and Engineering: South Africa and rest of Africa* segment. Refer to *note 15: Infrastructure investments* for further information.

Accounting policies continued

for the year ended 30 June 2015

2. New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications

	Notes	Balance as previously reported Rm	2.2 Early adoption of *IFRS 9* Rm	2.3.1 Derivative instruments split Rm	**Restated balance Rm**
Statement of financial position as at 30 June 2014					
ASSETS					
Non-current assets					
Available-for-sale investments	16	190	(190)	–	**–**
Financial investments	16	–	190	–	**190**
Derivative instruments	18	–	–	*	*****
Current assets					
Derivative instruments	18	–	–	1	**1**
EQUITY AND LIABILITIES					
Equity					
Other reserves		1 220	(93)	–	**1 127**
Retained earnings		10 157	93	–	**10 250**
Liabilities					
Non-current liabilities					
Derivative instruments	18	–	–	3	**3**
Current liabilities					
Derivative instruments	18	–	–	60	**60**
Trade and other payables	27	9 805	–	(62)	**9 743**

** Amounts less than R1 million.*

	Notes	Balance as previously reported Rm	2.3.2 Re-allocation of fair value Rm	2.3.3 Re-allocation of dividends Rm	2.3.4 Split of impairment Rm	2.3.5 Re-allocation of operating expenses Rm	**Restated balance Rm**
Statement of comprehensive earnings for the twelve months ended 30 June 2014							
Cost of sales	33	(49 122)	–	–	–	(202)	**(49 324)**
Gross earnings		3 837	–	–	–	(202)	**3 635**
Other earnings	34	254	15	33	–	–	**302**
Operating expenses	35	(3 373)	–	–	–	202	**(3 171)**
Share of dividend earnings from financial investments		33	–	(33)	–	–	**–**
Net operating earnings		784	15	–	–	–	**799**
Impairment of non-financial assets		(831)	–	–	831	–	**–**
Impairment of property, plant and equipment and intangibles	10.1	–	–	–	(15)	–	**(15)**
Impairment of goodwill arising on consolidation	10.2	–	–	–	(816)	–	**(816)**
Fair value adjustments		15	(15)	–	–	–	**–**

Accounting policies continued

for the year ended 30 June 2015

2. New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications continued

	Balance as previously reported Rm	2.3.1 Derivative instruments split Rm	2.3.2 Re-allocation of fair value Rm	2.3.6 Segment re-allocation Rm	**Restated balance Rm**
Segmental report as at 30 June 2014					
Total assets					
Construction and Engineering: South Africa and the rest of Africa	4 546	–	–	522	**5 068**
Construction and Engineering: Australasia and Asia	13 340	–	–	–	**13 340**
Mining	4 848	–	–	–	**4 848**
Manufacturing and Processing	7 029	–	–	–	**7 029**
Other and Eliminations	1 224	1	–	(522)	**703**
	30 987	1	–	–	**30 988**
Total liabilities					
Construction and Engineering: South Africa and the rest of Africa	2 450	–	–	114	**2 564**
Construction and Engineering: Australasia and Asia	8 623	–	–	–	**8 623**
Mining	2 244	–	–	–	**2 244**
Manufacturing and Processing	2 589	–	–	–	**2 589**
Other and Eliminations	1 685	1	–	(114)	**1 572**
	17 591	1	–	–	**17 592**
Segmental report for the year ended 30 June 2014					
Net operating earnings					
Construction and Engineering: South Africa and the rest of Africa	(566)	–	–	132	**(434)**
Construction and Engineering: Australasia and Asia	271	–	–	–	**271**
Mining	529	–	–	–	**529**
Manufacturing and Processing	364	–	–	–	**364**
Other and Eliminations	186	–	15	(132)	**69**
	784	–	15	–	**799**

2.1 Standards and interpretations effective and adopted in the current year

In the current period, the Group has adopted the following standards and interpretations that are effective for the current financial year or may be early adopted and that are relevant to its operations.

Standard	Description	Matter	Impact
IFRS 9 (2010)	*Financial Instruments*	*IFRS 9 (2010) provides guidance on the classification and measurement of financial assets and financial liabilities.*	Refer to *note 2.2* and *note 3.17.*

Accounting policies continued
for the year ended 30 June 2015

2. New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications continued

2.2 Change in accounting policy – Financial instruments (early adoption of IFRS 9 (2010))

The Group early adopted *IFRS 9 (2010)* with a date of initial application of 1 July 2014.

As a result the Group has classified its debt type financial assets as subsequently measured at either amortised cost or fair value through profit or loss, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. In accordance with the transitional provisions of *IFRS 9 (2010),* the Group has classified the financial assets held at 1 July 2014 retrospectively based on the facts and circumstances of the business model in which the financial assets were held at that date.

As a result of *IFRS 9 (2010),* R114 million (R93 million net of tax) was reclassified at 1 July 2014 from the fair value reserve to retained earnings, because the investments were reclassified from available-for-sale investments to financial assets measured at fair value through profit or loss.

Changes in accounting policies resulting from the adoption of *IFRS 9 (2010)* have been applied by restating opening retained earnings.

Because the Group does not have any financial liabilities designated at fair value through profit or loss or embedded derivatives at year-end, the adoption of *IFRS 9 (2010)* did not impact the Group's accounting policy for financial liabilities and derivative financial instruments.

The provisions of *IFRS 9 (2010)* have not been applied to financial assets and financial liabilities derecognised before 1 July 2014.

The change in accounting policy had no impact on basic and diluted earnings per share for the period.

Classification of financial assets on date of initial application

The following table summarises the transitional classification and measurement adjustments to the Group's financial assets on 1 July 2014, the Group's date of initial application. In addition, the table sets out the measurement adjustments, which were recognised as an adjustment to the opening equity as at 1 July 2014:

			2015		2014	
	Original classification under IAS 39	New classification under IFRS 9	**Original carrying amount under IAS 39 Rm**	**New carrying amount under IFRS 9 Rm**	Original carrying amount under IAS 39 Rm	New carrying amount under IFRS 9 Rm
Financial investments	Available-for-sale	Fair value	**190***	**190***	190	190
Trade and other receivables	Amortised cost	Amortised cost	**2 424**	**2 424**	2 785	2 785
Amounts due from contract customers	Amortised cost	Amortised cost	**10 294**	**10 294**	11 351	11 351
Cash and bank balances	Amortised cost	Amortised cost	**2 856**	**2 856**	4 136	4 136

** With effect from 1 July 2014, financial investments were transferred to infrastructure investments. The balance as at 30 June 2015 was Rnil.*

The Group's accounting policies on classification of financial instruments under *IFRS 9 (2010)* is set out in *note 3.17.* Application of these policies resulted in reclassifications, which are set out in the table above and explained further below:

- Under *IFRS 9,* all equity instruments other than those for which the fair value through other comprehensive earnings option is selected are measured at fair value through profit or loss. Prior to the adoption of *IFRS 9 (2010),* all equity instruments not held for trading were classified as available-for-sale equity investments.

The Group has elected to early adopt *IFRS 9 (2010),* with a date of initial application of 1 July 2014, which is the beginning of the reporting period. As the impairment and hedge accounting requirements of *IFRS 9 (2014)* have not been adopted, no restatements were made relating to these topics.

For more information and details on the new classification see *note 3.17: Financial instruments.*

Accounting policies continued

for the year ended 30 June 2015

2. New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications continued

2.3 Other reclassifications affecting comparative figures

As part of the Group's financial reporting improvement initiatives, the structure, format and presentation of disclosures in the financial statements were reviewed. This resulted in the reallocation of certain comparative amounts. This initiative is an ongoing programme targeting the most appropriate disclosure and presentation practices to best serve the interests of the Group's stakeholders based on interaction with them during the period.

The resulting reallocations had no impact on the earnings of the Group and as such the reallocations are regarded as not having had a qualitatively significant effect on the information presented.

2.3.1 **Derivatives instruments** of R62 million was reclassified from *trade and other payables* to a separately disclosed line item.

2.3.2 **Fair value adjustments** on *investment property* of R15 million were combined with *other earnings*.

2.3.3 **Share of dividend earnings from financial investments** of R33 million was combined with *other earnings.*

2.3.4 **Impairment of non-financial assets** in June 2014 of R831 million was reclassified to separately disclosable line items. The amount reclassified was presented according to the nature, namely *impairment of property, plant and equipment and intangible assets* of R15 million and *goodwill arising on consolidation* amounting to R816 million.

2.3.5 **Operating expenses** of R202 million was reallocated to cost of sales to more accurately allocate overheads to cost of sales.

2.3.6 **Aveng Capital Partners** was reallocated from the *Other and Eliminations* segment to *Construction and Engineering: South Africa and rest of Africa.* The adjustments accurately reflect the value chain inherent in the *Construction and Engineering: South Africa and rest of Africa* business model.

Impact of change in disclosure

The impact of new standards and interpretations adopted retrospectively as well as other reclassifications were not considered significant on the statement of financial position at 1 July 2013 and accordingly, a third statement of financial position is not presented.

3. Accounting policies

3.1 Basis of consolidation

i. Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects to measure the non-controlling interests in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of *IFRS 9*, it is measured in accordance with the appropriate *IFRS*. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.1 Basis of consolidation continued

ii. Common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the Group both before and after the combination. The Group accounts for these common control transactions using book value. Any difference between the consideration paid and the capital of the acquiree is recognised in retained earnings.

iii. Subsidiaries

The results of any subsidiaries acquired or disposed of during the year are included from the effective dates of acquisition and up to the effective dates of disposal respectively, being the dates on which the Group obtains or ceases to have control. Control is achieved when the Group has power over the investee and 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. The Group reassesses 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.

iv. Non-controlling interests ("NCI")

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

The Group does not have subsidiaries that have a significant non-controlling interest and accordingly detailed non-controlling interests disclosure is not required in terms of *IFRS 12 Disclosure of Interests in Other Entities* in the current year. Refer to the assessment of significance or materiality of amounts disclosed in these consolidated financial statements.

v. Loss of control

If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any gain or loss is recognised in earnings or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

vi. Equity-accounted investments

Equity-accounted investments consist of investments in associates and joint ventures.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of more than 20% of the voting rights.

Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about relevant activities require unanimous consent of the parties sharing control. The Group's interests in joint arrangements are either classified as joint operations or joint ventures.

A joint operation is a joint arrangement whereby the Group has rights to the assets and obligations for the liabilities, relating to the joint arrangement. The joint operators have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangements require unanimous agreement for financial and operating decisions among the joint operators. The Group recognises its interest in a joint operation by recognising its interest in the assets and liabilities of the joint operation as well as its share in the expenses that it incurs and its share of the earnings that it earns from the sale of goods or services by the joint operation.

A joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the earnings or loss and other comprehensive earnings of the associates and joint ventures, until the date significant influence or control ceases.

When the Group's share of losses in associates or joint ventures equals or exceeds its interest in that entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. The total carrying amount of associates and joint ventures is evaluated when there is an indication of impairment.

The Group's interests in associates and joint arrangements are considered individually immaterial based on their contribution to the Group and accordingly disclosures are aggregated separately for associates and joint arrangements based on their risk profiles and characteristics in relation to their activities and association to the Group.

Accounting policies continued
for the year ended 30 June 2015

3. Accounting policies continued

3.1 Basis of consolidation continued

vii. Transactions eliminated on consolidation

When the end of the reporting period of a subsidiary, associate or joint arrangement is different to that of the Group, the subsidiary, associate or joint arrangement prepares, for consolidation purposes, additional financial statements as at 30 June. When it is impractical for the subsidiary, associate or joint arrangement to prepare additional financial statements as at 30 June, adjustments are made for the effects of significant transactions that occur between the subsidiary, associate or joint arrangement and the Group's reporting date.

Should a subsidiary, associate or joint arrangement apply accounting policies that are materially different to those adopted by the Group, adjustments are made to the financial statements to align the accounting policies.

All inter-group transactions and balances are eliminated on consolidation. Unrealised earnings or losses are also eliminated, unless it reflects impairment in the assets so disposed.

3.2 Foreign currency transactions and balances

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

Transactions denominated in foreign currencies are initially translated at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the ZAR rate of exchange ruling at the reporting date. All differences are taken to earnings with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognised in other comprehensive earnings and accumulated as a separate component in equity until disposal of the net investment, at which time they are recognised through other comprehensive earnings. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive earnings.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the ZAR rate of exchange ruling on the later of acquisition or revaluation dates. Gains or losses on translation are credited or charged against earnings.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group (ZAR) at the rate of exchange ruling at the reporting date. The income and expenses of foreign operations are translated at the average exchange rates for the year. Equity is stated at historical rates.

Foreign currency differences arising on the translation are recognised in other comprehensive earnings and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is reclassified from other comprehensive earnings to earnings.

3.3 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, identified as the executive committee, monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating earnings and is measured consistently with operating earnings in the consolidated financial statements.

The Group financing (including finance earnings) and income taxes *are allocated to operating segments (*refer to *note 8: Segmental information).*

Revenue and expenses are attributed directly to the segments to which they relate. Segment assets include all operating assets used by a segment, and consist principally of property, plant and equipment, trade and other receivables and amounts due from contract customers. Segment liabilities include all operating liabilities and consist principally of trade and other payables and amounts due to contract customers.

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.4 Investment property

Initially, investment properties are measured at cost including all transaction expenses. Subsequent to initial recognition, investment properties are measured at fair value with gains and losses arising from changes in the fair value of the investment property is recognised in earnings or loss in the period in which it arises.

Investment properties are derecognised when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is subsequently included in earnings in the period in which the property is derecognised.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Land is not depreciated.

Buildings and other items of property, plant and equipment are depreciated on a straight-line basis over their useful lives to an estimated residual value. Where significant components of an item have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to earnings or loss during the reporting period in which they are incurred. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to be realised from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in earnings or loss in the year in which the item is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Item	Depreciation % / period
Buildings	2%
Leasehold property	Shorter of lease period and asset's useful life
Plant and machinery	5% to 33%
Furniture and fixtures	10% to 33%
Motor vehicles	10% to 33%
Office equipment	10% to 33%

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.6 Intangible assets

Recognition and measurement

Intangible asset	Accounting treatment
Trademarks and brand names	Following initial recognition at cost, trademark and brand names are measured at cost less accumulated amortisation and accumulated impairment losses. Trademarks and brand names with indefinite useful lives are not amortised and are measured at cost less accumulated impairment losses. Internally developed trademark expenses are written off as and when incurred.
Computer software	Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment. Internally developed computer software expenses are only capitalised when such costs are clearly associated with the development and production of identifiable and unique software products controlled by the Group, and will probably generate economic benefits exceeding one year.
Other intangible assets	Other intangible assets include customer lists and know-how acquired through business combinations. Following initial recognition, such assets are measured at cost less accumulated amortisation and accumulated impairment.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using a straight-line method over their estimated useful lives, and is generally recognised in earnings or loss.

The estimated useful lives for current and comparative periods are as follows:

Item	Amortisation rate
Brand names with definite useful lives	5% – 10%
Know-how	20%
Customer lists	5% – 20%
Computer software	10% – 33%

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to be realised from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in earnings when the asset is derecognised.

3.7 Impairment of property, plant and equipment, intangible assets and goodwill arising on consolidation

The Group assesses, at each reporting date, whether there is an indication that a non-financial asset (other than inventories and deferred tax assets) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive earnings in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive earnings unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.8 Inventories

Inventories comprise raw materials, consumable stores, work-in-progress, and finished goods. Inventories are valued at the lower of cost and net realisable value generally determined on the first-in first-out *("FIFO")* basis, standard costing and weighted average in respect of certain stock categories. The cost of manufactured goods and work-in-progress, in addition to direct materials and labour, include a proportion of production overheads based on normal operating capacity and the appropriate stage of completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

3.9 Share capital and share premium

Treasury shares

Treasury shares comprise of shares in Aveng Limited held by the Aveng Limited Share Purchase Trust and by Aveng Management Company Proprietary Limited, and shares in terms of the forfeitable share plan. 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 Group'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 Share-based payments* was first applicable. In these cases, the Group considers the number of shares to be issued to the BEE partners as contingently issuable shares.

There were no shares that are considered to be contingently issuable for the reporting period. The final shares, in settlement of the BEE transaction were issued in the prior reporting period, on 30 June 2014.

As at 30 June 2015, Qakazana Investment Holdings Proprietary Limited, the structured entity that was created to facilitate the BEE transaction, is now wholly owned by the Group and continues to be a controlled entity of the Group. Through the Group's 100% shareholding in Qakazana Investment Holdings Proprietary Limited, the Group has a 100% shareholding in Aveng (Africa) Proprietary Limited and Aveng Trident Steel Proprietary Limited.

3.10 Share-based payments

The Group operates a share incentive plan for the granting of shares and/or share options to executives and senior employees as consideration for services rendered. Shares and/or share options are offered to executives and senior employees at the market price, upon recommendation by the remuneration committee. Shares and/or share options awarded to executives and senior employees are awarded over a period of four years. The shares and/or share options then vest within one year from the date awarded, thus the shares and/or share options vest over a period of five years. Shares or share options 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 Group'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.

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.10 *Share-based payments*

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.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date by means of an adjusted binomial option pricing model which takes into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the vesting period with recognition of a corresponding liability. This liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings.

Subsidiaries

Share-based payments that are classified as equity or cash-settled at the Group level are classified as follows in the subsidiary level:

- Equity-settled, where the receiving subsidiary has no obligation to settle the transaction;
- Equity-settled, where the settling subsidiary has the obligation to settle in its own equity instruments;
- Cash-settled, where the settling subsidiary has the obligation to settle in cash or other assets, including equity instruments of another group entity (where relevant).

3.11 *Provisions*

A provision is recognised when the Group 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.

3.12 *Employee benefits*

Short term employee benefits

All short term benefits are charged as an expense in the period in which the related service is rendered by employees. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and this amount can be estimated reliably. The liability under short term benefits is accounted for as the undiscounted amount expected to be paid in exchange for the services received.

Post-retirement benefits

The Group has a number of retirement benefit plans for its eligible employees. These plans comprise both defined contribution and a closed defined benefit plan. South African funds are governed by the Pension Funds Act, 1956 as amended. Other funds are governed by the respective legislation of the country concerned.

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The risks pertaining to the defined contribution plans does not lie with the Group regarding the sufficiency of the plan assets or returns on these assets. With regards to the closed defined benefit plan, the pensioner liabilities are fully funded and accordingly the Group has no foreseen future funding obligation. As such, the above information has been provided for information purposes only.

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.12 Employee benefits continued

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense in the reporting period to which they relate.

Defined benefit plans

In respect of the Grinaker Group Pension Fund pensioner liabilities are fully outsourced to Momentum Group Limited. The surplus member apportionment account is defined contribution in nature and fully funded and no further funding is required from the employer. However, should Momentum Group be unable to perform in terms of an Annuity Purchase Agreement, the obligation to fund the pensioner liabilities may revert to the Group.

Other long term employee benefits

Other long term employee benefits include items such as the Group's long term disability benefits as well as the portion of the Group's leave pay benefits not expected to be settled wholly within twelve months after the annual reporting period in which the employees render the related service. The Group's portion of leave pay benefits not expected to be settled wholly within twelve months after the annual reporting period are classified as non-current and are discounted using the Group's weighted average cost of capital rate with any remeasurements being recognised directly in earnings.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

Reimbursive rights

A reimbursive asset is only recognised when it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation. The Group recognises its right to reimbursement as a separate asset. The asset is measured at fair value with any changes in the fair value of its right to reimbursement being recognised in the same way as for changes in the fair value of plan assets.

3.13 Revenue

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and Value Added Taxation.

Construction contracts

Revenue from construction contracts is recognised, when the outcome of the construction contract can be measured reliably, by reference to the percentage of completion of the contract at the reporting date. The percentage of completion is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract, surveys of work performed, completion of a physical proportion of the contract work, and management's judgement of the contract progress and outstanding risks. Anticipated losses to completion are immediately recognised as an expense in contract costs.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

Where contract costs incurred to date plus recognised earnings, less recognised losses exceed progress billings, the surplus is reflected as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised earnings, less recognised losses, the surplus is reflected as amounts due to customers for contract work.

Accounting policies continued
for the year ended 30 June 2015

3. Accounting policies continued

3.13 Revenue continued

Amounts received before the related work is performed are included as a liability in the consolidated statement of financial position, as amounts received in advance under the amounts due from / (to) contract customers. Amounts billed for work performed but not collected from customers are included as contract receivables. Variations in contract work, claims and incentive payments are included as part of contract revenue as follows:

Claims

Claims are subject to a high level of uncertainty, and revenue related to claims is only recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount that is probable can be measured reliably.

Variations

Revenue is recognised when it can be reliably measured and it is probable that the variation will be approved by the customer.

Incentive payments

Revenue is recognised when the contract is sufficiently advanced that it is probable that the specified performance standard will be met or exceeded and the amount of incentive payment can be measured reliably.

Combining and segmenting construction contracts

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely inter-related or inter-dependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or group of contracts.

Assets covered by a single contract are treated separately when:
- separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the Group and customer have been able to accept or reject that part of the contract relating to each asset; and
- the costs and revenues of each asset can be identified.

A group of contracts is treated as a single construction contract when:
- the group of contracts is negotiated as a single package;
- the contracts are so closely inter-related that they are, in effect, part of a single project with an overall positive margin; and
- the contracts are performed concurrently or in a continuous sequence.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales contract.

Rendering of services

Revenue from the rendering of services is recognised on a percentage of completion basis over the period for which the services are rendered.

Transport revenue

Transport revenue is recognised when the goods have been delivered to the customer.

3.14 Interest earnings

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset. An appropriate accrual is made at each reporting date.

3.15 Other earnings

Dividends received are included in earnings or loss on the date the Group's right to receive payment is established, which is determined to be when the dividend has been appropriately authorised and is no longer at the entity declaring the dividend's discretion.

Accounting policies continued
for the year ended 30 June 2015

3. Accounting policies continued

3.16 Fair value of assets and liabilities

Financial and non-financial assets

The Group measures financial assets, including infrastructure investments, foreign exchange contracts as well as investment property at fair value at each reporting date. 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. Fair value measurement assumes 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.

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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Each method of determining fair value can be analysed into the following categories:

- 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 their 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 reassessing 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.

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; and discounted cash flow analysis or other valuation models.

3.17 Financial instruments

Policy applicable from 1 July 2014

3.17.1 Financial assets

Initial recognition and measurement

The Group initially recognises financial assets when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value plus in the case of assets not measured at fair value through profit or loss, directly attributable transaction costs. Subsequently financial assets, excluding derivatives, are classified as measured at amortised cost or fair value, depending on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Derivatives are subsequently measured at fair value through profit or loss. Changes in the fair value of derivatives used to economically hedge the Group's foreign exchange exposure are recognised in *other earnings* in the earnings or loss component of the statement of comprehensive earnings.

A financial asset qualifies for amortised cost, using the effective interest method net of any impairment loss if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Initial recognition and measurement continued

If a financial asset does not meet both of these conditions, it is measured at fair value.

The assessment of business model is made at portfolio level as this reflects best the way the business is managed and information is provided to management.

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.17 Financial instruments continued

3.17.1 Financial assets continued

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace 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 are classified as trade and other receivables, amounts due from contract customers, infrastructure investments and cash and bank balances.

Financial investments / infrastructure investments

The Group holds investments in the equity interest of a number of non-listed entities, which are subsequently measured at fair value through profit or loss.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

Amounts due from contract customers

Amounts due from contract customers are carried at cost plus margin recognised, less billings and recognised losses at the reporting date in accordance with the revenue recognition policy in *section 3.13.*

Contract receivables and contract retentions are initially recognised at cost plus margin, which approximates fair value, and are subsequently measured at amortised cost. Contract receivables and retentions comprise amounts due in respect of progress billings certified by the client or consultant at the reporting date for which payment has not been received and amounts held as retentions on certified work at the reporting date.

Contract costs include costs that are attributable directly to the contract and costs that are attributable to contract activity. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, technical assistance, and any other costs which are specifically chargeable to the customer in terms of the contract.

Contract costs incurred that relate to future activity are recognised as an asset to the extent that it is probable it will be recovered. Such costs represent amounts due from contract customers.

Cash and bank balances

Cash and bank balances comprise cash on hand and bank balances that are subsequently measured at amortised cost. Cash held in joint arrangements are available for use by the Group with the approval of the joint arrangement partners. Bank overdrafts are offset against positive bank balances where 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.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "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.

Financial assets not carried at fair value through profit or loss, including an interest in an equity-accounted investee are assessed at each reporting date to determine whether there is objective evidence of impairment.

Accordingly, this accounting policy relates to *note 19: Amounts due from contract customers, note 20: Trade and other receivables* and *note 22: Cash and bank balances.*

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.17 Financial instruments continued

3.17.1 Financial assets continued

Impairment of financial assets continued

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor in interest or principal payments;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy or other financial reorganisation;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

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, 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. In that case, the Group 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 Group 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 Group could be required to repay.

3.17.2 Financial liabilities

Initial recognition and measurement

The Group initially recognises financial liabilities when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as measured at amortised cost or fair value, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and other liabilities, less directly attributable transaction costs. The Group's financial liabilities include trade and other payables, borrowings and other liabilities, bank overdrafts, employee-related payables, amounts due to contract customers and derivatives that are liabilities.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss, except those financial liabilities that contain embedded derivatives that significantly modify cash flows that would otherwise be required under the contract.

Amounts due to contract customers

Where progress billings exceed the aggregate of costs plus margin less losses, the net amounts are reflected as a liability and is carried at amortised cost.

Borrowings and other liabilities

Borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in earnings when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Accounting policies continued
for the year ended 30 June 2015

3. Accounting policies continued
3.17 Financial instruments continued
3.17.2 Financial liabilities continued

Bank overdraft

Bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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. Refer to *note 51: Offsetting financial assets and financial liabilities* for further details regarding the offsetting of financial instruments.

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.

3.17.3 Derivative instruments and hedge accounting

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of earnings or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of earnings or loss.

The Group uses forward exchange contracts as a hedge of its exposure to foreign exchange risk on intercompany loans that forms part of its net investments in foreign operations. Refer to *note 18: Derivative instruments* for more details.

The repayment or settlement of an intercompany loan accounted for as part of the net investment in a foreign operation is not considered a partial disposal of the foreign operations. The cumulative foreign exchange gains or losses recognised in other comprehensive income remains separately in equity until the disposal of the foreign operation and are not recycled from other comprehensive income to the earnings or loss component of the statement of comprehensive income.

3.18 Tax
Current taxation

Current taxation comprise the expected taxation payable and receivable on the taxable earnings for the year and any adjustment to taxation payable or receivable in respect of previous years. It is measured using taxation rates that are enacted or substantively enacted at reporting date.

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 taxation items are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity.

Deferred taxation

Deferred taxation is recognised in respect of 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 taxation base.

Deferred taxation is not recognised for:
– Taxable temporary differences that arise from the initial recognition of goodwill.
– Temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profits nor taxable income.

Accounting policies continued
for the year ended 30 June 2015

3. Accounting policies continued

3.18 Tax continued

– 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 Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets are recognised for all deductible temporary differences, carry forward of unused taxation credits and unused taxation losses, to the extent that it is probable that taxable income will be available against which they can be used.

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 taxation 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 taxation rates at the reporting date.

Deferred taxation 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 taxation 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 taxation 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 taxation 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 tax 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.

Withholding tax

A dividend withholding tax is withheld on behalf of the taxation authority on dividend distributions. The net amount payable to the taxation authority is included as part of trade and other payables at the time a dividend is declared.

Other taxes

Revenues, expenses and assets are recognised net of Value Added Tax except for:

– 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.

3.19 Leases

Group as a lessee

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate payments reliably, then the asset and liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Assets held by the Group under leases that transfers to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Accounting policies continued

for the year ended 30 June 2015

3. Accounting policies continued

3.19 Leases

Group as a lessee continued

Lease payments

Payments made under operating leases are recognised in earnings or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Group as a lessor

Leases whereby the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rental income is recognised as revenue during the period in which it is earned.

Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

Where a sale and leaseback transaction results in an operating lease, the gain or loss on sale is recognised in earnings or loss immediately if (i) the Group does not maintain or maintains only minor continuing involvement in the asset other than the required lease payments, and (ii) the transaction occurs at fair value. If the sales price is below fair value, the shortfall is recognised in earnings immediately except where the loss is compensated for by future lease payments at below market price, in which case it is deferred and amortised in proportion to the lease payments over the period for which the assets are expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period the assets are expected to be used.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Contract performance guarantees issued by the parent company on behalf of the group companies are calculated based on the probability of draw down.

4. Significant accounting judgements and estimates

The preparation of the consolidated 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.

Accounting policies continued

for the year ended 30 June 2015

4. Significant accounting judgements and estimates continued

4.1 Judgements

In the process of applying the Group's accounting policies, the Group has made the judgements relating to certain items recognised, which have the most significant effect on the amounts recognised in the consolidated financial statements. In addition, the Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when it occurs.

4.2 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 below. The Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when it occurs.

4.2.1 Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Group determined that the useful lives of certain items of equipment should be extended based on past experience and industry norms.

The change in useful lives was regarded as a change in an accounting estimate as per *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and is therefore accounted for prospectively.

Refer to *note 11: Property, plant and equipment* for further detail.

4.2.2 Intangible assets

The Group reviews the estimated useful lives of intangible assets at the end of each reporting period.

Refer to *note 13: Intangible assets* for further detail.

4.2.3 Equity-accounted investments

Equity-accounted entities are entities in which the Group holds less than 20% of the voting power, but the Group has determined that it has significant influence in entities where it holds less than 20% of the voting power. This includes Specialised Road Technologies Proprietary Limited and RPP Development Proprietary Limited. The Group's significant influence is due to the Group having a representation on the board of directors in each of these entities and the Group's participation in decisions over the relevant activities of the entities.

Refer to *note 14: Equity-accounted investments* for further detail.

Equity-accounted investments that are managed, reported and evaluated on a fair value basis are classified as infrastructure investments held at fair value.

4.2.4 Deferred taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable earnings. If the deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement, they have been offset in the statement of financial position.

Refer to *note 17: Deferred taxation* for further detail.

Accounting policies continued

for the year ended 30 June 2015

4. Significant accounting judgements and estimates continued

4.2 Estimation assumptions continued

4.2.5 Amounts due from contract customers

The Group estimates the risk associated with the amounts due from contract customers in order to classify these assets according to their maturity profile.

Refer to *note 19: Amounts due from contract customers* for further detail.

4.2.6 Trade and other receivables

Allowance for doubtful debts

The Group estimates the level of allowance required for doubtful debts on an ongoing basis based on historical experience as well as other specific relevant factors.

Refer to *note 20: Trade and other receivables* for further detail.

4.2.7 Inventory

Allowance for obsolete inventory

The Group estimates the level of allowance required for obsolete inventory on an ongoing basis based on historical experience as well as other specific relevant factors.

Refer to *note 21: Inventories* for further detail.

4.2.8 Share-based payments

Equity-settled

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

Cash-settled

The benefit payable to an employee on exercise date under both the Share Appreciation Right and Option plans is calculated as the higher of the difference between the spot share price at the time of exercise and the strike (or grant) price, and zero. The Group's share option methodology utilises the binomial tree / lattice (based on risk-neutral principles). Sub-optimal exercise multiples are incorporated so as to include the possibility of early exercise. In addition, the following factors are taken into account as inputs in the option pricing methodology:

– Expected volatility of the share price;
– Expected dividend on the share during the life of the option.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in *note 30: Share-based payments.*

4.2.9 Provisions

In determining the fair value of the provisions, assumptions and estimates are made in relation to the discount rate and expected costs to settle. The hypothetical incremental borrowing rate for the Group was used as the discount rate. The rate was determined as follows:

Risk free rate

The risk free rate was determined by obtaining a zero coupon swap curve over 20 years, as the bond market in South Africa is not sufficiently liquid and deep to use the bond rate as a proxy for the risk free rate. The five-year zero coupon risk free rate is 8,79% per annum.

Hypothetical credit spread

The Group specific hypothetical credit spread was determined based on market risk indicators specific to the Group. The five-year credit spread was determined as 163 basis points. The five-year hypothetical incremental borrowing rate was determined as 9,26% per annum.

Refer to *note 26: Payables other than contract-related* and *note 28: Employee-related payables* for further detail.

Accounting policies continued

for the year ended 30 June 2015

4. Significant accounting judgements and estimates continued

4.2 Estimation assumptions continued

4.2.10 Fair value of assets and liabilities

Financial assets and non-financial assets

The fair values of the infrastructure investments and derivative instruments recognised in the statement of financial position are measured using the discounted cash flow approach. The inputs to these models are sourced from independently audited investment specific project finance models and from observable markets, where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as forecasted revenues, operating costs, capital expenditure, risk adjusted discount rates and other relevant financial performance measures.

Refer to *note 50: Fair value of assets and liabilities* for the detailed assumptions applied.

Financial liabilities

The fair value of the embedded conversion option of the convertible bond recognised in the statement of financial position during the financial year (but transferred to the equity reserve by year-end) was measured using a binomial option pricing model. The inputs to this model is independently sourced from observable markets, where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as the risk free rate, share price and volatility.

Refer to *note 25.2: Convertible bonds* for further details.

4.2.11 Impairment of property, plant and equipment, intangible assets and goodwill arising on consolidation

The Group assesses the recoverable amount of any goodwill arising on consolidation and indefinite useful life intangible assets annually or when indicators of potential impairment are identified as allocated to the CGU of the Group.

Impairment exists when the carrying amount of a CGU exceeds its recoverable amount, which is the higher of its fair value less costs to dispose of and its value-in-use. The fair value less costs of disposal calculation is based on available data (if applicable) from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from future budgets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rates used for extrapolation and terminal value purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivities, are disclosed and further explained in *note 10.2: Impairment of goodwill arising on consolidation.*

4.2.12 Revenue recognition

The Group uses the percentage of completion method in accounting for its construction contracts. Use of the percentage of completion method requires the Group to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgements are required when recognising and measuring any variations and / or claims on each contract.

4.2.13 Leases and sale and leaseback transactions

The classification of leases as finance leases or operating leases requires judgments about the fair value of the leased asset, the split of the fair value between land and buildings, the economic life of the asset, whether or not to include renewal options in the lease term and the appropriate discount rate to calculate the present value of the minimum lease payments.

Accounting policies continued

for the year ended 30 June 2015

4. Significant accounting judgements and estimates continued

4.2 Estimation assumptions continued

4.2.14 Contingent liabilities

Parent company guarantees issued in the ordinary course of business are at inception accounted for as contingent liabilities in accordance with *IAS 37* and disclosed accordingly. Subsequent to the issuance of the guarantee, and a Completion Certificate for the related work, the probability of the related obligation is determined to be remote (and therefore not disclosed in the financial statements unless there are other reasons that make the obligation probability possible).

Where a claim on the guarantee has been made by the respective client, the probability of the obligation is assessed in detail by management.

Where there is a possibility of reimbursement on a parent company guarantee, this reimbursive right is required to be disclosed (as a contingent asset) separate to the related obligation, only if virtually certain.

Reimbursements from cross indemnities may not be disclosed in the financial statements unless a claim is made by a client on the corresponding obligation, and the reimbursement is considered probable.

4.2.15 Loss making and onerous contracts

In determining whether a contract is loss making or onerous, management applies their professional judgement to assess the facts and circumstances specific to the relevant contract. The assessments are performed on a contract-by-contract basis. The following factors are taken into account: future estimated revenues (including claims and variations, as disclosed in *note 3.13: Revenue*); the stage of completion of the contract; the nature and relationship with the customer; expected inflation; the terms of the contract and the Group's experience in that industry.

Accounting policies continued

for the year ended 30 June 2015

5. Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2015 or later periods.

Standard	Description	Matter	Expected impact
IFRS 10 and *IAS 28* (amendment)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	The amendment addresses the conflict between *IFRS 10* and *IAS 28* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.	No impact on the Group's consolidated financial statements is likely as it is not the Group's policy to sell or contribute its subsidiaries to an associate or joint venture.
IFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	The amendment requires an entity acquiring an interest in a joint operation that constitutes a business to apply to the extent of its share, all of the principles in *IFRS 3 Business Combinations* that do not conflict with the requirements of *IFRS 11*.	The amendment will not have an impact on the Group, as the Group already applies the principles in *IFRS 3 Business Combinations* to acquired interests in joint operations.
IFRS 10, IFRS 12 and *IAS 28* (amendment)	Investment Entities: Applying the Consolidation Exception	The amendment addresses issues that have arisen in applying the investment entities exception under *IFRS 10.*	No impact on the Group's consolidated financial statements as none of the entities in the Group qualify as investment entities.
IAS 1 (amendment)	Disclosure initiative	The amendments clarify, rather than significantly change, existing *IAS 1* requirements.	The amendment will not significantly change the Group's consolidated financial statements.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

5. Standards and interpretations not yet effective continued

Standard	Description	Matter	Expected impact
IAS 16 and *IAS 38* (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.	The Group plans to amend its current depreciation and amortisation approach (where applicable) to an acceptable method, such as the diminishing balance method, which would recognise increased depreciation and amortisation in the early part of the asset's useful life.
IAS 27 (amendment)	Equity Method in Separate Financial Statements	The amendments allow an entity to use the equity method as described in *IAS 28* to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.	The Group is in the process of assessing this accounting policy election with regards to its separate financial statements.
IFRS 9 (2014)	Financial Instruments*	Determines the measurement and presentation of financial instruments depending on their contractual cash flows and business model under which they are held. The impairment requirements are based on an expected credit loss ("ECL") model that replaces the *IAS 39* incurred loss model. The new hedging model provides for more economic hedging strategies meeting the requirements for hedge accounting.	The impact of the ECL model on the Group's financial statements is currently not reasonably estimable
IFRS 15	Revenue from contracts with customers**	*IFRS 15* replaces all existing revenue requirements in *IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services)* and applies to all revenue arising from contracts with customers.	The standard will have an impact on the Group's consolidated financial statements with potential changes to the Group's current accounting, systems and processes, the effects of which are still being assessed.

Annual Improvements 2012 – 2014 cycle

It is expected that the annual improvements will not significantly change the Group's consolidated financial statements, the effects of which are still being assessed:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal
IFRS 7 Financial Instruments: Disclosures – Servicing contracts
IFRS 7 Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 Employee Benefits – Discount rate: regional market issue
IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'

** IFRS 9 (2014) – as issued in July 2014, reflects the final version of the IASB's work on the replacement of IAS 39 and will be effective for annual periods beginning on or after 1 January 2018. Early application is permitted and the Group has early adopted IFRS 9 (2010) (the requirements relating to classification and measurement).*

*** IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and will be effective for annual periods beginning on or after 1 January 2018. 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 IFRS, 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 consolidated financial statements

for the year ended 30 June 2015

6. Business combinations and acquisition of non-controlling interests

Dynamic Fluid Control Proprietary Limited, a wholly owned subsidiary of Aveng (Africa) Proprietary Limited, acquired 100% of the equity and voting rights of Atval Proprietary Limited (Atval) effective from 1 July 2014.

Atval was established in 1985 and is a leading South African manufacturer of high pressure knife-gate valves with 25 years of proven experience in the South African market. The company primarily focuses on high-pressure pinch valves that are extensively used in mineral processing, particularly abrasive tailings pipelines, with annuity income generated from maintenance of valve sleeve linings.

	2015 Rm
Cash outflow on acquisition	
Consideration paid	**25**
Less: Cash and bank balance acquired with the subsidiary	**(2)**
	23
Goodwill arising on acquisition	
Consideration paid	**25**
Less: fair value of identifiable net assets acquired	**(15)**
	10

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Atval as at the date of acquisition were:

	Note	2015 Rm Fair value recognised on acquisition
Assets		**22**
Liabilities		**(7)**
Total identifiable net assets at fair value		**15**
Goodwill arising on acquisition	12	**10**
Consideration paid		**25**

Since its acquisition, Atval contributed external revenue of R28 million and an earnings before interest and taxation of R3,5 million to the Group for the period 1 July 2014 to 30 June 2015. As the acquisition occurred on 1 July 2014, the impact of Atval on the Group's revenue and earnings / (loss) before taxation is for the full reporting period.

Notes to the consolidated financial statements

for the year ended 30 June 2015

7. Disposal of subsidiary

On 31 October 2014, 100% of the investment in Electrix Proprietary Limited and Electrix Limited (collectively "Electrix") was sold. Electrix was a wholly owned business and formed part of the *Construction and Engineering: Australasia and Asia* segment.

The profit on disposal of the subsidiary was R777 million (R713 million after taxation) including the recycled foreign currency translation reserve of R111 million. The profit is separately disclosed in the statement of comprehensive earnings.

Electrix has always formed part of the *Construction and Engineering: Australasia and Asia* segment. Electrix was not considered an operating segment nor a separate major line of business or geographical area. The sale of this business does not give rise to a discontinued operation but rather a disposal group only.

	2015 Rm
Net cash impact of sale	
Total assets (excluding cash and bank balances)	**756**
Property, plant and equipment, net of accumulated depreciation	**144**
Deferred taxation	**59**
Inventories	**19**
Amounts due from contract customers	**510**
Trade and other receivables, net of provisions	**24**
Cash and bank balances	**129**
Total liabilities	**(536)**
Amounts due to contract customers	**(72)**
Borrowings and other liabilities	**(12)**
Payables other than contract-related	**(1)**
Employee-related payables	**(181)**
Trade and other payables	**(260)**
Taxation payable	**(10)**
Net assets sold	**349**
Profit on disposal (before tax)	**777**
Add back: Associated obligations and transaction costs	**464**
Less: Foreign currency translation reserve recycled to earnings	**(111)**
Total proceeds received in cash	**1 479**
Less: Cash and bank balances sold	**(129)**
Less: Transaction costs paid	**(36)**
Net cash received	**1 314**

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

8. Segmental report

The Group has determined four reportable segments that are largely organised and managed separately according to the nature of products and services provided.

These operating segments are components of the Group:

- that engage in business activities from which they earn revenues and incur expenses; and
- which have operating results that are regularly reviewed by the Group's chief operating decision-makers to make decisions about resources to be allocated to the segments and assess their performance.

The Group's operating segments are categorised as follows:

1. Construction and Engineering

1.1 Construction and Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA, Aveng Engineering and Aveng Capital Partners ("ACP").

Details of the revenues from this segment are the supply of expertise in a number of market sectors: power, mining, infrastructure, commercial, retail, industrial, oil and gas.

1.2 Construction and Engineering: Australasia and Asia

This operating segment comprises McConnell Dowell.

This operating segment specialises in the construction and maintenance of tunnels and pipelines, railway infrastructure maintenance and construction, marine and mechanical engineering, industrial building projects, oil and gas construction and mining and mineral construction.

2. Mining

This operating segment comprises Aveng Moolmans and Aveng Shafts & Underground. During the second half of the year, the business of Aveng Moolmans and Aveng Shafts & Underground were merged under a single Aveng Mining leadership team.

Details of the revenues from this segment are derived from mining related activities.

3. Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

The revenues from this segment comprise of the supply of products, services and solutions to the mining, construction, oil and gas, water, power and rail sectors across the value chain locally and internationally.

4. Other and Eliminations

This operating segment comprises corporate services, corporate held investments including properties and consolidation eliminations.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Construction and Engineering: South Africa and rest of Africa			Construction and Engineering: Australasia and Asia		
	2015 Rm	2014 Rm	%	**2015 Rm**	2014 Rm	%
8. Segmental report						
Statement of financial position						
Assets						
Investment property	**–**	–	–	**–**	–	–
Goodwill arising on consolidation	**–**	–	–	**100**	431	(76,8)
Intangible assets	**2**	6	(66,7)	**–**	35	(100,0)
Property, plant and equipment	**494**	702	(29,6)	**799**	1 170	(31,7)
Equity-accounted investments	**131**	196	(33,2)	**56**	56	–
Infrastructure investments	**706**	–	100,0	**72**	–	100,0
Financial investments	**–**	126	(100,0)	**–**	64	(100,0)
Deferred taxation	**1 463**	970	50,8	**617**	472	30,7
Derivative instruments	**–**	–	–	**15**	–	100,0
Amounts due from contract customers	**2 256**	2 185	3,2	**6 895**	8 085	(14,7)
Inventories	**31**	98	(68,4)	**7**	23	(69,6)
Trade and other receivables	**469**	434	8,1	**186**	174	6,9
Cash and bank balances	**215**	351	(38,7)	**2 350**	2 830	(17,0)
Non-current assets held-for-sale	**–**	–	–	**–**	–	–
Total assets	**5 767**	5 068	13,8	**11 097**	13 340	(16,8)
Liabilities						
Deferred taxation	**99**	17	>100,0	**72**	–	100,0
Borrowings and other liabilities	**–**	–	–	**250**	862	(71,0)
Payables other than contract-related	**102**	197	(48,2)	**–**	–	–
Employee-related payables	**211**	200	5,5	**446**	886	(49,7)
Derivative instruments	**–**	29	(100,0)	**–**	34	(100,0)
Trade and other payables	**1 382**	1 333	3,7	**3 928**	5 168	(24,0)
Amounts due to contract customers	**614**	728	(15,7)	**1 588**	1 612	(1,5)
Taxation payable	**31**	60	(48,3)	**11**	61	(82,0)
Total liabilities	**2 439**	2 564	(4,9)	**6 295**	8 623	(27,0)

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

Mining			Manufacturing and Processing			Other and Eliminations			Total		
2015 Rm	2014 Rm	%	**2015 Rm**	2014 Rm	%	**2015 Rm**	2014 Rm	%	**2015 Rm**	2014 Rm	%
–	–	–	**–**	–	–	**–**	86	(100,0)	**–**	86	(100,0)
–	–	–	**10**	–	100,0	**232**	232	–	**342**	663	(48,4)
8	–	100,0	**152**	155	(1,9)	**177**	125	41,6	**339**	321	5,6
2 506	2 746	(8,7)	**1 326**	1 374	(3,5)	**501**	354	41,5	**5 626**	6 346	(11,3)
4	4	–	**–**	–	–	**(40)**	50	>(100,0)	**151**	306	(50,7)
–	–	–	**–**	–	–	**–**	–	–	**778**	–	100,0
–	–	–	**–**	–	–	**–**	–	–	**–**	190	(100,0)
195	238	(18,1)	**(154)**	(102)	(51,0)	**(541)**	(175)	>(100,0)	**1 580**	1 403	12,6
–	–	–	**9**	–	100,0	**17**	1	>100,0	**41**	1	>100,0
1 253	997	25,7	**472**	534	(11,6)	**(582)**	(450)	(29,3)	**10 294**	11 351	(9,3)
225	304	(26,0)	**2 266**	2 368	(4,3)	**–**	–	–	**2 529**	2 793	(9,5)
91	93	(2,2)	**1 463**	1 980	(26,1)	**215**	104	>100,0	**2 424**	2 785	(13,0)
266	466	(42,9)	**271**	720	(62,4)	**(246)**	(231)	(6,5)	**2 856**	4 136	(30,9)
–	–	–	**–**	–	–	**559**	607	(7,9)	**559**	607	(7,9)
4 548	4 848	(6,2)	**5 815**	7 029	(17,3)	**292**	703	(58,5)	**27 519**	30 988	(11,2)
182	211	(13,7)	**(54)**	18	>(100,0)	**(78)**	11	>(100,0)	**221**	257	(14,0)
557	653	(14,7)	**5**	7	(28,6)	**1 651**	1 345	22,8	**2 463**	2 867	(14,1)
–	–	–	**–**	–	–	**–**	–	–	**102**	197	(48,2)
273	230	18,7	**122**	151	(19,2)	**64**	108	(40,7)	**1 116**	1 575	(29,1)
–	–	–	**2**	–	100,0	**–**	–	–	**2**	63	(96,8)
701	824	(14,9)	**1 757**	2 307	(23,8)	**193**	111	73,9	**7 961**	9 743	(18,3)
272	231	17,7	**88**	106	(17,0)	**–**	–	–	**2 562**	2 677	(4,3)
42	95	(55,8)	**16**	–	100,0	**(6)**	(3)	(100,0)	**94**	213	(55,9)
2 027	2 244	(9,7)	**1 936**	2 589	(25,2)	**1 824**	1 572	16,0	**14 521**	17 592	(17,5)

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Construction and Engineering: South Africa and rest of Africa 2015 Rm	2014 Rm	%	Construction and Engineering: Australasia and Asia 2015 Rm	2014 Rm	%
8. Segmental report continued						
Statement of comprehensive earnings						
Gross revenue	**8 355**	8 677	(3,7)	**20 912**	28 169	(25,8)
Cost of sales	**(8 491)**	(8 549)	0,7	**(19 678)**	(26 594)	26,0
Gross (loss) / earnings	**(136)**	128	>(100,0)	**1 234**	1 575	(21,7)
Other earnings	**226**	88	>100,0	**45**	(10)	>100,0
Operating expenses	**(736)**	(678)	(8,6)	**(1 152)**	(1 296)	11,1
Earnings from equity-accounted investments	**(51)**	28	>(100,0)	**(15)**	2	>(100,0)
Net operating loss	**(697)**	(434)	(60,6)	**112**	271	(58,7)
Impairment of equipment and intangible assets	**(209)**	–	(100,0)	**(44)**	–	(100,0)
Impairment of goodwill arising on consolidation	**–**	–	–	**(291)**	–	(100,0)
Profit on sale of subsidiary	**–**	–	–	**777**	–	100,0
Loss before financing transactions	**(906)**	(434)	>(100,0)	**554**	271	>100,0
Net finance earnings / expenses	**15**	6	>100,0	**(36)**	(62)	41,9
Loss before taxation	**(891)**	(428)	>(100,0)	**518**	209	>100,0
Taxation	**111**	119	(6,7)	**(14)**	(14)	–
Loss for the period	**(780)**	(309)	>(100,0)	**504**	195	>100,0
Capital expenditure	**96**	152	(36,8)	**262**	243	7,8
Depreciation	**(91)**	(85)	(7,1)	**(286)**	(258)	(10,9)
Amortisation	**(5)**	(13)	61,5	**–**	–	–
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**(601)**	(336)	(78,9)	**398**	529	(24,8)

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

Mining			Manufacturing and Processing			Other and Eliminations			Total		
2015 Rm	2014 Rm	%	2015 Rm	2014 Rm	%	2015 Rm	2014 Rm	%	2015 Rm	2014 Rm	%
5 956	6 582	(9,5)	9 928	10 612	(6,4)	(1 221)	(1 081)	(13,0)	43 930	52 959	(17,0)
(5 258)	(5 708)	7,9	(9 243)	(9 661)	4,3	1 104	1 188	(7,1)	(41 566)	(49 324)	15,7
698	874	(20,1)	685	951	(28,0)	(117)	107	>(100,0)	2 364	3 635	(35,0)
1	(14)	>100,0	164	248	(33,9)	35	(10)	>100,0	471	302	56,0
(286)	(332)	13,9	(795)	(834)	4,7	(94)	(31)	>(100,0)	(3 063)	(3 171)	3,4
–	1	(100,0)	–	(1)	100,0	6	3	100,0	(60)	33	>(100,0)
413	529	(21,9)	54	364	(85,2)	(170)	69	>(100,0)	(288)	799	>(100,0)
(32)	–	(100,0)	(32)	–	(100,0)	(13)	(15)	13,3	(330)	(15)	>(100,0)
–	–	–	–	–	–	–	(816)	100,0	(291)	(816)	64,3
–	–	–	–	–	–	–	–	–	777	–	100,0
381	529	(28,0)	22	364	(94,0)	(183)	(762)	(76,0)	(132)	(32)	>(100,0)
(42)	(42)	–	(25)	4	>(100,0)	(218)	(89)	>(100,0)	(306)	(183)	(67,2)
339	487	(30,4)	(3)	368	>(100,0)	(401)	(851)	52,9	(438)	(215)	>(100,0)
(194)	(163)	(19,0)	(7)	(110)	93,6	24	7	>100,0	(80)	(161)	50,3
145	324	(55,2)	(10)	258	>(100,0)	(377)	(844)	55,3	(518)	(376)	(37,8)
257	298	(13,8)	180	406	(55,7)	81	138	(41,3)	876	1 237	(29,2)
(418)	(407)	(2,7)	(119)	(112)	(6,3)	(15)	(19)	21,1	(929)	(881)	(5,4)
–	–	–	(12)	(5)	>(100,0)	(4)	(10)	60,0	(21)	(28)	25,0
831	936	(11,2)	185	481	(61,5)	(151)	98	>(100,0)	662	1 708	(61,2)

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

8. Segmental report

The Group operates in five principal geographical areas:

	2015 Revenue Rm	2014 Revenue Rm	2015 Segment assets Rm	2014 Segment assets Rm	2015 Capital expenditure Rm	2014 Capital expenditure Rm
South Africa	**19 628**	19 489	**14 048**	14 206	**541**	794
Rest of Africa including Mauritius	**2 908**	4 609	**1 625**	2 706	**65**	199
Australasia and Asia	**15 880**	25 001	**9 383**	12 377	**110**	225
Southeast Asia	**5 115**	3 300	**2 154**	1 244	**160**	19
Middle East and other regions	**399**	560	**309**	455	**–**	–
	43 930	52 959	**27 519**	30 988	**876**	1 237

9. Investment property

In June 2013, Aveng (Africa) Proprietary Limited acquired a 15% undivided share in the Goldfields Mall Shopping Centre for R71 million. This property was held to earn rentals and as such was classified as an investment property. The property was sold in December 2014.

	2015 Rm	2014 Rm
Opening value	**86**	71
Fair value adjustments	**11**	15
Disposals	**(97)**	–
	–	86

Pledged as security

The Group had pledged the investment property as security for interest bearing borrowings until its disposal in December 2014 (refer to *note 25: Borrowings and other liabilities*).

10. Impairments

The Group performed its annual impairment test at 30 June 2015. An assessment of qualitative factors for each CGU was undertaken to identify if any indications of impairment were present, mainly due to weak financial performance (losses and cash outflows).

The Group considers the relationship between its market capitalisation and its carrying amount, among other factors, when reviewing for indicators of impairment. As at 30 June 2015, the market capitalisation of the Group was below the carrying amount of its equity, resulting in the identification of a potential indicator of impairment of goodwill and other assets of the Group. The overall decline in construction and development activities, as well as the ongoing economic uncertainty, have led to a decreased demand in the *Construction and Engineering: South Africa and rest of Africa* operating segment, and the *Construction and Engineering: Australasia and Asia* operating segment.

As at 30 June 2015, it was necessary to impair assets due to the subdued economic conditions and the resultant pressure on the order book. An impairment charge totalling R273 million was recognised against ancillary operations comprising property, plant and equipment in the *Construction and Engineering: South Africa and rest of Africa* (R198 million charge), *Mining* (R32 million charge), *Manufacturing and Processing* (R32 million charge) and *Construction and Engineering: Australasia and Asia* (R11 million) segments respectively.

An impairment charge totalling R57 million relating to intangible assets was recognised comprising the *Construction and Engineering: South Africa and rest of Africa* (R11 million), *Construction and Engineering: Australasia and Asia* (R33 million) segments and *Other and Eliminations segments* (R13 million) during the period ended 30 June 2015.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

10. Impairments continued

Goodwill of R291 million associated with the Built Environs business in the *Construction and Engineering: Australasia and Asia* segment was fully impaired during the period ended 30 June 2015.

There was no impairment of property, plant and equipment during the previous year.

During the period ended 30 June 2014 indefinite life intangibles within Aveng Grinaker-LTA were fully impaired by R15 million.

During the period ended 30 June 2014, the goodwill associated with the Aveng Water business (R75 million) was impaired as a result of its repositioning within the Group to a more ancillary and supportive role within the *Construction and Engineering: South Africa and rest of Africa* segment.

During the period ended 30 June 2014 the goodwill associated with Aveng Grinaker-LTA was also fully impaired amounting to R741 million.

Refer to *note 11: Property, plant and equipment* and *note 13: Intangible assets* for further details.

The value-in-use was determined based on management's past experience and best estimate. The cash flows have been based on the approved budget for the 2016 financial year, as well as a forecast until 2020 utilising the assumptions set out below:

Discount rate applied – The Group has calculated a weighted average cost of capital (WACC) of 10,7%. This is utilised as a basis for performing the value-in-use calculation. In cases where the CGU is deemed to be of greater risk than the Group as a whole, a risk premium has been included in the discount rate. The discount rate utilised for the purposes of the impairment testing was 14,5%.

Growth rate applied – In determining the growth rate, consideration was given to the growth potential of the CGU. As part of this assessment, a prudent outlook was adopted that mirrors an inflationary increase in line with the consumer price index and real growth expected within the market. Based on these factors, the nominal growth rate applied for the purposes of the impairment testing ranges between 3% and 13%.

Period of projection – The period of projection is influenced by the ability of management to forecast cash flows in the future. Forecasting has been performed for a period of five years with a growth rate as set out above.

Contract revenue and margin – Revenue and margins are based on management's best estimates of known contracts (both awarded and anticipated to be awarded).

The following CGUs are relevant for impairment purposes:

CGUs assessed due to indicators of impairment being identified

- Aveng Trident Steel;
- Aveng Steel Fabrication;
- Aveng Shafts & Underground;
- Aveng Moolmans;
- Aveng Grinaker-LTA;
- Aveng Ground Engineering;
- Aveng Rand Roads;
- Aveng Water; and
- Built Environs.

CGUs with goodwill allocated (annually assessed for impairment as required by IAS 38 Intangible assets)

- Aveng Manufacturing; and
- McConnell Dowell.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

10. Impairments continued

10.1 Impairment of property, plant and equipment and intangible assets

(a) Operating groups with cash-generating units impaired: Property, plant and equipment and finite useful life intangible asset

- Aveng Steel: Property, plant and equipment of Aveng Steel Fabrication business;
- Aveng Mining: Vehicles of Aveng Shafts & Underground business;
- Aveng Grinaker-LTA: Property, plant and equipment of Aveng Rand Roads, Aveng Ground Engineering and Aveng Grinaker-LTA business;
- Aveng Engineering: Property, plant and equipment and intangible asset of Aveng Water business; and
- McConnell Dowell: Property, plant and equipment of Built Environs.

Aveng Steel

Aveng Steel Fabrication's ongoing contracts to supply fabricated steel proceeded to plan, albeit at lower productivity levels. The current contracts are scheduled to be completed early in the next financial year. Despite the preservation of the lower cost structure following restructuring initiatives, the low levels of demand for infrastructure development continued to have a negative impact on the business' financial performance. Furthermore, some projects tendered did not materialise as anticipated resulting in the impairment of property, plant and equipment relating to the Aveng Steel Fabrication business amounting to R32 million.

Aveng Mining

The Group has consequently determined to impair the vehicles directly related to Aveng Shafts & Underground business amounting to R3 million due to a change in use. No other impairment of the assets of Aveng Shafts & Underground was considered necessary. R29 million associated with the derecognition of components of a fleet of equipment were impaired in the Aveng Moolmans business.

Aveng Grinaker-LTA

The overall decline in construction and development activities, as well as the ongoing economic uncertainty, have led to a decreased demand in the Aveng Grinaker-LTA operating group. This has resulted in the impairment of property, plant and equipment amounting to R57 million, R60 million and R4 million relating to the Aveng Grinaker-LTA civil engineering business, Aveng Grinaker-LTA Plant & Yard and Aveng Ground Engineering businesses respectively. Property, plant and equipment of R35 million associated with the Aveng Rand Roads business in the Aveng Grinaker-LTA operating group has also been fully impaired due to losses incurred by the business.

While management have implemented a robust turnaround plan for this business, the timing of this impairment is aligned with the Group's renewed focus on the return on assets within the direct control of management.

Aveng Engineering

Due to the cancellation of a contract in Aveng Water, an impairment loss of R53 million was recognised. This represented the write-down of the Kromdraai research and development project (intangible asset) of R11 million and owned plant of R42 million respectively.

McConnell Dowell

An impairment charge totalling R11 million was recognised against property, plant and equipment in the Built Environs business relating to the Built Environs related lease contract.

An intangible asset associated with the Built Environs of R33 million was also impaired during the period ended 30 June 2015.

10.2 Impairment of goodwill arising on consolidation

(a) Cash-generating units not impaired and not sensitive to impairment

- Aveng Manufacturing: Goodwill

No reasonably probable change in any of the above key assumptions would cause the carrying amount of the Aveng Manufacturing CGU and McConnell Dowell respectively, to materially exceed their recoverable amount and hence no goodwill impairment loss has been recognised for the current or the prior year.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

10. Impairments continued

10.2 Impairment of goodwill arising on consolidation continued

(b) Cash-generating units impaired: Goodwill and associated finite useful life intangible asset

– McConnell Dowell: Goodwill and associated finite useful life asset of Built Environs business

During the period ended 30 June 2015 goodwill of R291 million associated with the Built Environs business in the *Construction and engineering: Australasia and Asia* segment has been fully impaired. While management have implemented a robust turnaround plan for this business there is uncertainty around the business ability to generate the required returns within a reasonable time frame based on the current order book. The timing of this impairment is aligned to the actions to strengthen the Group's financial position, with renewed focus on the return on assets within the direct control of management as opposed to legacy intangible assets.

Impairments recognised during the year

	2015 Rm	2014 Rm
Goodwill	(291)	(816)
Intangible assets	(57)	(15)
Property, plant and equipment	(273)	–
	(621)	(831)

11. Property, plant and equipment

Reconciliation of property, plant and equipment – 2015

	Land and buildings Rm	Leased plant, equipment and vehicles Rm	Owned plant, equipment and vehicles Rm	Total Rm
Cost				
Opening balance	625	380	12 163	13 168
Additions	41	17	766	824
Acquisition of subsidiary	–	–	5	5
Disposals	(4)	(196)	(1 074)	(1 274)
Transfers	–	–	(11)	(11)
Reclassifications	(5)	(1)	49	43
Classified as held for sale – transferred out	(123)	–	(18)	(141)
Classified as held for sale – transferred in	135	–	–	135
Foreign exchange movements	(8)	(13)	(54)	(75)
	661	187	11 826	12 674
Accumulated depreciation and impairment				
Opening balance	(123)	(185)	(6 514)	(6 822)
Depreciation*	(20)	(32)	(877)	(929)
Impairment	–	–	(273)	(273)
Disposals	3	91	852	946
Reclassifications	1	–	3	4
Classified as held for sale – transferred out	58	–	10	68
Classified as held for sale – transferred in	(14)	–	–	(14)
Foreign exchange movements	1	8	(37)	(28)
	(94)	(118)	(6 836)	(7 048)
	567	69	4 990	5 626

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

11. Property, plant and equipment continued

Reconciliation of property and equipment – 2014

	Land and buildings Rm	Leased plant, equipment and vehicles Rm	Owned plant, equipment and vehicles Rm	Total Rm
Cost				
Opening balance	1 222	324	11 905	13 451
Additions	134	16	911	1 061
Disposals	(14)	–	(666)	(680)
Classified as held for sale	(786)	–	–	(786)
Foreign exchange movements	69	40	13	122
	625	380	12 163	13 168
Accumulated depreciation and impairment				
Opening balance	(250)	(120)	(6 292)	(6 662)
Depreciation*	(27)	(47)	(807)	(881)
Disposals	1	–	489	490
Classified as held for sale	179	–	–	179
Foreign exchange movements	(26)	(18)	96	52
	(123)	(185)	(6 514)	(6 822)
	502	195	5 649	6 346

** Depreciation included in cost of sales amounted to R881 million (2014: R776 million) and amounts included in operating expenses amounted to R47 million (2014: R105 million). Refer to note 35: Operating expenses.*

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Group determined that the useful lives of certain items of plant and machinery, office equipment, furniture and fixtures and motor vehicles should be extended based on past experience and industry norms.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered offices of the operating entities within the Group.

Pledged as security

The Group has pledged certain plant and machinery as security for certain interest bearing borrowings (refer to *note 25: Borrowings and other liabilities*).

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
12. Goodwill arising on consolidation		
Reconciliation of goodwill arising on consolidation		
Cost		
Opening balance	**1 479**	1 425
Acquisition	**10**	–
Foreign exchange movements	**(34)**	54
	1 455	1 479
Accumulated impairment		
Opening balance	**(816)**	–
Impairment*	**(291)**	(816)
Foreign exchange movements	**(6)**	–
	(1 113)	(816)
Carrying amount	**342**	663

** Further detail on the impairment relating to goodwill is presented in note 10.2: Impairment of goodwill arising on consolidation.*

Allocation of goodwill to CGUs

Goodwill is allocated to the Group's CGUs identified according to the CGUs that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated to the following CGUs:

	2015 Rm	2014 Rm
Dynamic Fluid Control	**242**	232
McConnell Dowell	**100**	431
	342	663

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

13. Intangible assets

Reconciliation of intangible assets – 2015

	Indefinite useful life brand names Rm	Indefinite useful life trade-marks Rm	Brand names Rm	Customer lists Rm	Know-how Rm	Computer software Rm	Total Rm
Cost							
Opening balance	**36**	**15**	**31**	**108**	**91**	**287**	**568**
Capitalised	**–**	**–**	**–**	**–**	**–**	**52**	**52**
On acquisition of a subsidiary	**–**	**–**	**–**	**8**	**–**	**–**	**8**
Disposals	**–**	**–**	**–**	**–**	**–**	**(13)**	**(13)**
Transfers from property, plant and equipment	**–**	**–**	**–**	**–**	**11**	**–**	**11**
Foreign exchange movements	**(3)**	**–**	**–**	**–**	**–**	**17**	**14**
	33	**15**	**31**	**116**	**102**	**343**	**640**
Accumulated depreciation and impairment							
Opening balance	**–**	**(15)**	**(11)**	**(73)**	**(44)**	**(104)**	**(247)**
Amortisation	**–**	**–**	**(1)**	**(3)**	**(3)**	**(14)**	**(21)**
Impairment	**(33)**	**–**	**–**	**–**	**(11)**	**(13)**	**(57)**
Disposals	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Foreign exchange movements	**–**	**–**	**–**	**–**	**–**	**11**	**11**
	(33)	**(15)**	**(12)**	**(76)**	**(58)**	**(107)**	**(301)**
	–	**–**	**19**	**40**	**44**	**236**	**339**

Reconciliation of intangible assets – 2014

	Indefinite useful life brand names Rm	Indefinite useful life trade-marks Rm	Brand names Rm	Customer lists Rm	Know-how Rm	Computer software Rm	Total Rm
Cost							
Opening balance	32	15	31	108	62	140	388
Capitalised	–	–	–	–	29	147	176
Foreign exchange movements	4	–	–	–	–	–	4
	36	15	31	108	91	287	568
Accumulated depreciation and impairment							
Opening balance	–	–	(9)	(68)	(40)	(87)	(204)
Amortisation	–	–	(2)	(5)	(4)	(17)	(28)
Impairment	–	(15)	–	–	–	–	(15)
	–	(15)	(11)	(73)	(44)	(104)	(247)
	36	–	20	35	47	183	321

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

13. Intangible assets continued

Allocation of intangible assets with indefinite useful lives to CGUs

Intangible assets with indefinite useful lives are allocated to the Group's CGUs that are expected to benefit from the use of the assets.

	2015 Rm	2014 Rm
McConnell Dowell: Built Environs brand name	–	36
	–	36

Details of other intangibles

The trademark relates to the acquisition of LTA Limited in 2001 when Grinaker Construction Limited merged with LTA Limited to become Grinaker-LTA Limited. The value of the trademark was determined at R15 million. Refer to *note 10.1: Impairment of property, plant and equipment and intangible assets* for further information regarding the impairment of the LTA trademark.

The brand name relates to the acquisition of Built Environs Proprietary Limited in 2009. The brand name was fully impaired in the current year (2014: Rnil).

The know-how of R29 million capitalised during the prior year relates to the purchase of a patent and design used by Aveng Manufacturing Duraset for pre-stressed units. The customer lists and the know-how have a useful life of five years, which has not changed in the current year.

Computer software capitalised relates to certain ERP systems implemented in the prior period and completed in the current year. There was no amortisation during the prior financial year due to the system implementation. However, the implementation process was completed in the current period and as a result amortisation of computer software commenced in the current period. Computer software is amortised over a period of between three and ten years.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
14. Equity-accounted investments		
Opening balance	**306**	144
Transfer to infrastructure investments held at fair value*	**(3)**	–
Transfer of shareholder loans to infrastructure investments*	**(168)**	–
Loan advanced	**74**	154
Share of other comprehensive earnings	**–**	(28)
Share of earnings before taxation and dividends	**(44)**	44
Amount recorded in the statement of comprehensive earnings	**(60)**	33
Excluding: Fair value adjustments on foreign exchange contracts disclosed as derivative instruments	**16**	11
Dividends received	**(6)**	(13)
Foreign currency translation movement	**7**	6
Impairment	**(7)**	
Disposal	**(5)**	
Other	**(3)**	(1)
	151	306

Reconciliation of investments

Investments	% holding	2015 Rm	2014 Rm
Blue Falcon 140 Trading Proprietary Limited	29	**–**	60
Imvelo Concession Company Proprietary Limited	30	**–**	40
Oakleaf Investment Holdings 86 Proprietary Limited	50	**48**	41
REHM Grinaker Construction Co Limited	43	**7**	14
REHM Grinaker Property Co Limited	43	**11**	(7)
RPP Developments Proprietary Limited	10	**10**	7
RPP JV Property Proprietary Limited	40	**7**	7
Windfall 59 Properties Proprietary Limited	29	**–**	71
Dutco McConnell Dowell Middle East Limited	49	**56**	56
Other		**12**	17
		151	306

** In accordance with IAS 28, the exemption from equity accounting was applied from 1 July 2014 in respect of the following investments, which were previously equity-accounted:*
– Blue Falcon 140 Trading Proprietary Limited
– Windfall 59 Properties Proprietary Limited
– Imvelo Concession Company Proprietary Limited.

Refer to *note 15: Infrastructure investments* for further detail of the investments detailed above that were transferred to infrastructure investments held at fair value. ACP has been determined to be operating as a venture capital organisation, these investments have therefore been reclassified as financial assets at fair value through profit or loss in accordance with the *IAS 28* exemption. These investments are managed, reported and evaluated on a fair value basis in term of ACP's investment methodology.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

14. Equity-accounted investments continued

The following is summarised financial information for the Group's interest in associates and joint ventures, based on the amount reported in the Group's consolidated financial statements:

	2015 Rm	2014 Rm
Aggregate carrying amount of associates	**103**	282
Aggregate carrying amount of joint ventures	**48**	24
	151	306
The Group's share of results of operations of equity-accounted investments are summarised below:		
Associates		
Earnings from continued operations	**11**	20
Joint ventures		
(Loss) / earnings from continued operations	**(55)**	24
Other comprehensive loss from continued operations	**–**	(28)
	(55)	(4)
(Loss) / earnings from the equity-accounted investments	**(44)**	44
Forward exchange contract losses*	**(16)**	(11)
Total share of (loss) / earnings from equity-accounted investments	**(60)**	33

** The underlying performance of renewable energy contracts housed within Oakleaf Investment Holdings 86 Proprietary Limited was influenced by fluctuations in the ZAR exchange rate against the USD and EUR. This was offset by the realised and unrealised fair value losses on the forward exchange contracts (FEC) held within the contract within the Administration and elimination segment and presented as part of earnings from equity-accounted investments, in order to reflect the true economic performance of the contract within the context of the Group's economic interest. The carrying amount of the FECs are recognised in derivative instruments (refer to note 18: Derivative instruments).*

Regulatory constraints

There are no regulatory constraints in South Africa, apart from the provision of the Companies Act 71 of 2008 (as amended) of South Africa, which restrict the distribution of funds to shareholders. There are also no regulatory constraints in Australia apart from profits from associates not being distributed without the consent of both the Group and the local shareholders.

Contingent liabilities

The Group's share of bank guarantees issued by its joint ventures and associates is R537 million (June 2014: R820 million). Other than as stated above, the Group did not incur any other contingent liabilities with regard to associates and joint ventures.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

14. Equity-accounted investments continued

The following associates or joint ventures have a reporting period which is different to that of the Group:

Name	Principal place of business	Type	Period end	Reason period end is different	% holding
Grinaker-LTA Fair Construction SARL	Rwanda	Associate	31 December	In line with strategic objectives of the associate's activities	50
JSG Developments Proprietary Limited	South Africa	Associate	31 December	In line with strategic objectives of the associate's activities	33,3
Allied Grinaker Properties Proprietary Limited	South Africa	Associate	31 December	Year-end in line with associate's parent	39
Oakleaf Investment Holdings 86 Proprietary Limited	South Africa	Joint venture	31 December	In line with strategic objectives of the joint venture's activities	50
Dutco McConnell Dowell Middle East LLC	United Arab Emirates	Associate	31 December	In line with strategic objectives of the associate's activities	49

For the full list of Group entities, refer to *note 55: Group operating entities.*

Joint operations in the Group are unincorporated and therefore do not have year-ends different to the Group year-end. The Group accounts for the relative share of assets, liabilities, revenue and expenses of joint operations.

Refer to *note 46: Commitments,* and *note 47: Contingent liabilities* for the Group's commitments and contingent liabilities relating to its associates and joint ventures.

The ability of the Group's associates or joint ventures to transfer funds or distributes its profits to the Group in the form of cash dividends, or to repay loans or advances made by the Group resulting from borrowing arrangements are governed by approval by the investors.

	2015 Rm	2014 Rm
15. Infrastructure investments		
South African infrastructure investments		
Financial investments at fair value through profit or loss	706	–
	706	–
Other infrastructure investments		
Financial investments at fair value through profit or loss	72	–
Total infrastructure investments	778	–

With effect from 1 July 2014, the Group's South African infrastructure investments managed by ACP were measured at fair value. These include all South African infrastructure investments in which the Group holds less than 50%. These investments are managed, reported and evaluated on a fair value basis in terms of ACP's investment methodology. Refer to *note 14: Equity-accounted investments* for the details pertaining to these investments. To the extent that these investments were previously equity accounted, they have been reclassified to infrastructure investments at their equity-accounted values as at 30 June 2014. This is not considered to be a change in accounting policy but rather a change in the business management as the ACP business model was only approved from 1 July 2014.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
15. Infrastructure Investments continued		
South African infrastructure investments		
Opening balance	**–**	–
Reclassification of equity investments from equity-accounted investments	**3**	–
Reclassification of shareholder loans from equity-accounted investments	**168**	–
Recycling of equity-accounted earnings from other comprehensive earnings	**28**	–
Reclassification from financial investments	**126**	–
Fair value remeasurement through comprehensive earnings	**173**	–
Loans advanced	**208**	–
	706	–
Balance at the end of the year comprises:		
Blue Falcon 140 Trading Proprietary Limited	**217**	–
Imvelo Company Proprietary Limited	**40**	–
N3 Toll Concessions Proprietary Limited	**128**	–
Windfall 59 Properties Proprietary Limited	**321**	–
	706	–
Other infrastructure		
Opening balance	**–**	
Reclassification from financial investments	**64**	–
Foreign currency translation movement	**(4)**	–
Fair value remeasurement through comprehensive earnings	**12**	–
	72	–
16. Financial investments		
Non-current assets		
Financial investments at fair value through profit or loss	**–**	190
Movement during the year		
Opening balance	**190**	70
Transferred to infrastructure investments	**(190)**	–
Foreign currency translation movement	**–**	6
Gains on financial assets	**–**	114
	–	190
Balance at the end of the year comprises (unlisted)		
N3 Toll Concession Company Proprietary Limited	**–**	126
GoldlinQ Holdings Proprietary Limited	**–**	64
	–	190

Refer to *note 50: Fair value of assets and liabilities*, for detailed fair value measurements and assumptions used.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
17. Deferred taxation		
Reconciliation of deferred taxation asset		
At the beginning of the year	**1 403**	1 347
Recognised in earnings or loss – current year	**143**	234
Recognised in earnings or loss – adjustment for prior year	**81**	(97)
Effect of change in foreign tax rate	**–**	(2)
Foreign currency translation movement	**13**	49
Reallocation from deferred taxation liability	**–**	33
Restructuring	**(1)**	(161)
Disposal of subsidiary	**(59)**	–
	1 580	1 403
Reconciliation of deferred taxation liability		
At the beginning of the year	**(257)**	(319)
Recognised in earnings or loss – current year	**11**	(42)
Recognised in earnings or loss – adjustment for prior year	**25**	1
Available-for-sale fair value reserve	**–**	(21)
Reallocation to deferred taxation asset	**–**	(33)
Restructuring	**1**	161
Foreign currency translation movement	**(1)**	(4)
	(221)	(257)
Deferred taxation asset balance at the year-end comprises		
Accelerated capital allowances	**(303)**	(368)
Provisions	**370**	577
Contracts	**(70)**	(194)
Other	**358**	426
Assessed losses carried forward	**1 225**	962
	1 580	1 403
Deferred taxation liability balance at the year-end comprises		
Accelerated capital allowances	**(327)**	(304)
Provisions	**29**	20
Contracts	**17**	1
Other	**22**	(3)
Assessed losses carried forward	**38**	29
	(221)	(257)

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

17. Deferred taxation continued

The Group's results include a number of legal statutory entities within a number of taxation jurisdictions.

As at June 2015 the Group had unused taxation losses of R5 603 million (2014: R4 301 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R4 116 million (2014: R3 691 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R1 487 million (2014: R610 million) due to the uncertainty of future taxable profits in the related specific legal entities.

Unused tax losses – Assumptions

The Group performed a five-year forecast for the financial years 2016 to 2020 which is the key evidence that supports the recognition of the deferred taxation asset. This forecast specifically focused on Aveng (Africa) Proprietary Limited, out of which Aveng Grinaker-LTA operates and which, given its financial performance over the past three years, has contributed significantly to these assessed losses in the Group. Aveng Grinaker-LTA has been repositioned in 2013 and 2014 to strengthen its service offering to clients in its core operations. This process saw new executive leadership progressively appointed during the year. The new management has been tasked with minimising losses and cash outflows on existing contracts, strengthening project execution and commercial management and to return Aveng Grinaker-LTA to profitability. Fundamental to these initiatives, is the securing of quality contracts that fulfil both risk and return requirements for the Group. Inputs used were based on perceived risk within the business and attainable revenue and gross profit margins which are consistent with market observations. Although the turnaround in 2015 was slower than anticipated good progress was made in positioning Aveng Grinaker-LTA for the future. This included considerable restructuring and right-sizing of the business in line with the current market conditions. Attention has also been given to the commercial and risk management processes and pre-tender assessments. This will protect our margins into the future.

Also included in Aveng (Africa) Proprietary Limited are Aveng Manufacturing, Aveng Steel operating groups as well as Aveng Shafts & Underground. Aveng Steel will continue to focus on reducing overheads in line with the current subdued steel market. Aveng Manufacturing enters challenging market environments in a strong position in the 2016 financial year. Aveng Shafts & Underground is expected to improve performance. Aveng Manufacturing and Aveng Steel as well as Aveng Shafts & Underground Mining are expected to contribute to earnings and thereby reduce the extent of assessed losses in Aveng (Africa) Proprietary Limited. Aveng Grinaker-LTA is expected to break even in 2016 and start contributing to profitability thereafter.

18. Derivative instruments

	2015 Net fair value Rm	2014 Net fair value Rm
Non-current assets		
Derivatives designated as hedging instruments	**6**	–
Derivative instruments at fair value through profit or loss	**–**	**
Current assets		
Derivatives designated as hedging instruments	**10**	–
Derivative instruments at fair value through profit or loss	**25**	1
	35	1
Non-current liabilities		
Derivative instruments at fair value through profit or loss	**–**	3
Current liabilities		
Derivative instruments at fair value through profit or loss	**2**	60

*** Less than R1 million.*

Derivative instruments subject to enforceable netting agreements amounted to R39 million (2014: R62 million). The Group held Rnil (2014: Rnil) of collateral against the net derivative asset exposure. International Swaps and Derivatives Association (ISDA) Master Agreements are utilised by the Group. The ISDA Master Agreement and all the confirmations entered into under it, form a single agreement. This allows the parties to an ISDA Master Agreement to aggregate the amounts owing by each of them under all of the transactions outstanding under that ISDA Master Agreement and to replace them with a single net amount payable by one party to the other. Refer to *note 51: Offsetting financial assets and financial liabilities* for further information.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

18. Derivative instruments continued

Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The notional amount should be viewed only as a means of assessing the Group's participation in derivative contracts and not the market risk position or the credit exposure arising on such contracts. The notional amounts of derivative financial instruments provide a basis for comparison with instruments recognised in the statement of financial position, but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore do not indicate the Group's exposure to credit or price risks.

Fair value

The amounts disclosed represent the fair value as at the reporting date of all derivative instruments held. The extent to which derivative instruments are favourable (assets) or unfavourable (liabilities), and therefore the aggregate fair values of derivative financial instruments, can fluctuate significantly from time to time.

The fair values of derivative instruments and the foreign exchange risk management policies applied by the Group are disclosed in *note 50: Fair value of assets and liabilities,* and *note 49: Risk management* respectively.

19. Amounts due from / (to) contract customers

	2015 Rm	2014 Rm
Uncertified claims and variations (underclaims)[1]	**5 862**	6 763
Provision for amounts due from contract customers[1]	**(958)**	(1 102)
Progress billings received (including overclaims)[2]	**(1 921)**	(1 766)
Uncertified claims and variations less progress billings received	**2 983**	3 895
Contract receivables[3]	**5 147**	5 527
Provision for contract receivables	**–**	(46)
Retention receivables[4]	**243**	209
	8 373	9 585
Amounts received in advance[5]	**(641)**	(911)
Net amounts due from contract customers	**7 732**	8 674
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations	**5 862**	6 763
Provision for amounts due from contract customers	**(958)**	(1 102)
Contract and retention receivables	**5 390**	5 736
Provision for contract receivables	**–**	(46)
Amounts due from contract customers	**10 294**	11 351
Progress billings received	**(1 921)**	(1 766)
Amounts received in advance	**(641)**	(911)
Amounts due to contract customers	**(2 562)**	(2 677)
Net amounts due from contract customers	**7 732**	8 674

Included in amounts due from contract customers are non-current assets of R900 million (2014: R2 946 million).

Refer to *note 49: Risk management* for further details.

[1] Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.
[2] Progress billings are amounts billed for work performed above revenue recognised.
[3] Amounts invoiced still due from customers.
[4] Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified.
[5] Advances are amounts received from the customer before the related work is performed.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
20. Trade and other receivables		
Financial assets		
Trade receivables	**1 509**	2 112
Provision for doubtful debts	**(49)**	(46)
Reimbursive right	**46**	56
Sundry receivables	**714**	526
Non-financial assets		
Prepayments	**204**	137
	2 424	2 785
Movement in reimbursive right reconciliation		
Opening balance	**56**	54
Net premiums – after reinsurance	**19**	18
Claims	**(32)**	(19)
Return on fair value	**3**	3
	46	56

The performance of the Guardrisk Life Fund ("captive") is determined by the premium income earned within it, less any reinsurance, management and claims costs. The captive requires that the owner of the captive injects capital into the captive in order to meet its solvency requirements. Profits from the activities in the captive can either be retained in the captive or paid out to the owners of the cell captive via dividends. In terms of the shareholders' agreement, all surplus can be paid out as dividends subject to meeting statutory reserving and capital requirements.

Outstanding claims for the captive as at 30 June 2015 amount to R2 million (2014: Rnil).

An amount of excess assets equal to 1,5 times of the capital adequacy requirement is retained in the captive to cover unforeseen fluctuations in experience based on the policy requirements.

The reimbursive asset of R46 million (2014: R56 million) is based on actuarial valuation of which R37 million (2014: R20 million) is allocated to possible future claims. No provision is recognised for these future claims as this is not a current obligation. The amount of R37 million (2014: R20 million) is not available for distribution.

The profit share reserve amounts to R9 million (2014: R36 million) of which only Rnil (2014: R12 million) is distributable due to the minimum capital adequacy requirement of R34 million (2014: R24 million).

Credit terms

Trade and other receivables comprise amounts owing to the Group in the normal course of business. Terms vary in accordance with contracts of supply and service and across business units, but are generally on 30 to 60-day terms from date of invoice. Indebtedness is generally interest free while within the terms of the original contract. No customers had sales larger than 10% of total revenue.

Refer to *note 49: Risk management* for further details regarding the credit risk disclosure.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
21. Inventories		
Raw materials	**959**	1 033
Work-in-progress	**93**	109
Finished goods	**1 247**	1 373
Consumables	**294**	308
	2 593	2 823
Allowance for obsolete inventory	**(64)**	(30)
	2 529	2 793
Reconciliation of movement in allowance for obsolete inventory		
Opening balance	**30**	32
Allowance created	**52**	4
Allowance utilised	**(18)**	(6)
	64	30
Inventories utilised in cost of sales during the year	**13 397**	13 507
Inventories written off and impaired during the year	**18**	6

The value of inventory carried at net realisable value amounts to R252 million (2014: R86 million), with the balance carried at cost.

	2015 Rm	2014 Rm
22. Cash and bank balances		
Cash and bank balances	**2 856**	4 136
	2 856	4 136
Cash and bank balances at the end of the period include the following cash and bank balances that are restricted from immediate use		
Group share of cash held by joint operations	**675**	636

The Group is offsetting notional bank overdrafts. Refer to *note 49: Risk management*, for further disclosure on the Group's exposure to credit risk and *note 51: Offsetting financial assets and financial liabilities*, for further disclosure on the impact of the Group's netting arrangements.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

23. Non-current assets held for sale

During the previous financial year, the Group made a decision to dispose of non-core properties. These properties were classified as non-current assets held for sale and will be sold as a single portfolio of land and buildings.

These properties continue to meet the definition of a disposal group. When assessed for impairment (as a single portfolio) the fair value of the properties, as determined by valuation experts, significantly exceeded the carrying amount of the properties. No impairment is necessary. The *Other and Eliminations* segment houses the disposal group.

As at year-end, the Group had a binding agreement with Imbali Props 21 Proprietary Limited, a member of the Collins Property Group for approximately R1,2 billion. Certain properties were removed from the originally anticipated transaction while a number of cranes were added during the negotiation process. The Group will retain a 30% interest in Dimopoint Proprietary Limited, a special purpose vehicle created for the purpose of holding the non-core properties and which is currently wholly owned by Aveng (Africa) Proprietary Limited. The competition compliance approval has been obtained for this transaction and all necessary documents have been signed after year-end. All conditions precedent have been met and therefore the disposal transaction is substantially complete.

	2015 Rm	2014 Rm
Non-current assets held-for-sale		
Land and buildings	**559**	607
Movement during the period		
Opening balance	**607**	–
Transferred out of non-current assets held-for-sale to property, plant and equipment	**(121)**	–
Transferred into non-current assets held-for-sale from property, plant and equipment	**73**	607
	559	607
Operating leases commitments		
Future minimum lease payment under this non-cancellable operating lease:		
– Within one year	**113**	–
– In the second to fifth year inclusive	**815**	–
– Later than five years	**1 271**	–
	2 199	–

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
24. Share capital and share premium		
Authorised		
882 034 263 ordinary shares of 5 cents each	**44**	44
Issued		
Share capital (400 781 598 ordinary shares of 5 cents each)	**20**	20
Share premium	**2 003**	1 988
Share capital and share premium	**2 023**	2 008
Share premium		
Opening balance	**1 988**	1 369
Purchase of 491 000 (2014: 277 891) treasury shares in terms of the equity-settled share-based payment plan	**(7)**	(7)
625 285 (2014: 201 560) forfeitable share plan (FSP) shares vested during the year	**22**	6
Issue of shares to BEE consortium for no consideration	**–**	620
	2 003	1 988
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Number of shares	**6 018 386**	6 018 386
– Market value (Rm)	**35**	139
Shares held by the Aveng Management Company Proprietary Limited		
– Number of shares	**8 586 593**	8 586 593
– Market value (Rm)	**49**	199
Shares held in terms of equity-settled share-based payment plan		
– Number of shares	**1 284 354**	1 418 639
– Market value (Rm)	**7**	33

Reconciliation of number of shares issued	Number of shares	Number of shares
Opening balance	**416 670 931**	389 838 097
Issue of shares	**–**	26 832 834
Closing balance – shares of 5 cents each	**416 670 931**	416 670 931
Less: treasury shares	**(15 889 333)**	(16 023 618)
Number of shares in issue less treasury shares	**400 781 598**	400 647 313

Black economic empowerment (BEE) transaction

The Community Investment Trust and the Aveng Empowerment Trust continue to hold 8 586 507 shares in the Group respectively, and 9 659 820 shares are held by the BEE strategic partner.

8 586 593 Aveng treasury shares were lent to Investec Private Bank Limited ("Investec") by Aveng Management Company Proprietary Limited in term of a scrip lending agreement. These shares were returned to the Group by Investec on 16 February 2015. The shares allocated to the Aveng Empowerment Trust on 30 June 2014 were used to discharge its obligation to Investec. The scrip lending shares held by Aveng Management Company Proprietary Limited continue to be regarded as treasury shares for accounting purposes in these consolidated financial statements and are therefore eliminated in the Group's results.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

24. Share capital and share premium continued

Black economic empowerment (BEE) transaction continued

	2015 Shares	2015 Holding	2014 Shares	2014 Holding
The top ten shareholders of the Group as at 30 June 2015 are entities (or clients of these entities in aggregate) listed below:				
Local				
PIC	**55 770 831**	**13,4%**	59 764 641	15,3%
Allan Gray Investment Council	**55 269 350**	**13,3%**	41 832 480	10,7%
Visio Capital Management	**30 299 634**	**7,3%**	**	**
Momentum Asset Management	**27 533 543**	**6,6%**	29 664 620	7,6%
STANLIB Asset Management	**22 464 768**	**5,4%**	33 640 485	8,6%
Investec Asset Management	**21 495 948**	**5,2%**	9 913 707	2,5%
Dimensional Fund Advisors	**18 333 241**	**4,4%**	22 094 302	5,7%
Kagiso Asset Management Proprietary Limited	**14 399 598**	**3,5%**	17 392 410	4,5%
Regarding Capital Management Proprietary Limited (ZA)	**10 998 500**	**2,6%**	**	**
Coronation Asset Management Proprietary Limited*			20 080 622	5,2%
Foreign				
SKAGEN A/S	**21 017 094**	**5,0%**	21 017 094	5,4%
The Vanguard Group Inc*			10 175 914	2,6%
	277 582 507	**66,7%**	265 576 275	68,1%

** Shareholder no longer in the top ten.*
*** Shareholder was not in the top 10 in the prior year.*

	2015 Rm	2014 Rm
25. Borrowings and other liabilities		
Borrowings	**2 463**	2 867
Borrowings held at amortised cost comprises:		
Non-current	**2 037**	2 303
Current	**426**	564
	2 463	2 867
25.1 Borrowings held at amortised cost		
Interest bearing borrowings comprise:		
Payment profile		
– within one year	**426**	564
– between two to five years	**2 037**	2 237
– later than five years	**–**	66
	2 463	2 867
Interest rate structure		
Fixed and variable (interest rates)		
Fixed – Long term	**1 814**	527
Fixed – Short term	**162**	212
Variable – Long term	**222**	1 776
Variable – Short term	**265**	352
	2 463	2 867

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

25. Borrowings and other liabilities continued

25.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	2015 Rm	2014 Rm
Convertible bond of R2 billion	Interest coupon is payable bi-annually for a period of five years	Coupon of 7,25%	**1 651**	–
Finance sale and lease back amounting to AUD10 million*	Monthly instalment from 2012 to June 2018	Fixed range 5,5% to 7,6%	**91**	259
Short term facility of AUD10 million	Repayable in May 2016	Bank bill swap rate plus 1,65%	**94**	603
Secured loan agreement denominated in ZAR	Interest on loan repayable monthly with principal owing in June 2021	Fixed interest rate of 9,82%	**–**	66
Hire purchase agreement in AUD7 million*	Monthly instalment from 2014 to September 2019	Fixed interest rate of 6,81%	**65**	–
Hire purchase agreement in USD*	Quarterly instalments ending June 2017	Fixed rate ranging 4,58% to 4,65%	**253**	312
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in November 2017	South African prime less 2%	**74**	100
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in March 2017	South African prime less 1,7%	**148**	138
Hire purchase agreement in ZAR*	Monthly instalment ending in May 2018	Fixed interest rate of 9,7%	**69**	102
Revolving credit facility in ZAR	Interest payable monthly with bullet payment payable in June 2016	Jibar + 2,75%	**–**	1 000
Revolving credit facility in ZAR	Interest payable monthly with bullet payment payable in December 2016	Jibar + 1,75%	**–**	250
Finance lease facilities in ZAR*	Monthly instalment ending in March 2017	South African prime	**13**	9
Interest bearing borrowings			**2 458**	2 839
Interest outstanding on interest bearing borrowings**			**5**	28
Total interest bearing borrowings			**2 463**	2 867

** These borrowings and other liabilities are finance leases and are included in the analysis of the payable finance lease liability.*
*** Interest outstanding in the current year relates to finance leases.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
25. Borrowings and other liabilities continued		
25.1 Borrowings held at amortised cost *continued*		
Finance lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	**369**	324
– in two to five years	**411**	671
Less: future finance charges	**(62)**	(75)
Present value of minimum lease payments	**718**	920
Present value of minimum lease payments due		
– within one year	**332**	286
– in two to five years	**386**	634
	718	920

The *Australasia and Asia* operating segment entered into a finance sale and leaseback arrangement in the 2012 financial year and in the current year entered into an asset based finance arrangement.

The arrangement, amounting to AUD10 million (R91 million) (2014: AUD26 million (R259 million)) has been secured by plant and equipment with a net carrying amount of R60 million (2014: R283 million). The arrangements are repayable in monthly instalments with the final instalment payable in June 2018 and bears interest at fixed rates, ranging from 5,5% to 7,6%.

The new arrangement amounting to AUD7 million (R65 million) has been secured by assets with a net carrying amount of R49 million. The arrangement is repayable in monthly instalments with the final instalment payable in September 2019 and bears interest at 6,81%.

The *Mining* operating segment entered into various asset based finance lease agreements in 2012, 2013, 2014 and the current financial year to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in May 2018. Equipment with a net carrying amount of R613 million (2014: R673 million) has been pledged as security for the facility.

The *Mining and Manufacturing* operating segment entered into various vehicle lease arrangements in the 2014 and 2015 period. Equipment with the net carrying amount of R10 million (2014: R8 million) has been pledged as security.

25.2 Convertible bonds

During July 2014, the Company issued convertible bonds denominated in South African Rand with a nominal value of R2 billion and a coupon of 7,25%. Interest is payable bi-annually for a period of five years with the bond repayment date being five years from the issue date at par plus interest.

The bonds are convertible into 69,6 million Aveng Limited shares at the holder's option based on a conversion price of R28,76 subject to shareholders' approval, which was received on 19 September 2014.

The Company has the option to call the bonds at par plus accrued interest at any time on or after 7 August 2017 up to 20 consecutive dealing days before the redemption date, if the aggregate value of the underlying shares per bond for a specified period of time is 130% of the conversion price. However, the bondholders may convert the bonds into shares before the actual settlement.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

25. Borrowings and other liabilities continued

25.2 Convertible bonds continued

The Company also has the option to settle the outstanding bonds at par value plus accrued interest at any time if less than 15% of the bond remains outstanding.

The convertible bond comprises a liability component as well as an embedded conversion option, being the option for the bondholder to convert the bond to a fixed number of Aveng Limited shares.

The liability component is recognised and initially measured at fair value, adjusted for transaction costs and subsequently measured at amortised cost in accordance with the Company's accounting policy on borrowings and other liabilities. The conversion option was initially measured at fair value with changes in the fair value recognised in comprehensive earnings in accordance with the Company's accounting policy on derivative instruments. On the date that the shareholder approval was obtained to settle the instruments in shares, the derivative was reclassified to equity, at the then fair value.

The effective interest rate associated with the convertible bond liability is 13.6% per annum.

	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	Total Rm
Issued July 2014	**1 562**	**438**	**–**	**2 000**
Transaction costs	**(41)**	**–**	**–**	**(41)**
Coupon bi-annual payment	**(73)**	**–**	**–**	**(73)**
Fair value adjustment to comprehensive earnings*		**(36)**	**–**	**(36)**
Transfer to equity		**(402)**	**402**	**–**
Transaction costs allocated to equity component		**–**	**(12)**	**(12)**
Interest determined with the effective interest rate*	**203**	**–**	**–**	**203**
Accrual of coupon interest for convertible bond	**136**	**–**	**–**	**136**
Unwinding of liability owing to:		**–**	**–**	
– Transaction costs capitalised	**6**	**–**	**–**	**6**
– Effect of fair value adjustment of derivative liability	**5**	**–**	**–**	**5**
– Effect of fair value of conversion option reclassification to equity	**56**	**–**	**–**	**56**
	1 651	**–**	**390**	**2 041**

** Interest on convertible bond.*

Notes to the consolidated financial statements continued

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26. Payables other than contract-related

	Opening balance Rm	Utilised Rm	Unwinding of discount Rm	Total Rm
Reconciliation of payables other than contract-related – 2015				
Payables other than contract-related	**197**	**(102)**	**7**	**102**

	Opening balance Rm	Utilised Rm	Unwinding of discount Rm	Total Rm
Reconciliation of payables other than contract-related – ***2014***				
Payables other than contract-related	283	(102)	16	197

	2015 Rm	2014 Rm
Non-current liabilities	**–**	102
Current liabilities	**102**	95
	102	197

The Group has proactively engaged and cooperated with the Competition Commission in its investigation into historic anti-competitive practices in the South African construction industry. In June 2013, the Group entered into a settlement agreement with the Competition Commission with respect to the above-mentioned investigations, levying an administrative penalty against the Group of R307 million. This represents a full and final settlement of all alleged collusive conduct as defined in the Consent Agreement, confirmed by the Competition Tribunal. During the current year an amount of R102 million was paid. The remaining balance will be settled over the next year.

At the date on which these consolidated financial statements were approved, the Group is not aware of any civil damage claims relating to the Competition Commission Consent Agreement that was confirmed by the Competition Commission Tribunal.

Notes to the consolidated financial statements continued

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	2015 Rm	2014 Rm
27. Trade and other payables		
Trade payables	**2 859**	3 287
Subcontractors	**425**	409
Accrued expenses	**3 180**	3 600
Income received in advance	**1 072**	1 438
Promissory notes	**425**	1 009
	7 961	9 743

Trade and other payables comprise amounts owing to suppliers for goods and services supplied in the normal course of business.

Promissory notes issued to the Group amount to R425 million (2014: R1 billion). The notes bear interest between a range of 7,7% and 7,8% per annum. Terms vary in accordance with contracts of supply and service but are generally settled on 30 to 90 day terms.

Included in income received in advance is advanced payments received relating to the QCLNG contract of AUD112,5 million (R1 055 million) which is backed by bank guarantees. AUD30 million (R301 million) of the advance payment was paid on 3 July 2014.

Notes to the consolidated financial statements continued

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28. Employee-related payables

IFRS 2 Share-based payment obligation

Share-based payment obligations comprise cash-settled options for executives and senior employees. The cost of cash-settled transactions is measured initially at fair value at the grant date using an adjusted binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings. Refer to *note 30: Share-based payments*.

Employee entitlements

Employee entitlements are obligations raised for the various employee incentive plans in place throughout the Group. Included in employee entitlements are short and medium term incentive plan obligations, along with statutorily determined retrenchment commitments.

Leave pay benefits

Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at year-end. Discounting of these obligations amount to R10 million (2014: R12 million) accretion.

	Opening balance Rm	**Recognised/ (reversed) in earnings or loss Rm**	**Utilised Rm**	**Currency adjustment Rm**	**Unwinding of discount Rm**	**Total Rm**
Reconciliation of employee-related payables – 2015						
IFRS 2 *Share-based payment*	**31**	**(31)**	**–**	**–**	**–**	*****
Employee entitlements	**789**	**195**	**(374)**	**(4)**	*****	**606**
Leave pay benefits	**755**	**431**	**(640)**	**(26)**	**(10)**	**510**
	1 575	**595**	**(1 014)**	**(30)**	**(10)**	**1 116**

** Less than R1 million.*

	Opening balance Rm	Recognised/ (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Unwinding of discount Rm	Total Rm
Reconciliation of employee-related payables – 2014						
IFRS 2 *Share-based payment*	55	(2)	(22)	–	–	31
Employee entitlements	966	425	(540)	(70)	8	789
Leave pay benefits	649	525	(492)	61	12	755
	1 670	948	(1 054)	(9)	20	1 575

	2015 Rm	2014 Rm
Non-current	**468**	682
Current	**648**	893
	1 116	1 575

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

29. Equity-settled share-based payment reserve

The Group 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, available on the Group's website.

Details of awards made are disclosed in *note 48: Directors' emoluments and interests.*

	2015 Rm	2014 Rm
Opening balance	**26**	21
Equity-settled share-based payment expense	**11**	11
Equity-settled shares vested	**(22)**	(6)
	15	26

30. Share-based payments

30.1 Cash-settled share-based payment plan

30.1.1 Share option plan

In terms of the Aveng Limited Share Option Plan, certain full-time employees of the company and any of its subsidiaries, including directors holding full-time salaried employment or office, are entitled under the plan to hold a limit of 5% of the issued share capital. No one participant may be allotted shares in excess of 2% of the issued share capital of the Company.

The movements during the year under review were as follows:

	2015 Weighted average exercise price R	**2015 Number of options**	2014 Weighted average exercise price R	2014 Number of options
Opening balances	**40,26**	**4 640 305**	40,55	5 632 098
Options exercised*	**–**	**–**	–	–
Options forfeited / cancelled	**39,43**	**(1 438 550)**	41,11	(991 793)
	39,87	**3 201 775**	40,26	4 640 305
Number of exercisable options and exercise price at year-end	**39,87**	**3 201 755**	41,80	3 093 257

** No options were exercised during the current or previous year.*

The right to take delivery or to exercise the option vests in tranches, two years from the grant date at the rate of 25% each year for four years. Participants can defer exercising the options subject to the rules of the plan but must exercise within 10 years of the grant date.

Notes to the consolidated financial statements continued

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30. Share-based payments continued

30.1 Cash-settled share-based payment plan continued

30.1.1 Share option plan continued

Price metrics for options exercised during the year

The options outstanding at 30 June 2015 become unconditional between the following vesting dates:

Grant date	Vesting period	Expiry date	Subscription price R	Number of options 2015	Number of options 2014
14 September 2007	14 September 2009 to 14 September 2012	14 September 2017	53,16	**70 030**	204 000
1 October 2007	1 October 2009 to 1 October 2012	1 October 2017	54,84	**155 000**	155 000
2 November 2007	2 November 2009 to 2 November 2012	2 November 2017	61,80	**73 367**	73 367
6 December 2007	6 December 2009 to 6 December 2012	6 December 2017	62,50	**–**	53 797
10 March 2008	10 March 2010 to 10 March 2013	10 March 2018	52,00	**204 460**	204 460
24 October 2008	24 October 2010 to 24 October 2013	24 October 2018	42,80	**396 660**	618 932
2 January 2009	2 January 2011 to 2 January 2014	2 January 2019	30,52	**19 659**	19 659
9 September 2009	9 September 2011 to 9 September 2014	9 September 2019	40,30	**213 600**	313 872
8 September 2010	8 September 2012 to 8 September 2015	8 September 2020	37,70	**1 480 305**	2 013 854
13 May 2011	13 May 2013 to 13 May 2016	13 May 2021	33,85	**588 674**	983 364
				3 201 755	4 640 305

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

30. Share-based payments continued

30.1 Cash-settled share-based payment plan continued

30.1.1 Share option plan continued

Should the option-holder resign from a group company prior to the vesting dates as indicated on the previous page, the right to the shares or options will be forfeited.

The Aveng Limited Share Purchase Trust ("the Trust") will be funded out of its own resources, and / or loans to be made by group companies that employ participants in accordance with the provisions of section 44 of the Companies Act 71 of 2008 (as amended) of South Africa. The Trust held 6 018 386 ordinary shares at 30 June 2015 (2014: 6 018 386 ordinary shares).

The Trust's financial results are consolidated with those of the Group.

The fair value of the options granted under the scheme are estimated at the date of the grant using the adjusted binomial option pricing model.

The following assumptions were used in valuing the various options at grant date:

	2015 %	2014 %
Expected volatility	**32,1**	28,6
Expected dividend yield	**2,6**	2,6

The risk free rates were interpolated from a term structure of interest rates. These rates were obtained with reference to the following market rates:
– Three to 12-month rates on forward rate agreements (FRAs); and
– One to 10-year swap rates.

30.1.2 Share Appreciation Rights Plan (SARs)

In terms of the Group SARs Plan which came into effect during the 2012 financial year, certain full-time employees of the Company and its subsidiaries, including directors holding full-time salaried employment or office, are entitled under the plan to hold a limit of 10% of the issued share capital (plan as a whole). No one participant may acquire shares in excess of 2,5% of the issued share capital of the Company.

The movements during the year were as follows:

	2015 Weighted average exercise price R	**2015 Number of options**	2014 Weighted average exercise price R	2014 Number of options
Opening balances	**29,49**	**15 075 897**	32,53	11 269 187
Options forfeited / cancelled	**30,91**	**(3 769 100)**	32,52	(2 426 298)
Options granted	**20,90**	**6 618 940**	24,95	6 233 008
	26,87	**17 925 737**	29,49	15 075 897

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

30. Share-based payments continued

30.1 Cash-settled share-based payment plan continued

30.1.2 Share Appreciation Rights Plan (SARs) continued

The right to take delivery or to exercise the option vests in tranches three years from the date of allocation at the rate of 33,3% each year for three years. Participants may defer exercising the right subject to the rules of the plan and vesting criteria but must exercise within seven years of the allocation date.

The options outstanding as at 30 June 2015

Grant date	Vesting period	Expiry date	Subscription price R	Number of SARs 2015	Number of SARs 2014
14 December 2011	13 December 2014 and 13 December 2016	14 December 2018	33,75	**2 604 527**	3 918 527
15 March 2012	15 March 2015 and 15 March 2017	15 March 2019	37,95	**262 500**	347 500
17 October 2012	17 October 2015 and 17 October 2017	17 October 2019	30,90	**3 607 062**	4 647 062
19 March 2013	19 March 2016 and 19 March 2018	19 March 2020	35,80	**110 000**	170 000
25 September 2013	25 September 2016 and 25 September 2018	25 September 2020	25,00	**4 620 208**	5 890 308
25 February 2014	25 February 2017 and 25 February 2019	25 February 2021	21,80	**102 500**	102 500
27 August 2014	27 August 2017 and 27 August 2019	27 August 2021	23,94	**1 216 100**	–
09 September 2014	09 September 2017 and 09 September 2019	09 September 2021	22,63	**243 040**	–
05 November 2014	05 November 2017 and 05 November 2019	05 November 2021	20,75	**5 159 800**	–
				17 925 737	15 075 897
Approved limit (number of shares)				**41 667 093**	41 667 093
% issued to date				**43,0%**	36,2%
Shares available for allocation (number of shares)				**23 741 356**	26 591 196

All unvested rights will be forfeited should the holder resign from a group company prior to the vesting dates.

For details of obligations raised with regard to the cash-settled share-based payment plan, refer to *note 28: Employee-related payables.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

30. Share-based payments continued

30.2 Equity-settled share-based payment plan

30.2.1 Forfeitable Share Plan

In terms of the Group Forfeitable Share Plan (FSP), senior executives of the Group, including executive directors, are granted shares in the Group 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. 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.

	2015 Number of shares	2014 Number of shares
The movements during the year were as follows:		
Opening balance	**1 418 639**	1 342 308
Shares granted	**491 000**	277 891
Shares vested / exercised	**(625 285)**	(201 560)
Shares forfeited	**–**	(236 263)
Shares reallocated	**–**	236 263
	1 284 354	1 418 639
Average purchase price of shares granted to participant (R)	**20,18**	25,87
Total value of forfeitable shares granted to participants (Rm)	**11**	5
Approved limit (1% of number of shares)	**4 166 709**	4 166 709
% issued to date	**30,8%**	34,0%
Available for future allocation (number of shares)	**2 882 355**	2 748 070

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
31. Employee benefits		
Defined contribution plan		
Aveng Group and industry retirement plans	**16 963**	10 727
McConnell Dowell Corporation Limited plan	**983**	6 225
Number of covered employees	**17 946**	16 952
Number of employees not covered	**7 520**	14 816
Total number of employees	**25 466**	31 768
Cover ratio	**70,5%**	53,3%
The Group's retirement expense (Rm)	**428**	732

Defined benefit plan

The fund is a closed defined benefit plan, in terms of which an Annuity Purchase Agreement was entered into in 2001, whereby the pensioner liabilities were fully outsourced to and guaranteed by Momentum Group Limited. In the event that Momentum Group is no longer able to perform in terms of an Annuity Purchase Agreement, the obligation to fund the pensioner liabilities may revert to the Group.

The member surplus apportionment account is defined contribution in nature, fully funded and accordingly has no foreseen future funding obligation by the Group. The Group is no longer making contributions to the fund and has no recourse to any of the assets of the fund.

	2015 Rm	2014 Rm
32. Revenue		
Construction contract revenue	**35 176**	43 827
Sale of goods	**8 438**	8 754
Rendering of services	**23**	44
Other revenue	**43**	33
Transport revenue	**250**	301
	43 930	52 959
33. Cost of sales		
Operating lease charges – premises	**69**	71
Earnings from contract-related property, plant and equipment	**(60)**	(66)
Depreciation of property, plant and equipment	**881**	776
Employee cost	**9 690**	12 330
Employee benefits	**136**	124
Materials	**12 337**	12 745
Sub-contractors	**10 447**	13 371
Other	**8 066**	9 973
	41 566	49 324

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
34. Other earnings		
Dividends received	**22**	33
Discount received	**137**	173
Other income	**55**	98
Realised exchange gains / (losses)	**37**	(45)
Unrealised exchange gains*	**5**	16
Other gains	**19**	12
Fair value adjustments	**196**	15
	471	302

** Relates to forward exchange contracts.*

	2015 Rm	2014 Rm
35. Operating expenses		
Operating lease charges – premises	**88**	92
Operating lease charges – plant and equipment	**9**	10
Rationalisation and restructuring	**123**	66
Depreciation of property, plant and equipment	**47**	105
Amortisation of intangible assets	**21**	28
Share-based payment expense	**(20)**	(13)
Employee costs – salaries	**1 895**	1 980
Employee benefits – fringe benefits	**65**	98
Computer costs	**105**	103
Consulting fees	**119**	89
Audit fees	**54**	54
Other	**557**	559
	3 063	3 171*

** Comparatives have been amended as detailed in note 2: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

	2015 Rm	2014 Rm
36. Finance earnings		
Interest received	**177**	136
37. Other finance expenses		
Interest on debts and borrowings	**238**	252
Facility fees	**48**	56
Guarantee costs	**13**	3
Other transaction costs	**17**	8
	316	319

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

38. Taxation

Major components of the taxation expense

	2015 Rm	2014 Rm
Current		
Local income taxation – current period	**25**	30
Local income taxation – recognised in current taxation for prior periods	**(4)**	(9)
Foreign income taxation or withholding taxation – current period	**377**	262
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	**(58)**	(28)
Deferred	**340**	255
Deferred taxation – current period	**(154)**	(192)
Deferred taxation – foreign rate change	**–**	2
Deferred taxation – arising from prior period adjustments	**(106)**	96
	(260)	(94)
	80	161

The net movement on deferred taxation amounts to R213 million (2014: R118 million), which comprises a credit to the statement of comprehensive earnings of R260 million (2014: R94 million credit), a debit of Rnil fair value adjustment on financial investments (2014: R21 million debit) (Rnil at the CGT rate of 18,7% (2014: R114 million)) and a credit of R12 million (2014: R45 million credit) to the foreign currency translation reserve, and R59 million (2014: Rnil) relating to the disposal of a subsidiary.

	2015	2014
Reconciliation of the taxation expense		
Reconciliation between applicable taxation rate and effective taxation rate		
Effective taxation rate	**(18,3)%**	(74,9)%
Goodwill impairment charge	**(36,0)%**	101,0%
Effective taxation rate on earnings excluding goodwill impairment loss	**(54,3)%**	26,1%
Exempt income	**(134,4)%**	14,3%
Deferred taxation asset not recognised	**186,8%**	(14,4)%
Disallowable charges	**43,0%**	(4,8)%
Change in tax rate	**–**	(0,4)%
Prior year adjustment	**(34,9)%**	5,3%
Effects of other jurisdictions and other	**21,8%**	1,9%
	28,0%	28,0%

South African income taxation is calculated at 28% (2014: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

39. Earnings and headline earnings per share

	2015 Number of shares	2015 Weighted average number of shares	2014 Number of shares	2014 Weighted average number of shares
Opening balance	**416 670 931**	**416 670 931**	389 838 097	389 838 097
Issue of shares	**–**	**–**	26 832 834	73 515
	416 670 931	**416 670 931**	416 670 931	389 911 612
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
Aveng Management Company Proprietary Limited	**(8 586 593)**	**(8 586 593)**	(8 586 593)	(8 586 593)
Equity-settled share-based payment plan	**(1 284 354)**	**(1 421 433)**	(1 418 639)	(1 298 958)
Total treasury shares	**(15 889 333)**	**(16 026 412)**	(16 023 618)	(15 903 937)
Weighted average number of shares	**400 781 598**	**400 644 519**	400 647 313	374 007 675
Add: Contingently issuable shares in terms of BEE structure	**–**	**–**	–	26 759 319
Add: Contingently issuable shares in terms of the equity-settled share-based payment plan	**1 284 354**	**1 421 433**	1 418 639	1 298 958
Diluted weighted average number of shares in issue*	**402 065 952**	**402 065 952**	402 065 952	402 065 952
Note	24		24	

** The convertible bonds were anti-dilutive for the year ended 30 June 2015 and have therefore not been included in the calculation of diluted number of shares.*

	2015 Gross of taxation Rm	2015 Net of taxation Rm	2014 Gross of taxation Rm	2014 Net of taxation Rm
Determination of headline earnings				
Loss for the period attributable to equity-holders of parent	**–**	**(460)**	–	(381)
Impairment of goodwill	**291**	**291**	816	816
Impairment of property, plant and equipment	**273**	**252**	–	–
Impairment of intangible assets	**57**	**57**	15	15
Loss / (profit) on sale of property, plant and equipment	**6**	**4**	(25)	(18)
Profit on sale of subsidiary	**(777)**	**(713)**	–	–
Fair value adjustment on investment property	**(11)**	**(9)**	(15)	(11)
Headline (loss) / earnings*		**(578)**		421

** Earnings are calculated in accordance with IAS 33: Earnings per share. Headline earnings is calculated in accordance with Circular 2 / 2013.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	Note	2015 Rm	2014 Rm
39. Earnings and headline earnings per share continued			
Determination of diluted earnings*			
Loss for the period attributable to equity-holders of the parent		**(460)**	(381)
Diluted loss for the period attributable to equity-holders of the parent		**(460)**	(381)
Diluted headline (loss) / earnings		**(578)**	421
Loss per share – basic (cents)		**(114,8)**	(101,9)
Loss per share – diluted (cents)		**(114,4)**	(94,8)
Headline (loss) / earnings per share – basic (cents)		**(144,3)**	112,5
Headline (loss) / earnings per share – diluted (cents)		**(143,8)**	104,7

** The convertible bonds were anti-dilutive for the year ended 30 June 2015 and have therefore not been included in the calculation of diluted earnings.*

	Note	2015 Rm	2014 Rm
40. Cash utilised from operations			
Loss before taxation		**(438)**	(215)
Finance earnings		**(177)**	(136)
Finance expenses		**485**	319
Dividend earnings		**(22)**	(33)
Share of loss / (earnings) from equity-accounted investment		**60**	(33)
		(92)	(98)
41. Non-cash and other movements			
Earnings from disposal of property, plant and equipment		**(61)**	(66)
Impairment of goodwill, property, plant and equipment and intangible assets		**628**	831
Profit on disposal of subsidiary		**(777)**	–
Fair value adjustments		**(196)**	(15)
Movements in foreign currency translation		**(62)**	(206)
Movement in equity-settled share-based payment reserve		**11**	5
		(457)	549
42. Finance expenses paid			
Amount charged to the statement of comprehensive earnings		**(521)**	(319)
Movement in finance expenses unpaid		**160**	36
		(361)	(283)
43. Finance earnings received			
Amount charged to the statement of comprehensive earnings		**177**	136
Movement in accrued finance earnings		**(23)**	(9)
		154	127
44. Taxation paid			
Amounts unpaid at the beginning of the period		**(213)**	(210)
Amounts charged to the statement of comprehensive earnings – normal tax	38	**(340)**	(255)
Amounts unpaid at the end of the period		**94**	213
Amounts relating to disposal of subsidiary		**10**	–
Amounts relating to foreign currency translation movement		**52**	–
		(397)	(252)
45. Dividends paid			
Dividends to non-controlling interest*		**(7)**	(6)
		(7)	(6)

** Dividends were paid by a subsidiary of McConnell Dowell during the year and the amount relates to dividends paid to non-controlling interest that did not eliminate upon consolidation.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
46. Commitments		
Authorised capital expenditure		
– Contracted	**46**	180
– Authorised, but not contracted	**26**	8
Total capital expenditure	**72**	188

It is anticipated that this expenditure will be in respect of capital equipment which will be financed from existing cash or borrowing facilities.

Operating leases commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2015 Rm	2014 Rm
– Within one year	**206**	235
– In second to fifth year	**197**	335
– Later than five years	**79**	42
	482	612

47. Contingent liabilities

Contingent liabilities at the reporting date, not otherwise provided for in the consolidated financial statements, arise from performance bonds and guarantees issued in:

	2015 Rm	2014 Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)*	**3 721**	3 895
Parent company guarantees (ZARm)*	**898**	2 987
	4 619	6 882
Australasia		
Guarantees and bonds (AUDm)	**647**	651
Parent company guarantees (AUDm)	**1 215**	4 149
	1 862	4 800

** 2014 adjusted to remove advance payment guarantees where the advance payment is already recognised as a liability of the Group.*

Aveng has a rehabilitation liability relating to the sale of the properties refer to *note 23: Non-current assets held-for-sale.* Management could not reliably estimate the amount associated with this liability as at 30 June 2015. The amount of this liability will be confirmed as soon as the environmental experts have completed their assessment of the extent and amount of damage.

Contract performance guarantees issued by the parent company on behalf of the group companies are calculated based on the probability of draw down.

Claims and legal disputes in the ordinary course of business

The Group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The Board does not believe that adverse decisions in any pending proceedings or claims against the Group will have a material adverse effect on the financial condition or future operations of the Group. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are possible.

Notes to the consolidated financial statements continued

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48. Directors' emoluments and interests

Directors' emoluments below are disclosed in Rand thousands (R'000):

Executive directors

	Year	Salary[1] R'000	Retirement fund R'000	Other payments R'000	Short-term incentive (STI)[3] R'000	Medium-term incentive (MTI)[4] R'000	Total R'000
HJ Verster (SA)	**2015**	**4 351**	**510**	**–**	**–**	**317**	**5 178**
	2014	3 532	356	735	623	697	5 943
JJA Mashaba (SA)	**2015**	**3 386**	**260**	**–**	**–**	**263**	**3 909**
	2014	3 202	225	280	548	299	4 554
WR Jardine (SA) (resigned 31 August	**2015**	**–**	**–**	**–**	**–**	**–**	**–**
2013)	2014	724	45	1 628	–	203	2 600
AH Macartney (SA)[2]	**2015**	**3 204**	**204**	**–**	**–**	**–**	**3 408**
	2014	–	–	–	–	–	–
DG Robinson[5] (AUD'000)	**2015**	**1 190**	**184**	**–**	**–**	**57**	**1 431**
	2014	1 155	176	–	122	156	1 609

[1] *Salary for South African directors is total fixed earnings inclusive of medical aid, Group life, accident and vehicle benefits.*
[2] *AH Macartney appointed 1 September 2014.*
[3] *No STI awards were made for 2014/2015.*
[4] *MTI paid in March 2015 in respect of previous year's award.*
[5] *DG Robinson's earnings are disclosed in AUD'000.*

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

48. Directors' emoluments and interests continued
Executive share incentive scheme entitlement

	Date from which exercisable	Date on which expires	Strike price R	Number entitled to at 1 July 2014	Number granted during the year	Number redeemed or taken up or forfeited during the year	**Number entitled to at 30 June 2015**
HJ Verster	Sept 2012	Sept 2020	37,70	66 246	–	–	**66 246**
	Sept 2013	Sept 2020	37,70	66 246	–	–	**66 246**
	Sept 2014	Sept 2020	37,70	66 246	–	–	**66 246**
	Sept 2015	Sept 2020	37,70	66 249	–	–	**66 249**
				264 987	–	–	**264 987**
JJA Mashaba	Sept 2009	Sept 2017	54,84	38 750	–	–	**38 750**
	Sept 2010	Sept 2017	54,84	38 750	–	–	**38 750**
	Sept 2011	Sept 2017	54,84	38 750	–	–	**38 750**
	Sept 2012	Sept 2017	54,84	38 750	–	–	**38 750**
	Oct 2010	Oct 2018	42,80	39 816	–	–	**39 816**
	Oct 2011	Oct 2018	42,80	39 816	–	–	**39 816**
	Oct 2012	Oct 2018	42,80	39 816	–	–	**39 816**
	Oct 2013	Oct 2018	42,80	39 816	–	–	**39 816**
	Sept 2011	Sept 2019	40,30	17 314	–	–	**17 314**
	Sept 2012	Sept 2019	40,30	17 314	–	–	**17 314**
	Sept 2013	Sept 2019	40,30	17 314	–	–	**17 314**
	Sept 2014	Sept 2019	40,30	17 316	–	–	**17 316**
	Sept 2012	Sept 2020	37,70	18 486	–	–	**18 486**
	Sept 2013	Sept 2020	37,70	18 486	–	–	**18 486**
	Sept 2014	Sept 2020	37,70	18 486	–	–	**18 486**
	Sept 2015	Sept 2020	37,70	18 486	–	–	**18 486**
				457 466	–	–	**457 466**
DG Robinson	Nov 2009	Nov 2017	61,80	18 341	–	–	**18 341**
	Nov 2010	Nov 2017	61,80	18 341	–	–	**18 341**
	Nov 2011	Nov 2017	61,80	18 341	–	–	**18 341**
	Nov 2012	Nov 2017	61,80	18 344	–	–	**18 344**
	Oct 2010	Oct 2018	42,80	21 593	–	–	**21 593**
	Oct 2011	Oct 2018	42,80	21 593	–	–	**21 593**
	Oct 2012	Oct 2018	42,80	21 593	–	–	**21 593**
	Oct 2013	Oct 2018	42,80	21 593	–	–	**21 593**
	Sept 2011	Sept 2019	40,30	11 029	–	–	**11 029**
	Sept 2012	Sept 2019	40,30	11 029	–	–	**11 029**
	Sept 2013	Sept 2019	40,30	11 029	–	–	**11 029**
	Sept 2014	Sept 2019	40,30	11 030	–	–	**11 030**
	Sept 2012	Sept 2020	37,70	16 649	–	–	**16 649**
	Sept 2013	Sept 2020	37,70	16 649	–	–	**16 649**
	Sept 2014	Sept 2020	37,70	16 649	–	–	**16 649**
	Sept 2015	Sept 2020	37,70	16 650	–	–	**16 650**
				270 453	–	–	**270 453**

Notes to the consolidated financial statements continued

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48. Directors' emoluments and interests continued

Non-executive directors

	Directors' fees R'000	Chairman fees R'000	Committee fees R'000	Other fees* R'000	Total R'000
2015					
AWB Band	**305**	**574**	**704**	**322**	**1 905**
PK Ward	**305**	**251**	**347**	**164**	**1 067**
E Diack	**305**	**–**	**553**	**316**	**1 174**
PJ Erasmus	**305**	**142**	**239**	**94**	**780**
MA Hermanus	**305**	**164**	**16**	**69**	**554**
RL Hogben (retired 20 August 2014)	**67**	**–**	**–**	**–**	**67**
MJ Kilbride (appointed 4 July 2014)	**305**	**–**	**326**	**69**	**700**
T Mokgosi-Mwantembe	**305**	**190**	**78**	**69**	**642**
MI Seedat	**305**	**164**	**185**	**155**	**809**
M Mzondeki	**282**	**–**	**158**	**69**	**509**
	2 789	**1 485**	**2 606**	**1 327**	**8 207**
2014					
AWB Band	287	539	1 084	257	2 167
PK Ward	287	236	313	–	836
E Diack (appointed 1 December 2013)	201	–	64	–	265
PJ Erasmus	265	178	122	–	565
MA Hermanus	287	154	31	–	472
RL Hogben	287	133	216	80	716
MJ Kilbride (appointed 4 July 2014)	287	–	127	–	414
T Mokgosi-Mwantembe	287	98	89	–	474
MI Seedat	287	39	159	–	485
M Mzondeki (appointed 1 January 2014)	134	–	31	–	165
MJD Ruck (resigned 1 December 2013)	153	9	96	–	258
	2 762	1 386	2 332	337	6 817

** Other fees consist of training fees, travelling fees and attendance to subsidiary board meetings.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

48. Directors' emoluments and interests continued

Annual review of non-executive directors' fees

Management submits annually to the remuneration and nomination committee a proposal for the review of non-executive director fees. This proposal includes a minimum of two non-executive director remuneration surveys, as well as extracts from annual reports of at least three similar-sized businesses. A comparison of the current and proposed fees against the market surveys and the three companies, as well as the Group's overall performance are used to determine the appropriate fee to be recommended to the Board for further review.

The fees recommended by the remuneration and nomination committee are debated by the Board and a final proposal is then submitted at the Annual General Meeting for approval by shareholders.

The chairman of the Board and the non-executive directors, independent or otherwise, are not eligible to receive share options or incentive awards. Non-executive directors' fees are included in the notice of Annual General Meeting for approval by way of an ordinary resolution.

Interest of directors of the company in share capital

	Ordinary shares 2015	Ordinary shares 2014
Non-executive directors		
AWB Band	**20 000**	–
RL Hogben	**–**	16 770
PK Ward	**2 000**	2 000
	22 000	18 770

On the above mentioned shares there is no percentage of issued securities.

Securities are beneficially held.

Securities held by Mr RL Hogben were partially direct beneficial and partially indirect beneficial.

The Group has not been advised of any changes in the above interests during the period 1 July 2014 to the date of the financial statements.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

48. Directors' emoluments and interests continued

Share Appreciation Rights (SARs) Plan

	Date from which exercisable	Date on which expires	Strike price R	Number entitled to at 1 July 2014	Number granted during the year	Number redeemed or taken up or forfeited during the year	**Number entitled to at 30 June 2015**
HJ Verster	Dec 2014	Dec 2018	33,75	36 999	–	–	**36 999**
	Dec 2015	Dec 2018	33,75	36 999	–	–	**36 999**
	Dec 2016	Dec 2018	33,75	37 002	–	–	**37 002**
	Oct 2015	Oct 2019	30,90	42 267	–	–	**42 267**
	Oct 2016	Oct 2019	30,90	42 267	–	–	**42 267**
	Oct 2017	Oct 2019	30,90	42 266	–	–	**42 266**
	Sept 2016	Sep 2020	25,00	54 500	–	–	**54 500**
	Sept 2017	Sep 2020	25,00	54 500	–	–	**54 500**
	Sept 2018	Sep 2020	25,00	54 500	–	–	**54 500**
	Aug 2017	Aug 2021	23,94	–	72 266	–	**72 266**
	Aug 2018	Aug 2021	23,94	–	72 266	–	**72 266**
	Aug 2019	Aug 2021	23,94	–	72 268	–	**72 268**
				401 300	216 800	–	**618 100**
JJA Mashaba	Dec 2014	Dec 2018	33,75	29 999	–	–	**29 999**
	Dec 2015	Dec 2018	33,75	29 999	–	–	**29 999**
	Dec 2016	Dec 2018	33,75	30 002	–	–	**30 002**
	Oct 2013	Oct 2019	30,90	33 633	–	–	**33 633**
	Oct 2014	Oct 2019	30,90	33 633	–	–	**33 633**
	Oct 2015	Oct 2019	30,90	33 634	–	–	**33 634**
	Sep 2016	Sep 2020	25,00	53 466	–	–	**53 466**
	Sep 2017	Sep 2020	25,00	53 466	–	–	**53 466**
	Sep 2018	Sep 2020	25,00	53 468	–	–	**53 468**
	Aug 2017	Aug 2021	23,94	–	63 566	–	**63 566**
	Aug 2018	Aug 2021	23,94	–	63 566	–	**63 566**
	Aug 2019	Aug 2021	23,94	–	63 568	–	**63 568**
				351 300	190 700	–	**542 000**
DG Robinson	Dec 2014	Dec 2018	33,75	40 381	–	–	**40 381**
	Dec 2015	Dec 2018	33,75	40 381	–	–	**40 381**
	Dec 2016	Dec 2018	33,75	40 381	–	–	**40 381**
	Oct 2015	Oct 2019	30,90	56 798	–	–	**56 798**
	Oct 2016	Oct 2019	30,90	56 798	–	–	**56 798**
	Oct 2017	Oct 2019	30,90	56 798	–	–	**56 798**
	Sep 2016	Sep 2021	25,00	40 302	–	–	**40 302**
	Sep 2017	Sep 2021	25,00	40 302	–	–	**40 302**
	Sep 2018	Sep 2021	25,00	40 303	–	–	**40 303**
				412 444	–	–	**412 444**
AH Macartney	Sep 2017	Sep 2021	22,63	–	81 013	–	**81 013**
	Sep 2018	Sep 2021	22,63	–	81 013	–	**81 013**
	Sep 2019	Sep 2021	22,63	–	81 014	–	**81 014**
				–	243 040	–	**243 040**

Notes to the consolidated financial statements continued

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48. Directors' emoluments and interests continued

Forfeitable shares

	Date from which exercisable	Number entitled to at 1 July 2014	Number granted during the year	Number redeemed or taken up during the year*	Number forfeited during the year	**Number entitled to at 30 June 2015**
HJ Verster	Dec 2014	111 111	–	111 111	–	–
	Oct 2015	105 800	–	–	–	**105 800**
	Sept 2016	75 000	–	–	–	**75 000**
	March 2017	232 019	–	–	–	**232 019**
		523 930	–	111 111	–	**412 819**
JJA Mashaba	Dec 2014	89 661	–	89 661	–	**–**
	Sep 2016	50 000	–	–	–	**50 000**
	Aug 2017	–	143 367	–	–	**143 367**
		139 661	143 367	89 661	–	**193 367**
DG Robinson	Dec 2014	149 689	–	149 689	–	**–**
	Sept 2016	50 000	–	–	–	**50 000**
		199 689	–	149 689	–	**50 000**
AH Macartney	Sep 2017	–	44 189	–	–	**44 189**

** Vested and transferred into the beneficial ownership of the director.*

Prescribed officers

The Companies Act 71 of 2008 (as amended) of South Africa, defines a prescribed officer as a person who exercises general executive control over management of the whole, or a significant portion of, the business and activities of the Group; or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the Group. It excludes directors and does not refer, in any way, to title held by the person, rather the functions which they perform. The Board has identified the prescribed officers of the Group.

	Year	Salary[1] R'000	Retirement fund R'000	Other payments* R'000	Short-term incentive (STI)[2] R'000	Medium-term incentive (MTI)[3] R'000	Total R'000
LS Letsoalo	**2015**	**3 045**	**194**	**–**	**488**	**375**	**4 102**
	2014	2 799	210	–	1 121	317	4 447
HA Aucamp	**2015**	**2 906**	**396**	**–**	**–**	**251**	**3 553**
	2014	2 771	378	–	–	293	3 442
S White[4]	**2015**	**2 699**	**186**	**–**	**1 330**	**696**	**4 911**
	2014	–	–	–	–	–	–
C Botha	**2015**	**2 953**	**240**	**–**	**–**	**–**	**3 193**
	2014	1 342	133	725	–	–	2 200

[1] Salary for South African directors is total fixed earnings inclusive of medical aid, Group life, accident and vehicle benefits.
[2] STI awarded for 2014/2015.
[3] MTI paid in March 2015 in respect of previous year's awards.
[4] New disclosures for 2014/2015, no emoluments and interests shown for the previous period.
** Other payments consist of payment of empowerment award and variable vehicle expenses, payment of first tranche of appointment award and empowerment units, payment of appointment award and relocation assistance allowance benefits.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

49. Risk management

The Group is exposed to currency, credit, liquidity and interest rate risks. In order to manage these risks, the Group may enter into transactions which make use of the financial instruments. The Group 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 Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments in excess liquidity.

The executive committee is responsible for risk management activities within the Group. The executive meets regularly to review market trends and develop strategies.

Group treasury is responsible for monitoring currency, interest rate and liquidity risk under policies approved by the Board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating groups.

The Group actively monitors the following risks:

49.1 Capital risk management

The primary objective of the Group's capital management policy is to ensure that the Group maintains a strong credit rating and healthy capital ratios, such as return on invested capital ("ROIC"), debt to equity and return on equity, in order to support its business.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. To maintain or adjust the capital structure, the Group 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 2015 and 30 June 2014.

The Group 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 R13,0 billion (2014: R13,4 billion).

The Group's long-term strategy is to maintain the ROIC ratio at a minimum of 15%. This is not possible under the current market conditions. The ROIC ratio as at 30 June 2015 and 2014 was as follows:

	2015 Rm	2014* Rm
Net operating (loss) / earnings less adjusted tax	**(282)**	782
Invested capital	**15 215**	16 473
ROIC ratio (%)	**(1,9)**	4,8

** The comparatives utilised in the calculated formula for ROIC have been amended as detailed in note 2: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications. For full details pertaining to the Group's ROIC, refer to the Group's integrated report available on the Group's website.*

49.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency. The Group manages its liquidity risk through its treasury function. Cash flow forecasting is performed by the operating units of the Group and consolidated by Group treasury.

The two unsecured revolving credit facilities of R2 billion secured in the prior year were undrawn at year-end.

The 18 month revolving credit bridge facility of R1 billion secured in the prior year for the purpose of supplying funding during the property sale process, was also undrawn at year-end.

During July 2014, the Company issued convertible bonds denominated in South African Rand with a nominal value of R2 billion and a coupon of 7,25% with the bond repayment date being five years from the issue date at par plus interest.

As a result of the issuance of the convertible bond, the Group extended its debt payment profile.

The extension of the Group's debt payment profile and the undrawn facilities at year-end have resulted in the Group's exposure to liquidity risk being decreased.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

49. Risk management continued

49.3 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.

The Group's exposure to interest rate risk relates primarily to the Group's debt obligations with variable interest rates, which excludes the Group's convertible bond which is repayable semi-annually at a fixed interest rate and the asset based finance which is repayable at a fixed interest rate in quarterly instalments.

The Group's policy is to manage interest rate risk through both fixed and variable, long and short instruments.

Deposits and cash balances all carry interest at rates that vary in response to prevailing market rates in the respective geographical areas of the Group's operations.

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

Interest rate sensitivity

The following table illustrates the effect on the Group's earnings and equity, all other factors remaining constant, of changes in the variable interest liabilities at 30 June:

	2015 Rm	2014 Rm
Total variable borrowings	**487**	2 128
Effect on earnings before taxation – plus 50 basis points increase	**(2)**	(11)
Effect on earnings before taxation – minus 50 basis points increase	**2**	11
Effect on other comprehensive earnings net of taxation – plus 50 basis points increase	**–**	–
Effect on other comprehensive earnings net of taxation – minus 50 basis points increase	**–**	–

49.4 Credit risk

The Group's only material exposure to credit risk is in its receivables (refer to *note 20: Trade and other receivables*), deposits and cash balances (refer to *note 22: Cash and bank balances*), and amounts due from contract customers (refer to *note 19: Amounts due from contract customers*).

Deposits and cash balances are all kept at financial institutions with a high credit rating, as determined by credit rating agencies within a credit limit policy which is subject to regular review.

The Group has a significant concentration of credit risk in certain of its operating segments. The *Australasia and Asia* segment includes amounts due from contract customers with significant credit risk associated with the balances. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to contractual terms and credit verification procedures.

Both contract and trade receivables are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is minimised.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

49. Risk management continued

49.4 Credit risk continued

49.4.1 Trade and other receivables

Ageing analysis of trade receivables

	<30 days Rm	30 to 60 days Rm	60 to 90 days Rm	Past due and not impaired* Rm	Past due and impaired* Rm	Total Rm
2015						
Trade receivables	**998**	**110**	**139**	**213**	**49**	**1 509**
Provision for doubtful debts	**–**	**–**	**–**	**–**	**(49)**	**(49)**
Net book value	**998**	**110**	**139**	**213**	**–**	**1 460**

	<30 days Rm	30 to 60 days Rm	60 to 90 days Rm	Past due and not impaired* Rm	Past due and impaired* Rm	Total Rm
2014						
Trade receivables	1 383	254	230	199	46	2 112
Provision for doubtful debts	–	–	–	–	(46)	(46)
Net book value	1 383	254	230	199	–	2 066

** Represents accounts past due based on due date in accordance with the contractual payment terms.*

Trade and other receivables impaired

As at 30 June 2015, trade receivables with a nominal value of R49 million (2014: R46 million) were provided for in an allowance account.

The maximum exposure to credit risk in relation to trade and other receivables:

	2015 Rm	2014 Rm
Trade and other receivables	**2 223**	2 638
Allowance for impairment of trade and other receivables	**(49)**	(46)
	2 174	2 592
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	**46**	54
Raised during the year	**40**	13
Utilised	**(37)**	(21)
	49	46

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

49. Risk management continued

49.4 Credit risk continued

49.4.1 Trade and other receivables continued

Trade and other receivables impaired continued

	Total past due not impaired Rm	Past due not impaired* Past due up to 1 month Rm	Past due 1-2 months Rm	Past due 2-3 months Rm	Past due 3-4 months Rm	Past due older than 4 months Rm	Past due and impaired Rm
2015							
Trade receivables	**213**	**43**	**6**	**8**	**86**	**70**	**49**
2014							
Trade receivables	**	**	**	**	**	**	**

** Represents accounts past due based on due date in accordance with contractual payment terms.*
*** No comparatives are provided as this information was not available.*

49.4.2 Amounts due from / (to) contract customers

The maximum exposure to credit risk in relation to amounts due from / (to) contract customers is equal to the carrying value as presented in *note 19: Amounts due from contract customers.*

The ageing of contract and retention receivables and related provisions as at 30 June is as follows:

	<30 days Rm	30 to 60 days Rm	60 to 90 days Rm	Past due not impaired* Rm	Past due and impaired* Rm	Total Rm
2015						
Contract and retention receivables	**4 274**	**148**	**269**	**695**	**4**	**5 390**
Provision for contract receivables	**–**	**–**	**–**	**–**	**–**	**–**
Net book value	**4 274**	**148**	**269**	**695**	**4**	**5 390**
2014						
Contract and retention receivables	4 515	389	366	418	48	5 736
Provision for contract receivables	–	–	–	–	(46)	(46)
Net book value	4 515	389	366	418	2	5 690

** Represents accounts past due based on due date in accordance with contractual payment terms.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

49. Risk management continued

49.4 Credit risk continued

49.4.2 Amounts due from / (to) contract customers continued

Analysis of past due accounts

Included in contract receivables are amounts that are past due but not impaired, these have been adequately assessed for impairment.

	Total past due not impaired Rm	Past due not impaired* Past due up to 1 month Rm	Past due 1-2 months Rm	Past due 2-3 months Rm	Past due 3-4 months Rm	Past due older than 4 months Rm	Past due and impaired Rm
2015							
Contract and retention receivables	**695**	**39**	**29**	**24**	**2**	**601**	**4**
2014							
Contract and retention receivables	**	**	**	**	**	**	**

** Represents accounts past due based on due date in accordance with contractual payment terms.*
*** No comparatives are provided as this information was not available.*

	2015 Rm	2014 Rm
Reconciliation of provision for impairment of contract receivables		
Opening balance	**46**	64
Raised during the year	*****	*
Utilised	**(46)**	(18)
	******	46

** No comparatives and current year information provided as it was not available.*
*** Amounts less than R1 million.*

	Uncertified claims and variations Rm	Provision for amounts due from contract customers Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
2015						
Non-current assets	**900**	**–**	**–**	**–**	**–**	**900**
Current assets	**4 962**	**(958)**	**5 147**	**–**	**243**	**9 394**
	5 862	**(958)**	**5 147**	**–**	**243**	**10 294**
2014						
Non-current assets	3 460	(737)	223	–	–	2 946
Current assets	3 303	(365)	5 304	(46)	209	8 405
	6 763	(1 102)	5 527	(46)	209	11 351

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

49. Risk management continued

49.4 Credit risk continued

49.4.3 Credit risk mitigation and collateral

Where appropriate, the Group obtains collateral to mitigate risk. In addition, the Group also has a first loss trade credit insurance in place.

The Group holds the following collateral over its contract and retention receivables:

– The Group has obtained security for payment in the form of a right to receive shares in the holding company of the operational mining entity against which a claim has been instituted. It is however unlikely that the shares in the holding company would be substituted for the claim against the operating entity.

The Group has credit risk mitigating policies in place for all its operating segments. Due to the significant credit risk associated with contract and retention receivables, it is the Group's policy to obtain unassignable security by bank guarantees or insurance bonds on extremely large projects returnable on the expiration of the defect liability period or practical completion, where part security is returnable. The security is callable in relation to the debt under construction contracts.

Credit risk mitigating measures include builder's liens. The Group has right of retention over the constructed, enhanced or repaired building or structure (site) or portion thereof by means of retaining physical control of the site to secure payment of the contract price. The builder's lien is not waived and remains in effect until the completion of the contract or credit worthiness and payment record of the contracting party has been established. A builder's lien may be waived in lieu of a bank guarantee in accordance with the Group's commercial risk framework. The builder's lien in respect of claims is not waived and remains in effect until such time as the Group's claim has been satisfied or the Group has been provided with appropriate alternative security in respect of its claim.

A holding company guarantee is obtained if required by the underlying contract from the contracting party's holding company. The Group may in certain instances institute a right to suspend the contract as recourse for non-payment in accordance with the Group's commercial risk framework. Where a suspension applies, it provides for demobilisation, mobilisation costs and delay costs associated with the extension of time.

49.5 Foreign exchange risk

The Group has limited transactional currency exposures. Such exposure arises from sales or purchases by a division, subsidiary, associate or joint arrangements (operating unit) in currencies other than the unit's functional currency. An insignificant amount of the Group's sales is denominated in currencies other than the functional currency of the operating unit making the sale, while the majority of costs are denominated in the unit's functional currency.

The Group's policy is to cover all foreign currency exposures, unless a natural hedge exists between the related payable and receivable in that operating unit.

Derivative instruments comprise of forward exchange contracts and are entered into in the normal course of business to manage foreign currency. Derivative instruments entered into in terms of risk management strategies are defined as hedging transactions and such instruments are accounted for in terms of the Group's accounting policies. Refer below and to *note 49.6 Forex: Foreign currency risk*, for the Group's maximum exposure and significant concentrations of currency risk.

Foreign exchange differences on intercompany loans denominated in foreign currency that meet the definition of forming part of the parent's net investment in such subsidiaries, are transferred to the foreign currency translation reserve, as required by IFRS.

The following table demonstrates the sensitivity to a reasonably possible change in the closing rate of material currencies with which the Group operates, all other variables held constant, on the Group's earnings before taxation and other comprehensive earnings (due to changes in the fair value of foreign denominated monetary assets and liabilities at year-end).

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

49. Risk management continued
49.5 *Foreign exchange risk continued*
Material currencies were determined based on exposure and volume of transactions.

	Closing exchange rate at 30 June	Change in year-end rate increase of 5%	Change in year-end rate decrease of 5%	Effect of an increase of 5% Rm	Effect of a decrease of 5% Rm
2015					
Australian Dollar (AUD)	**9,38**	**9,85**	**8,91**	**(52)**	**52**
New Zealand Dollar (NZD)	**–**	**–**	**–**	**–**	**–**
United States Dollar (USD)	**12,17**	**12,78**	**11,56**	**(25)**	**25**
Euro (EUR)	**13,56**	**14,24**	**12,89**	**21**	**(21)**
Effect on earnings before taxation*				**(56)**	**56**
Effect on other comprehensive earnings**				**–**	**–**
2014					
Australian Dollar (AUD)	10,03	10,54	9,53	63	(63)
New Zealand Dollar (NZD)	9,32	9,78	8,85	–	–
United States Dollar (USD)	10,64	11,17	10,11	(10)	10
Euro (EUR)	14,56	15,29	13,84	1	(1)
Effect on earnings before taxation*				54	(54)
Effect on other comprehensive earnings**				20	(20)

* *Represents the changes in the fair value of foreign denominated trade and other payables and trade and other receivables at year-end.*

** *There is no effect on other comprehensive earnings during the current year, as the investment GoldlinQ Holdings Proprietary Limited investment was reclassified from available-for-sale to infrastructure investments, which are measured at fair value through profit or loss.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

49. Risk management continued

49.6 *Foreign currency risk*

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities and the risk exposure of these currencies at the reporting date is as follows (amounts shown are the Rand equivalent):

	Notes	South African Rand Rm	Rand equivalent amount (Rm) USD	AUD	EUR	Other	Total
2015							
Assets as per the statement of financial position							
Derivative instruments – current	18	**20**	**–**	**15**	**–**	**–**	**35**
Derivative instruments – non-current	18	**6**	**–**	**–**	**–**	**–**	**6**
Amounts due from contract customers – current	19	**2 989**	**180**	**5 999**	**–**	**226**	**9 394**
Amounts due from contract customers – non-current	19	**–**	**–**	**900**	**–**	**–**	**900**
Trade and other receivables	20	**1 935**	**131**	**191**	**4**	**163**	**2 424**
Cash and bank balances	22	**214**	**74**	**2 354**	**1**	**213**	**2 856**
		5 164	**385**	**9 459**	**5**	**602**	**15 615**
Liabilities as per the statement of financial position							
Borrowings and other liabilities – current	25	**104**	**140**	**182**	**–**	**–**	**426**
Borrowings and other liabilities – non-current	25	**1 853**	**116**	**68**	**–**	**–**	**2 037**
Payables other than contract-related – current	26	**102**	**–**	**–**	**–**	**–**	**102**
Employee-related payables	28	**564**	**13**	**447**	**1**	**91**	**1 116**
Derivative instruments	18	**2**	**–**	**–**	**–**	**–**	**2**
Trade and other payables	27	**3 686**	**71**	**3 935**	**1**	**268**	**7 961**
Amounts due to contract customers	19	**908**	**–**	**1 589**	**–**	**65**	**2 562**
		7 219	**340**	**6 221**	**2**	**424**	**14 206**
Net exposure		**(2 055)**	**45**	**3 238**	**3**	**178**	**1 409**

	Notes	South African Rand Rm	Rand equivalent amount (Rm) USD	AUD	EUR	Other	Total
2014							
Assets as per the statement of financial position							
Derivative instruments – current	18	1	–	–	–	–	1
Derivative instruments – non-current	18	*	–	–	–	–	*
Amounts due from contract customers – current	19	2 421	206	5 299	–	479	8 405
Amounts due from contract customers – non-current	19	2 946	–	–	–	–	2 946
Trade and other receivables	20	3 711	104	(919)	–	(111)	2 785
Cash and bank balances	22	934	70	2 833	2	297	4 136
		10 013	380	7 213	2	665	18 273
Liabilities as per the statement of financial position							
Borrowings and other liabilities – current	25	133	117	314	–	–	564
Borrowings and other liabilities – non-current	25	1 910	195	198	–	–	2 303
Payables other than contract-related – current	26	197	–	–	–	–	197
Employee-related payables	28	546	41	889	(1)	100	1 575
Derivative instruments – current	18	30	–	30	–	–	60
Derivative instruments – non-current	18	–	–	3	–	–	3
Trade and other payables	27	3 888	266	5 213	2	374	9 743
Amounts due to contract customers	19	861	106	1 612	–	98	2 677
		7 565	725	8 259	1	572	17 122
Net exposure		2 448	(345)	(1 046)	1	93	1 151

** Amounts less than R1 million.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

49. Risk management continued

49.7 Borrowing capacity

The Group's borrowing capacity is set out in accordance with the terms of the Company's Memorandum of Incorporation. The proceeds received from the convertible bond described in *note 25.2 Convertible bonds* were in part utilised to repay R1 250 million of the revolving credit facility utilised at 30 June 2014.

	2015 Rm	2014 Rm
The Group had the following undrawn facilities:		
Total borrowing facilities (includes bank overdraft facility of R859 million (2014: R950 million))	**6 651**	5 567
Current utilisation	**(2 463)**	(2 867)
Borrowing facilities available	**4 188**	2 700

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.

Financial instruments	**Less than one year Rm**	**One to five year Rm**	**Beyond five years Rm**	**Total Rm**
2015				
Non-derivative financial liabilities				
Interest bearing borrowings	**547**	**2 331**	**–**	**2 878**
Amounts due to contract customers	**2 562**	**–**	**–**	**2 562**
Trade and other payables	**7 961**	**–**	**–**	**7 961**
Derivative financial liabilities				
Forward exchange contracts – Outflow	**2**	**–**	**–**	**2**
	11 072	**2 331**	**–**	**13 403**

Financial instruments	Less than one year Rm	One to five year Rm	Beyond five years Rm	Total Rm
2014				
Non-derivative financial liabilities				
Interest bearing borrowings*	735	2 417	80	3 232
Amounts due to contract customers	2 677	–	–	2 677
Trade and other payables	9 743	–	–	9 743
Derivative financial liabilities				
Forward exchange contracts – Outflow	60	3	–	63
	13 215	2 420	80	15 715

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

50. Fair value of assets and liabilities

The Group measures the following financial and non-financial instruments at fair value:

- Infrastructure investments;
- Forward exchange contracts ("FEC"); and
- Investment property.

(i) Infrastructure investments

N3 Toll Concession (RF) Proprietary Limited ("N3TC")

Methodology

The value of the Group's share in N3TC was determined by calculating the present value of the projected equity cash flows related to the Group's 10,92% shareholding, based on the risk-adjusted discount rate of 18%. The projected equity cash flows comprising dividends and equity investments were sourced from the updated N3TC financial model. The financial model forecasts revenue (toll pricing and traffic volume), operating costs, capital expenditure and other relevant financial performance measures over the concession term.

Valuation parameters and assumptions

In addition to ongoing major maintenance and upgrades across the existing route, the concessionaire is obligated under the concession contract to design, build, fund and operate the 95 km De Beers Pass ("DBP") route bypassing the existing Van Reenen pass, when traffic volumes reach a defined trigger level. The highway is now close to capacity, triggering the need to commence with the DBP route.

DBP will be partly funded by external debt, the providers of which will impose restrictions on distributions to shareholders.

The valuation result assumes that DBP construction is approved and commences in the year 2018.

Blue Falcon 140 Trading Proprietary Limited ("Gouda")

Methodology

The value of the Group's share in Gouda was determined by calculating the present value of the projected equity cash flows related to the Group's 29% shareholding. A risk adjusted discount rate of 20% was applied. The projected equity cash flows comprise dividends, shareholder loan interest and principal payments and advances of equity. The cash flows were sourced from the independently audited and lender approved base case financial model.

Valuation parameters and assumptions

The following parameters and assumptions were considered in arriving at the valuation:

- Sale of energy to Eskom for a 20 year term in accordance with the tariff, indexation and other provisions of the executed Power Purchase Agreement.
- The P50 energy yield forecast was applied to determine the revenue projection.
- Stable and predictable operational and finance costs in accordance with contractually agreed terms.
- Whilst the entire Gouda facility, substations and transmission line have been physically completed and commissioned, the scheduled commercial operations date was not achieved on the contractually agreed date of 11 June 2015. A two-month delay in the construction period was therefore applied in the valuation.
- Receipt of delay damages from the construction contractor to compensate the project for loss of revenue due to the delay in achieving commercial operation date ("COD").

Windfall 59 Properties Proprietary Limited ("Sishen")

Methodology

The value of the Group's share in Sishen was determined by calculating the present value of the projected equity cash flows related to the Group's 29% shareholding. A risk adjusted discount rate of 20% was applied. The projected equity cash flows comprise dividends, shareholder loan interest and principal payments and advances of equity. The cash flows were sourced from the independently audited and lender approved base case financial model.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

50. Fair value of assets and liabilities continued

(i) *Infrastructure investments* continued

Sishen Solar Photovoltaic Project ("Sishen") continued

Methodology continued

Valuation parameters and assumptions

The following parameters and assumptions were considered in arriving at the valuation:

- Sale of energy to Eskom for a 20 year term in accordance with the tariff, indexation and other provisions of the executed Power Purchase Agreement.
- The P50 energy yield forecast was applied to determine the revenue forecast.
- Stable and predictable operational and finance costs in accordance with contractually agreed terms
- Sishen achieved COD in December 2014 within time and budget.
- Operational performance to date has exceeded the P50 base case forecast.

Imvelo Concession Company Proprietary Limited ("Imvelo")

Methodology

The value of the Group's share in Imvelo was determined by calculating the present value of the projected equity cash flows related to the Group's 30% shareholding. A risk adjusted discount rate of 21% was applied. The projected equity cash flows comprise dividends, shareholder loan interest and principal payments and advances of equity. The cash flows were sourced from the independently audited and lender approved base case financial model. The financial model is based upon a 27 year concession term in accordance with the unitary payment, indexation and other provisions of the Public Private Partnership Agreement with the Department of Environmental Affairs.

GoldlinQ Holdings ("GoldlinQ")

Methodology

The value of Gold Coast Rapid Transit (GCRT) Aveng Australia Proprietary Limited's share in GoldlinQ Holdings was determined by calculating the present value of the projected equity cash flows related to GCRT Aveng Australia Proprietary Limited's 10% shareholding, based on the internal rate of return (IRR) of 10%. An IRR of 10% reflects the market value of selling minority parcels of AUD public-private partnership investments. The projected equity cash flows comprising dividends and equity returns were sourced from the updated GoldlinQ Holdings financial model. The financial model forecasts revenue, operating costs capital expenditure and other relevant financial performance measures over the concession term.

Valuation parameters and assumptions

As operator franchisee of stage one of the rapid transit light rail system, GoldLinQ Holdings is responsible for the design, construction, operations and maintenance. The design and construction element of the contract will run for approximately three years from contract award. This includes the manufacture and supply of the trams and rail systems, track laying, station and structures and the assembly of the overhead power supply. The operations and maintenance are for 15 years, which includes running tram services to the timetable, cleanliness and maintenance of the trams and maintenance of the system infrastructure.

Stage one of the rapid transit light rail contract is jointly funded by Gold Coast City Council, the Queensland government and the Australian government.

(ii) *Foreign exchange contract (FEC) liabilities*

Valuation methodology

Fair value of FECs is determined using mark-to-market rates. Market prices are based on actively traded similar contracts and are obtained from the financial institution with which the contracts are held.

(iii) *Investment property*

Valuation methodology

The fair value of investment properties is determined by using the discounted cash flow (DCF) method, based on the net earnings. The valuation model considers the net rental earnings expected to be generated from the property, taking into account expected rental escalations as per the contractual agreements with tenants and the occupancy rate. The cash flows are discounted at a yield of 8,5% on net earnings.

Sensitivity and inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase or (decrease) if:

- expected rental escalation rate was higher / (lower);
- the occupancy rate was higher / (lower); or
- the risk-adjusted yield rate was lower / (higher).

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

50. Fair value of assets and liabilities continued

Fair value hierarchy

The table below shows the Group's fair value hierarchy and carrying amounts of assets and liabilities:

	Carrying amounts Rm	**Fair value Rm**	**Valuation reference to observable prices Level 1 Rm**	**Valuation based on observable inputs Level 2 Rm**	**Valuation based on unobser-vable inputs Level 3 Rm**
2015					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	**778**	**778**	**–**	**–**	**778**
Forward exchange contracts (FECs)	**41**	**41**	**–**	**41**	**–**
Liabilities					
Forward exchange contracts (FECs)	**2**	**2**	**–**	**2**	**–**

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobser-vable inputs Level 3 Rm
2014					
Assets and liabilities recognised at fair value					
Assets					
Financial investments	190	190	–	–	190
Investment property	86	86	–	–	86
Forward exchange contracts (FECs)	1	1	–	–	1
Liabilities					
Forward exchange contracts (FECs)	63	63	–	63	–

The Group uses Level 2 valuation techniques to measure foreign exchange contracts and Level 3 valuation techniques to measure infrastructure investments and investment property. Valuation techniques used are appropriate in the circumstances and for which sufficient data was available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. 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.

There were no transfers between the different levels during the year.

Reconciliation of the opening balances to closing balances for all movements on Level 3 fair value

	Investment property Rm	Financial investments Rm	Infrastructure investments Rm
Balance at 30 June 2014	86	190	–
Gains recognised in profit or loss	11	–	185
Exchange rate differences	–	–	(4)
Disposal	(97)	–	–
Transferred to infrastructure investments (financial investments)	–	(190)	190
Loans advanced	–	–	208
Transferred to Infrastructure investments (equity-accounted investments)	–	–	171
Recycling of equity accounted earnings from other comprehensive earnings	–	–	28
	–	–	778

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

50. Fair value of assets and liabilities continued

Fair value hierarchy continued

	Investment property Rm	Financial investments Rm	Infrastructure investments Rm
Balance at 30 June 2013	71	70	–
Gains recognised in profit or loss	15	–	–
Gains recognised in other comprehensive earnings (net of taxation)	–	93	–
Deferred taxation	–	21	–
Exchange rate differences	–	6	–
	86	190	–

Total gains and losses included in the statement of comprehensive earnings attributable to changes in unrealised gains or losses

There have been no gains and losses recognised attributable to changes in unrealised gains or losses during the year.

Sensitivity analysis: Financial assets valuations, using unobservable inputs

This sensitivity analysis is only done for financial assets and liabilities, and therefore investment property is not disclosed. The following table shows the sensitivity of significant unobservable inputs used in measuring the fair value of infrastructure investments:

	Significant unobservable input	Reasonably possible changes to significant unobservable inputs	Potential effect recorded directly in equity Increase Rm	Potential effect recorded directly in equity Decrease Rm
Infrastructure investments				
Risk-adjusted discount rate:				
– N3TC	18,0%	0,5%	(8)	8
– Windfall 59 Properties Proprietary Limited	20,0%	0,5%	(8)	8
– Blue Falcon 140 Trading Proprietary Limited	20,0%	0,5%	(8)	8
– Imvelo Concession Company Proprietary Limited	21,0%	0,5%	(1)	1
Internal rate of return:				
– GoldlinQ Holdings Proprietary Limited	10,0%	0,5%	(2)	2

The estimated fair value would increase / (decrease) if:

– the risk-adjusted discount rate was lower / (higher)

– the internal rate of return was lower / (higher)

51. Offsetting financial assets and financial liabilities

In accordance with *IAS 32,* the Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Where relevant the Group reports derivative financial instruments and other financial assets and financial liabilities on a net basis.

The following table shows the impact of netting arrangements on the statement of financial position for recognised financial assets and financial liabilities that are reported net on the statement of financial position and those derivative financial instruments and other financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements which did not qualify for presentation on a net basis. The table also shows potential netting not recognised on the statement of financial position that results from arrangements that do not meet all the *IAS 32* netting criteria, because there is no intention to net settle or realise simultaneously, and related financial collateral that mitigates credit risk.

The net amounts presented are not intended to represent the Group's actual credit exposure as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

51. Offsetting financial assets and financial liabilities continued

	Amounts subject to enforceable netting arrangements		
	Effects of netting on statement of financial position		
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position Rm
30 June 2015			
Derivative instruments	**25**	**–**	**25**
Derivatives designated as hedging instruments	**16**	**–**	**16**
Cash and bank balances*	**282**	**(5)**	**277**
Total assets	**323**	**(5)**	**318**
Derivative instruments	**(2)**	**–**	**(2)**
Total liabilities	**(2)**	**–**	**(2)**
30 June 2014			
Derivative instruments	3	(2)	1
Cash and bank balances*	1 648	(598)	1 050
Total assets	1 651	(600)	1 051
Derivative instruments	(897)	834	(63)
Total liabilities	(897)	834	(63)

* *Relates to the offsetting of transactional banking counterparty's balances, namely the offsetting of notional bank overdrafts. The balances have been settled against the current accounts.*

** *Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.*

*** *Amounts less than R1 million.*

**** *Total per statement of financial position is the sum of "net amounts reported on the statement of financial position" which are subject to enforceable netting arrangements and "amounts not subject to enforceable netting arrangements".*

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

Amounts subject to enforceable netting arrangements

Related amounts not set off						
Offsetting financial instruments Rm	Financial collateral** Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments Rm	Total as per statement of financial position**** Rm	Current Rm	Non-current Rm
–	**–**	**25**	**–**	**25**	**25**	**–**
–	**–**	**16**	**–**	**16**	**10**	**6**
–	**–**	**277**	**2 579**	**2 856**	**2 856**	**–**
–	**–**	**318**	**2 579**	**2 897**	**2 891**	**6**
–	**–**	**(2)**	**–**	**(2)**	**(2)**	**–**
–	**–**	**(2)**	**–**	**(2)**	**(2)**	**–**
–	–	1	***	1	1	***
–	–	1 050	3 086	4 136	4 136	–
–	–	1 051	3 086	4 137	4 137	***
–	–	(63)	***	(63)	(60)	(3)
–	–	(63)	***	(63)	(60)	(3)

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

52. Events after the reporting period

Disposal of non-core assets

The non-core properties have been classified as non-current assets held-for-sale. Refer to *note 23: Non-current assets held-for-sale* of the consolidated financial statements. The competition compliance approval has been obtained for this transaction and all necessary documents have been signed after year-end. All conditions precedent have been met after year-end and therefore the disposal transaction is substantially complete.

As part of this transaction the Group will have committed lease payments for these properties after the disposal.

53. Related parties

During the period the Group, in the ordinary course of business, entered into various sale and purchase transactions with equity-accounted investments.

The Group also had transactions and balances with associates, joint ventures, key management personnel, entities controlled by key management personnel and principal shareholders. These are detailed below.

There have been no significant changes to the nature of related party transactions since 30 June 2014.

Refer to transactions with key management disclosed in *note 48: Directors' emoluments and interests*.

The Group had the following significant related party balances and transactions during the reporting period:

	2015 Rm	2014 Rm
Balances with associates, joint ventures, joint operations, key management personnel and entities controlled by key management personnel		
Balances between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed.		
Associates and joint ventures		
Loans advanced – associates and joint ventures	**74**	154
Loans advanced – infrastructure investments	**208**	–
Trade and other receivables – associates and joint ventures	**13**	6
Trade and other payables – associates and joint ventures	**(5)**	(4)
	290	156
Parent company guarantees (ZARm)*	**2 094**	2 987
Parent company guarantees (AUDm)*	**5 409**	4 149

** Full value of guarantee not based on probability of draw down.*

	2015 Rm	2014 Rm
Transactions with associates, joint ventures, key management personnel and entities controlled by key management personnel		
Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed.		
Interest paid to / (received from) related parties	**(36)**	(16)
Purchase of goods and services from principal shareholders	**11**	9
	(25)	(7)

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

54. Structured entities

54.1 Nature and extent of significant restrictions relating to investments in subsidiaries

There are significant restrictions on the ability of the Group to require distributions of capital, access the assets, or repay the liabilities of members of its group arising from statutory, regulatory and contractual requirements and from the protective rights of non-controlling interests.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements to not make distributions of capital and unrealised profits so as to maintain solvency. These requirements restrict the ability of subsidiaries to make remittances of dividends to Aveng Limited, the ultimate parent, except in the event of a legal capital reduction or liquidation.

54.2 Consolidated structured entities

During the reporting period the Group provided financial or other support to the following consolidated structured entities despite not being contractually obliged to do so:

Name	Nature of support	Reason for providing support	2015 support provided Rm	2014 support provided Rm
Aveng Limited Share Purchase Trust	Loans by Group companies that employ participants	The Trust is constituted to fund shares in Aveng Limited in terms of the forfeitable share plan	–	–
Qakazana Investment Holdings Proprietary Limited*	Loans by Group companies	To facilitate the BEE transaction	1 300	1 300

** A provision for non-performing loans of R500 million has been raised in Aveng Limited relating to the loan to Qakazana.*

The Group has consolidated Aveng Limited Share Purchase Trust and Qakazana Investment Holdings Proprietary Limited since 1999 and 2004 respectively.

The Group does not intend to provide financial or other support to any of the Group's consolidated structured entities.

54.3 Unconsolidated structured entities

The level of risk that the Group is exposed to is determined by the nature and purpose of it holding an interest in the entity. Information about such entities has been aggregated according to the purpose for which the entity was established.

	2015 Empowerment vehicles Rm	2015 Structured investment vehicles Rm	Total Rm
Assets			
Investment in Aveng	–	49	49
Interest receivable	*	*	*
Cash and bank balances	49	1	50
	49	50	99
Liabilities			
Borrowings and other liabilities**	–	26	26
Taxation payable	*	–	*
Other payables	*	–	*
Provisions	4	–	4
	4	26	30
Undrawn liquidity facilities (notional value)* **	–	–	–
Maximum exposure to loss******	49	57	106
Total size of entities*********	49	50	99

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

54. Structured entities

54.3 Unconsolidated structured entities continued

	2014 Empowerment vehicles Rm	2014 Structured investment vehicles Rm	Total Rm
Assets			
Investment in subsidiaries	199	199	398
Cash and bank balances	71	1	72
	270	200	470
Liabilities			
Borrowings and other liabilities – external**	303	–	303
Borrowings and other liabilities – internal**	2	14	16
	305	14	319
Undrawn liquidity facilities (notional value)***	–	–	–
Maximum exposure to loss****	270	200	470
Total size of entities*****	270	200	470

* *Less than R1 million.*

** *The loan from the Group is unsecured, interest free and has no fixed terms of repayment.*

*** *There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interests in unconsolidated structured entities.*

**** *The Group's maximum exposure to loss can be calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance.*

***** *Total size of entities is measured relative to total assets.*

Financial support provided or to be provided to unconsolidated structured entities

During the current reporting period, the Group provided a loan of R26 million to one of the Group's unconsolidated structured entities. This funding was provided as a short term liquidity facility, so that the entity could settle its short term obligations to external suppliers and for donations. As at the reporting date, the Group has no intention to provide financial or other support to any of the unconsolidated structured entities.

54.4 Sponsored entities

Other than the unconsolidated structured entities in which the Group has an interest, it does not sponsor any structured entities nor earns any income from its involvement in the unconsolidated structured entities which it sponsors.

Notes to the consolidated financial statements continued
for the year ended 30 June 2015

55. Group operating entities

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities		
Activia Park Share Block Proprietary Limited	South Africa	100
Aimykeet Proprietary Limited	Australia	100
Andersen & Hurley Instruments (SA) Proprietary Limited	South Africa	100
Aeroton 51 Share Block Proprietary Limited	South Africa	100
Atval Proprietary Limited	South Africa	100
Aveng Proprietary Limited	Malawi	100
Aveng (Africa) Lesotho Proprietary Limited	Lesotho	100
Aveng (Africa) Proprietary Limited	South Africa	100
Aveng Australia (GCRT) Proprietary Limited	Australia	100
Aveng Australia Holdings Proprietary Limited	Australia	100
Aveng Australia Investments Proprietary Limited	Australia	100
Aveng Concessions (Mauritius) Road Limited	Mauritius	100
Aveng Construcciones Chile Limitada	Chile	100
Aveng Construction (Mauritius) Road Limited	Mauritius	100
Aveng Extractive Technologies Proprietary Limited	South Africa	51
Aveng Ghana Limited (Grinaker-LTA (Ghana) Limited)	Ghana	100
Aveng Management Company Proprietary Limited	South Africa	100
Aveng Mining DRC Société à Responsabilité Limitée	Democratic Republic of Congo	100
Aveng Moolmans Proprietary Limited	South Africa	100
Aveng Moolmans Mauritius Limited	Mauritius	100
Aveng Mozambique Limitada	Mozambique	100
Aveng Namibia Proprietary Limited	Namibia	100
Aveng Rail Australia Proprietary Limited	Australia	100
Aveng Swazi Proprietary Limited	Swaziland	100
Aveng Tanzania Limited	Tanzania	100
Aveng Trident Steel Proprietary Limited	South Africa	100
Aveng Water Proprietary Limited	South Africa	100
Aveng Water Australia Proprietary Limited	Australia	100
Aveng Water Treatment Proprietary Limited	Namibia	100
Aveng Zimbabwe (Private) Limited	Zimbabwe	100
Built Environs Proprietary Limited	Australia	100
Built Environs Holdings Proprietary Limited	Australia	100
Built Environs Qld Proprietary Limited	Australia	100
Built Environs WA Proprietary Limited	Australia	100
CMM Consultants Proprietary Limited	South Africa	100
Consorcio Aveng-Mas Errazuriz Société Anonyme	Chile	60
Dimopoint Proprietary Limited	South Africa	100
Dynamic Fluid Control Proprietary Limited	South Africa	100
Dynamic Fluid Control Water Proprietary Limited	South Africa	100

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

55. Group operating entities continued

Name	Country	Aveng Group effective consolidation %
***Subsidiaries and consolidated structured entities** continued*		
E+PC Engineering & Projects Company (Zambia) Limited	Zambia	100
E+PC Engineering & Projects Company Australia Proprietary Limited	Australia	100
E+PC Engineering and Projects Company Limited	South Africa	100
EESTech Africa Proprietary Limited	South Africa	51
Empowa Grinaker-LTA Proprietary Limited	South Africa	100
Fraser & Chalmers Siyakha Proprietary Limited	South Africa	100
Fort Concrete Holdings (Private) Limited	Zimbabwe	100
Fort Concrete Central (Private) Limited	Zimbabwe	100
Fort Concrete Koala (Private) Limited	Zimbabwe	100
Grinaker Botswana Proprietary Limited	Botswana	100
Grinaker-LTA Construction (Private) Limited	Zimbabwe	100
Grinaker-LTA Construction (Zambia) Limited	Zambia	100
Grinaker-LTA Construction and Development Limited	South Africa	100
Grinaker-LTA Engineering and Mining Services Limited	South Africa	100
Grinaker-LTA Intellectual Property Proprietary Limited	South Africa	100
Grinaker-LTA Zimbabwe Limited	Zimbabwe	100
Grinaker Pieterse Housing Proprietary Limited	South Africa	100
Grunwald Construction Proprietary Limited	Botswana	100
Grinaker-LTA International Construction Limited	Mauritius	100
Grinaker-LTA International Holdings Limited	Mauritius	100
Grinaker-LTA Properties Proprietary Limited	South Africa	100
Hylekite Proprietary Limited	Australia	100
HRNG Properties Share Block Proprietary Limited	South Africa	100
IHIH (Private) Limited	Zimbabwe	100
Infraset Zambia Limited	Zambia	100
Karibib Mining and Construction Company (Namibia) Limited	Namibia	100
KNM Grinaker-LTA Proprietary Limited	South Africa	100
Koala Park Estates (Private) Limited	Zimbabwe	100
Lennings Rail Services Proprietary Limited	South Africa	100
Lesotho Reinforcing Proprietary Limited	Lesotho	100
LTA Construction Kenya Limited	Kenya	100
LTA Mali Société Anonyme	Mali	100
Macintosh Property Holding Company Proprietary Limited	South Africa	100
McConnell Dowell (American Samoa) Limited	American Samoa	100
McConnell Dowell (Fiji) Limited	Fiji	100
McConnell Dowell (Malaysia) Sendirian Berhad	Malaysia	100
McConnell Dowell Proprietary Limited	Australia	100
McConnell Dowell (Thailand) Limited	Thailand	100

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

55. Group operating entities continued

Name	Country	Aveng Group effective consolidation %
***Subsidiaries and consolidated structured entities** continued*		
McConnell Dowell (UK) Limited	United Kingdom	100
McConnell Dowell Constructors (Aust.) Proprietary Limited	Australia	100
McConnell Dowell Constructors (PNG) Limited	Papua New Guinea	100
McConnell Dowell Constructors Hong Kong Limited	Hong Kong, China	100
McConnell Dowell Constructors Lao Company Limited	Laos	100
McConnell Dowell Constructors Limited	New Zealand	100
McConnell Dowell Constructors Thai Limited	Thailand	100
McConnell Dowell Holdings Proprietary Limited	Australia	100
McConnell Dowell Corporation (NZ) Limited	Australia	100
McConnell Dowell Corporation Limited	Australia	100
McConnell Dowell International Limited	Hong Kong, China	100
McConnell Dowell NC Société à Responsabilité Limitée	New Caledonia	100
McConnell Dowell PDS Sendirian Berhad	Brunei	100
McConnell Dowell Philippines Incorporated	Philippines	64
McConnell Dowell Southeast Asia (Private) Limited	Singapore	100
Micawbar 282 Proprietary Limited	South Africa	100
Misa Scaffolding Proprietary Limited	South Africa	100
Moolman Mining (Botswana) Proprietary Limited	Botswana	100
Moolman Mining Ghana Limited	Ghana	100
Moolman Mining Tanzania Limited	Tanzania	100
Moolman Mining Zambia Limited	Zambia	100
Moolmans Mining Guinea S.A	Guinea	100
Newco (Private) Limited	Zimbabwe	100
NIB 80 Share Block Proprietary Limited	South Africa	100
Ottery Share Block Proprietary Limited	South Africa	100
Perseroan Terbatas McConnell Dowell Services	Indonesia	100
Perseroan Terbatas Wanamas Puspita	Indonesia	100
Perseroan Terbatas McConnell Dowell Indonesia	Indonesia	94
Pybus 108 Proprietary Limited	South Africa	100
Qakazana Investment Holdings Proprietary Limited	South Africa	100
Reinforcing Fixing Services Proprietary Limited	South Africa	100
Rekaofela Refractory Services Proprietary Limited	South Africa	70
Richtrau 191 Proprietary Limited	South Africa	100
RF Valves Osakeyhtiö	Finland	100
RF Valves, Incorporated	United States of America	100
Steeledale Group Limited	South Africa	100
Steeledale Reinforcing and Trading Namibia Proprietary Limited	Namibia	100
Steelmetals Proprietary Limited	South Africa	100

Notes to the consolidated financial statements continued

for the year ended 30 June 2015

55. Group operating entities continued

Name	Country	Aveng Group effective consolidation %
***Subsidiaries and consolidated structured entities** continued*		
Stockton Pipelines Limited	United Kingdom	100
Toll Highway Development Company Proprietary Limited	South Africa	100
Trident Steel Facilities Proprietary Limited	South Africa	100
Trident Steel Holdings Proprietary Limited	South Africa	100
Trident Steel Intellectual Properties Proprietary Limited	South Africa	100
Trojan Share Block Proprietary Limited	South Africa	100
Tsurumi Pumps Proprietary Limited	South Africa	100
Tweed River Entrance Sand Bypassing Company Proprietary Limited	Australia	100
Vent-O-Mat Australia Proprietary Limited	Australia	100
Vexicom Proprietary Limited	South Africa	100
Wedelin Investments 46 Proprietary Limited	South Africa	60
Associates and joint ventures		
AEF Mining Services Proprietary Limited	South Africa	30
Allied Grinaker Properties Proprietary Limited	South Africa	39
Blue Falcon 140 Trading Proprietary Limited*	South Africa	29
Firefly Investments 238 Proprietary Limited	South Africa	45
Grinaker-LTA Fair Construction SARL	Rwanda	50
Imvelo Concession Company Proprietary Limited*	South Africa	30
J S G Developments Proprietary Limited	South Africa	33
Lesedi Tracks Proprietary Limited	South Africa	25
McConnell Dowell – Kelana Sendirian Berhad	Malaysia	30
McConnell Dowell Saudi Arabia Limited	Saudi Arabia	39
Midstream Way Investments Proprietary Limited	South Africa	40
Oakleaf Investment Holdings 86 Proprietary Limited	South Africa	50
REHM Grinaker Construction Co Limited	Mauritius	43
REHM Grinaker Properties Co Limited	Mauritius	43
KZN Reinforcing and Fixing Services Proprietary Limited	South Africa	33
RPP Developments Proprietary Limited	South Africa	10
RPP JV Properties Proprietary Limited	South Africa	40
Salestalk 406 Proprietary Limited	South Africa	33
Specialised Road Technologies Proprietary Limited	South Africa	15
Windfall 59 Properties Proprietary Limited*	South Africa	29
Dutco McConnell Dowell Middle East Limited Liability Company	United Arab Emirates	49

** Held at fair value through profit or loss.*

Audited company annual financial statements 2015

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

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Statement of financial position

as at 30 June 2015

	Notes	2015 Rm	2014 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	1	**2 225**	2 225
Deferred taxation asset	2	**–**	11
		2 225	2 236
Current assets			
Amounts owing by subsidiaries	3	**6 752**	5 863
Other receivables		**18**	2
Cash and bank balances	4	**14**	4
		6 784	5 869
TOTAL ASSETS		**9 009**	8 105
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	5	**2 354**	2 339
Reserves		**351**	(28)
Retained earnings		**4 307**	4 408
		7 012	6 719
Liabilities			
Non-current liabilities			
Borrowings and other liabilities	6	**1 651**	1 250
Current liabilities			
Amounts owing to subsidiaries	3	**336**	95
Borrowings and other liabilities	6	**–**	28
Other payables	7	**10**	13
		346	136
TOTAL LIABILITIES		**1 997**	1 386
TOTAL EQUITY AND LIABILITIES		**9 009**	8 105

Statement of comprehensive earnings

for the year ended 30 June 2015

	Notes	2015 Rm	2014 Rm
Other earnings	8	**22**	199
Operating expenses		**(167)**	(534)
Net operating loss		**(145)**	(335)
Finance earnings	9	**277**	57
Interest on convertible bonds	6	**(167)**	–
Finance and transaction expenses paid	10	**(55)**	(80)
Loss before taxation		**(90)**	(358)
Taxation	11	**(11)**	11
Loss for the period		**(101)**	(347)
Total comprehensive loss for the period		**(101)**	(347)
Results per share (cents)			
Loss – basic	12	**(25,2)**	(92,8)
Loss – diluted	12	**(25,1)**	(86,3)
Number of shares (millions)			
In issue	12	**416,7**	416,7
Weighted average	12	**400,6**	374,0
Diluted weighted average	12	**402,1**	402,1

Statement of changes in equity

for the year ended 30 June 2015

	Share capital Rm	Share premium Rm	Total share capital Rm	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	Convertible bond equity reserve Rm	Total reserve Rm	Retained earnings Rm	Total equity Rm
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 period	–	–	–	–	–		–	(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 distribution to owners of company recognised directly in equity	1	619	620	5	–		5	(621)	4
Balance at 1 July 2014	**20**	**2 319**	**2 339**	**26**	**(54)**		**(28)**	**4 408**	**6 719**
Loss for the year	**–**	**–**	**–**	**–**	**–**		**–**	**(101)**	**(101)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**		**–**	**(101)**	**(101)**
Movement in treasury shares	**–**	**15**	**15**		**–**		**–**	**–**	**15**
Equity-settled share-based payment charge for period		**–**	**–**	**(11)**	**–**	**–**	**(11)**	**–**	**(11)**
Transfer of convertible bond option to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**	**402**	**402**	**–**	**402**
Deferred transaction costs allocated to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**	**–**	**(12)**
Total contributions by and distribution to owners of company recognised directly in equity	**–**	**15**	**15**	**(11)**	**–**	**390**	**379**	**–**	**394**
Balance at 30 June 2015	**20**	**2 334**	**2 354**	**15**	**(54)**	**390**	**351**	**4 307**	**7 012**
Note	5	5	5			6			

Statement of cash flows
for the year ended 30 June 2015

	Notes	2015 Rm	2014 Rm
Operating activities			
Cash utilised from operations	14	**(18)**	(12)
Non-cash and other movements	16	**11**	5
Cash utilised by operations		**(7)**	(7)
Changes in working capital:			
Increase in other receivables		**(16)**	(2)
Decrease in other payables		**(3)**	(15)
Total changes in working capital		**(19)**	(17)
Cash utilised by operating activities		**(26)**	(24)
Finance expenses paid	17	**(91)**	(80)
Finance earnings received	18	**256**	57
Taxation paid	15	**–**	1
Cash inflow / (outflow) from operating activities		**139**	(46)
Investing activities			
Property, plant and equipment purchased			
Movement in investments in subsidiaries		**–**	117
Dividend earnings	8	**22**	199
Cash inflow from investing activities		**22**	316
Operating free cash inflow		**161**	270
Financing activities with equity-holders			
Shares repurchased	5	**(7)**	(7)
Financing activities with debt-holders			
Proceeds from convertible bonds		**1 947**	–
(Repayment) / proceeds from borrowings raised		**(1 315)**	1 278
Increase in amounts owing by subsidiaries		**(776)**	(1 478)
Net increase in cash and bank balances		**10**	63
Cash and bank balances at beginning of the period		**4**	(59)
Total cash and bank balances at end of the period	4	**14**	4
Borrowings excluding bank overdrafts		**1 651**	1 278
Net cash position		**(1 637)**	(1 274)

Notes to the separate financial statements

for the year ended 30 June 2015

1. Investments in subsidiaries

Name of company	Country	% holding 2015	2015 Rm	2014 Rm
Aveng Australia Holdings Proprietary Limited	Australia	**100,00**	**1 148**	1 148
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**	**–**	–
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**	*****	*
Avmanco Proprietary Limited	South Africa	**100,00**	*****	*
			2 225	2 225

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

** Amounts are less than R1 million.*

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 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 enable 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 Limited 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 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*.

Through the Group’s 100% shareholding in Qakazana Investment Holdings Proprietary Limited, the Group has a 100% shareholding in Aveng (Africa) Proprietary Limited and Aveng Trident Steel Proprietary Limited.

Notes to the separate financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
2. Deferred taxation asset		
Balance at year-end comprises		
Provisions	*	1
Assessed losses carried forward	–	10
	*	11
Reconciliation of deferred taxation assets		
At the beginning of the year	11	1
Transfer from statement of comprehensive earnings – current year	*	10
Transfer from statement of comprehensive earnings – prior year	(11)	–
	–	11

** Amounts are less than R1 million.*

Unused taxation losses

As at June 2015 the Company had unused taxation losses of Rnil million (2014: R37 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of Rnil million (2014: R11 million) of such losses.

	2015 Rm	2014 Rm
3. Amounts owing by / (to) subsidiaries		
Reconciliation of amounts owing by subsidiaries		
Opening balance	5 863	4 901
Current year movement	889	962
Balance at the end of the year	6 752	5 863
Reconciliation of amounts owing to subsidiaries		
Opening balance	(95)	(95)
Current year movement	(241)	–
Balance at the end of the year	(336)	(95)
Interest-bearing loans to subsidiaries	5 909	5 823
Non-interest-bearing loans to subsidiaries	843	40
Non-interest-bearing loans from subsidiaries	(336)	(95)
Net amounts owing by subsidiaries	6 416	5 768
Current assets	6 752	5 863
Current liabilities	(336)	(95)
Net amounts owing by subsidiaries	6 416	5 768

A provision for doubtful debt relating to the loan to Qakazana Investment Holdings Proprietary Limited was raised in the previous 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 R170 million as at year-end.

The total allowance for non-performing loans relating to amounts owing by subsidiaries amounted to R670 million (2014: R521 million).

A premium of 3,5% is charged on the interest rate used by applicable financial institutions.

Refer to *note 20: Related parties*.

Notes to the separate financial statements continued

for the year ended 30 June 2015

		2015 Rm	2014 Rm
4.	**Cash and bank balances**		
	Cash and bank balances	**14**	4
5.	**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**	20
	Share premium	**2 334**	2 319
	Stated capital	**2 354**	2 339
	Share premium		
	Opening balance	**2 319**	1 700
	Purchase of 491 000 (2014: 277 891) treasury shares in terms of equity-settled share-based payment plan	**(7)**	(7)
	625 285 (2014: 201 560) forfeitable share plan ("FSP") shares vested during the year	**22**	6
	Issue of shares to BEE consortium for no consideration	**–**	620
		2 334	2 319
	Shares held in terms of equity-settled share-based payment plan		
	– Number of shares	**1 284 354**	1 418 639
	– Market value (Rm)	**7**	33

	Number of shares	Number of shares
Reconciliation of number of shares issued		
Number of shares in issue	**416 670 931**	389 838 097
Issue of shares	**–**	26 832 834
Closing balance – shares of 5 cents each	**416 670 931**	416 670 931
Less: Treasury shares held in terms of the equity-settled share-based payment plan	**(1 284 354)**	(1 418 639)
Number of shares in issue less treasury shares	**415 386 577**	415 252 292

Notes to the separate financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
6. Borrowing and other liabilities		
Held at amortised cost		
Interest bearing borrowings	**1 651**	1 278
Non-current liabilities		
At amortised cost	**1 651**	1 250
Current liabilities		
At amortised cost	**–**	28
	1 651	1 278
Interest bearing borrowings comprise:		
Payment profile financial		
– within one year	**–**	28
– from two to five years	**1 651**	1 250
	1 651	1 278
Interest rate structure		
Fixed and variable (interest rates)		
Fixed – long term – non-current	**1 651**	–
Variable – long term – non-current	**–**	1 250
Variable – short term – current	**–**	28
	1 651	1 278

The only secured facility in the current and prior periods is the Nedbank property facility which remained unutilised as at year-end.

Notes to the separate financial statements continued

for the year ended 30 June 2015

6. Borrowing and other liabilities continued

Description	Terms	Rate of interest	2015 Rm	2014 Rm
Convertible bond	Interest coupon payable bi-annually for a period of five years	7,25%	**1 651**	
Revolving credit facility (ZAR)	Interest payable monthly with bullet payment payable in June 2016	JIBAR +2,75%	**–**	1 000
Revolving credit facility (ZAR)	Interest payable monthly with bullet payment payable in December 2016	JIBAR +1,75%	**–**	250
Interest outstanding on interest bearing borrowings			**–**	28
Total interest-bearing borrowings			**1 651**	1 278

During July 2014, the Company issued convertible bonds denominated in South African Rand with a nominal value of R2 billion and a coupon of 7,25%. Interest is payable bi-annually for a period of five years with the bond repayment date being five years from the issue date at par plus interest.

The bonds are convertible into 69,6 million Aveng Limited shares at the holder's option based on a conversion price of R28,76 subject to shareholders' approval, which was received on 19 September 2014.

The Company has the option to call the bonds at par plus accrued interest at any time on or after 7 August 2017 up to 20 consecutive dealing days before the redemption date, if the aggregate value of the underlying shares per bond for a specified period of time is 130% of the conversion price. However, the bondholders may convert the bonds into shares before the actual settlement.

The Company also has the option to settle the outstanding bonds at par value plus accrued interest at any time if less than 15% of the bond remains outstanding.

The convertible bond comprises a liability component as well as an embedded conversion option, being the option for the bondholder to convert the bond to a fixed number of Aveng Limited shares.

The liability component is recognised and initially measured at fair value, adjusted for transaction costs and subsequently measured at amortised cost in accordance with the Company's accounting policy on borrowings and other liabilities. The conversion option was initially measured at fair value with changes in the fair value recognised in comprehensive earnings in accordance with the Company's accounting policy on derivative instruments. On the date that the shareholder approval was obtained to settle the instruments in shares, the derivative was reclassified to equity, at the then fair value.

The effective interest rate associated with the convertible bond liability is 13,6% per annum.

Notes to the separate financial statements continued

for the year ended 30 June 2015

6. Borrowing and other liabilities continued

	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	Total Rm
Issued July 2014	**1 562**	**438**	**–**	**2 000**
Transaction costs	**(41)**	**–**		**(41)**
Coupon bi-annual payment	**(73)**	**–**		**(73)**
Fair value adjustment to comprehensive earnings*	**–**	**(36)**		**(36)**
Transfer to equity	**–**	**(402)**	**402**	**–**
Transaction costs allocated to equity component		**–**	**(12)**	**(12)**
Interest determined with the effective interest rate*	**203**	**–**		**203**
Accrual of coupon interest for convertible bond	**136**	**–**	**–**	**136**
– Transaction costs capitalised	**6**	**–**	**–**	**6**
– Effect of fair value adjustment of derivative liability	**5**	**–**	**–**	**5**
– Effect of fair value of conversion option reclassification to equity	**56**	**–**	**–**	**56**
	1 651	**–**	**390**	**2 041**

** Interest on convertible bond.*

	2015 Rm	2014 Rm
7. Other payables		
Shareholders for dividends	**8**	9
Other	**2**	4
	10	13
8. Net operating loss		
Net operating loss for the year is stated after accounting for the following:		
Auditors' remuneration – fees	**(1)**	(2)
Bank charges	**(4)**	(1)
Directors' fees	**(8)**	(7)
Dividend earnings	**22**	199
Provision for non-performing loans	**(149)**	(521)
9. Finance earnings		
Amounts owing by subsidiaries	**276**	57
Cash and bank balances	**1**	–
	277	57
10. Finance and transaction expenses paid		
Borrowings	**55**	80

Notes to the separate financial statements continued

for the year ended 30 June 2015

	2015 Rm	2014 Rm
11. Taxation		
Major components of the taxation expense / (income)		
Current		
Local income taxation – recognised in current taxation for prior periods	**–**	(1)
	–	(1)
Deferred		
Deferred taxation – current period	**11**	(10)
	11	(11)
Reconciliation between applicable taxation rate and effective taxation rate:	**%**	%
Applicable taxation rate	**28,0**	28,0
Prior period adjustments	**(11,5)**	0,2
Exempt income	**18,0**	15,8
Disallowable charges	**(46,2)**	(40,9)
Effective taxation rate for the year	**(11,7)**	3,1

	2015 Number of shares	2015 Weighted average number of shares	2014 Number of shares	2014 Weighted average number of shares
12. Earnings per share				
Opening balance	**416 670 931**	**416 670 931**	389 838 097	389 838 097
Issue of shares	**–**	**–**	26 832 834	73 515
	416 670 931	**416 670 931**	416 670 931	389 911 612
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
Aveng Management Company Proprietary Limited	**(8 586 593)**	**(8 586 593)**	(8 586 593)	(8 586 593)
Equity-settled share-based payment plan	**(1 284 354)**	**(1 421 433)**	(1 418 639)	(1 298 958)
Total treasury shares	**(15 889 333)**	**(16 026 412)**	(16 023 618)	(15 903 937)
Weighted average number of shares	**400 781 598**	**400 644 519**	400 647 313	374 007 675
Add: Contingently issuable shares in terms of BEE structure	**–**	**–**	–	26 759 319
Add: Contingently issuable shares in terms of the equity-settled share-based payment plan	**1 284 354**	**1 421 433**	1 418 639	1 298 958
Diluted weighted average number of shares in issue*	**402 065 952**	**402 065 952**	402 065 952	402 065 952
Refer to note	**5**		5	

	2015 Rm	2014 Rm
Determination of diluted earnings*		
Loss for the period attributable to equity-holders of the parent	**(101)**	(347)
Diluted loss for the period attributable to equity-holders of the parent	**(101)**	(347)
Loss per share – basic (cents)	**(25,2)**	(92,8)
Loss per share – diluted (cents)	**(25,1)**	(86,3)

** The convertible bonds were anti-dilutive for the year ended 30 June 2015 and have therefore not been included in the calculation of diluted number of shares.*

Notes to the separate financial statements continued

for the year ended 30 June 2015

13. Equity-settled share-based payment

The Company has a FSP 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.

	2015 Rm	2014 Rm
Opening balance	**26**	21
Equity-settled share-based payment	**11**	11
Equity-settled shares vested	**(22)**	(6)
	15	26

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 of three years. 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 2015	Number of shares 2014
The movements during the year were as follows:		
Opening balance	**1 418 639**	1 342 308
Shares granted	**491 000**	277 891
Shares vested/exercised	**(625 285)**	(201 560)
Shares forfeited	**–**	(236 263)
Shares reallocated	**–**	236 263
	1 284 354	1 418 639
Average share price (R)	**20,18**	25,87
Total value of forfeitable shares issued during the year to employees (Rm)	**11**	5
Approval	**3 930 012**	3 930 012
% issued to date	**33**	37
Available for future allocation (number of shares)	**2 645 658**	2 511 373

Notes to the separate financial statements continued

for the year ended 30 June 2015

		2015 Rm	2014 Rm
14. Cash utilised from operations			
Loss before taxation		**(90)**	(357)
Adjustments for:			
Dividend earnings		**(22)**	(199)
Finance earnings		**(277)**	(57)
Finance and transaction expenses paid		**222**	80
Allowance for doubtful debt		**149**	521
		(18)	(12)

		2015 Rm	2014 Rm
15. Taxation refund / (paid)			
Amounts charged to the statement of comprehensive earnings - normal tax	14	*	1
** Amounts less than R1 million.*			
16. Non-cash and other movements			
Movement in equity-settled share-based payment reserve		**11**	5
17. Finance and transaction expenses paid			
Amounts charged to the statement of comprehensive earnings		**(222)**	(80)
Movement in accrued finance earnings		**131**	–
		(91)	(80)
18. Finance earnings received			
Amounts charged to the statement of comprehensive earnings		**277**	57
Movement in accrued finance earnings		**(21)**	–
		256	57

19. Contingent liabilities

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

	2015	2014
Parent company guarantees issued in:		
– South Africa and rest of Africa (ZARm)	**26**	630
– Australasia and Asia (AUDm)	**1 215**	4 149

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.

Notes to the separate financial statements continued
for the year ended 30 June 2015

20. 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.

	2015 Rm	2014 Rm
Related party balances		
Net indebtedness due by / (to) subsidiaries		
Aveng Management Company Proprietary Limited	**50**	199
Aveng (Africa) Proprietary Limited	**5 668**	4 871
Qakazana Investment Holdings Proprietary Limited*	**793**	793
Steelmetals Proprietary Limited	**(47)**	(47)
Aveng Limited Share Purchase Trust	**(48)**	(48)
	6 416	5 768
Related party transactions		
Finance earnings		
Aveng (Africa) Proprietary Limited**	**276**	52
Aveng Trident Steel Holdings Proprietary Limited	**–**	5
	276	57
Dividend earnings		
Qakazana Investment Holdings Proprietary Limited*	**–**	166
Steelmetals Proprietary Limited	**22**	33
	22	199

* *Structured entity.*

** *The annual Board review resulted in increased interest rates levied on intercompany balances due to current market conditions.*

21. 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 actively monitors the following risks:

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 2014 and 30 June 2015.

The 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 Company of R7 012 million (2014: R6 719 million).

Liquidity risk

Two of the unsecured revolving credit facilities of R2 billion secured in the prior year were undrawn at year-end.

The 18-month revolving credit bridge facility of R1 billion secured in the prior year for the purpose of supplying funding during the property sale process was undrawn at year-end.

During July 2014, the Company issued convertible bonds denominated in South Africa Rand with a nominal value of R2 billion and a coupon of 7,25% with the bond repayment date being five years from the issue date at par plus interest.

As a result of the issuance of the convertible bond, the Company extended its debt payment profile.

The extension of the Company's debt payment profile and the undrawn facilities at year-end have resulted in the Company's exposure to liquidity risk being decreased.

Notes to the separate financial statements continued

for the year ended 30 June 2015

21. Risk management continued

Interest rate risk

The Company's exposure to interest rate risk relates 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.

For the year ended 30 June 2015, the Company had no exposure to interest rate risk as the Company had no variable interest rate obligations. The only obligation related to the convertible bond which is repayable semi-annually at a fixed interest rate.

Credit risk

The Company's only material exposure to credit risk is in its cash balances (refer to *note 4: Cash and bank balances*), and amounts due from subsidiaries (refer to *note 3: Amounts due by / (to) subsidiaries).* The maximum exposure to credit risk is set out in the cash and bank balance notes.

Deposits and cash balances are all kept at financial institutions with a high credit rating, as determined by credit rating agencies within a credit limit policy which is subject to regular review.

Borrowing capacity

The Company's borrowings capacity is set out in accordance with the Company's Memorandum of Incorporation. The proceeds received from the convertible bond described in *note 6: Borrowing and other liabilities* were in part utilised to repay R1 250 million of the revolving credit facility utilised at 30 June 2014.

	2015 Rm	2014 Rm
The Company had the following undrawn facilities:		
Total borrowing facilities (includes bank overdraft facility of R859 million (2014: R950 million))	**5 510**	3 388
Current utilisation	**(1 651)**	(1 278)
Borrowing facilities available	**3 859**	2 110

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.

Financial instruments	**Less than one year Rm**	**One to five years Rm**	**Beyond five years Rm**	**Total Rm**
2015				
Non-derivative financial liabilities				
Interest bearing borrowings	**–**	**2 000**	**–**	**2 000**
Amounts owing to subsidiaries	**336**	**–**	**–**	**336**
Other payables	**10**	**–**	**–**	**10**
	346	**2 000**	**–**	**2 346**
2014				
Financial instruments				
Non-derivative financial liabilities				
Interest bearing borrowings	28	1 250	–	1 278
Amounts owing to subsidiaries	95	–	–	95
Other payables	13	–	–	13
	136	1 250	–	1 386

22. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the Company's financial statements which significantly affects the financial position of the Company as at 30 June 2015 or the results of its operations or cash flows for the year then ended.

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