



Audited consolidated
annual financial statements
2019



Providing a better life

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General information

Country of incorporation and domicile	South Africa
Directors	<p>Mr Eric Diack (executive chairman)</p> <p>Mr Sean Flanagan (Group chief executive officer) Appointed 1 February 2019</p> <p>Mr Adrian Macartney (Group finance director)</p> <p>Ms Kholeka Mzondeki (lead independent director) Resigned 24 December 2018</p> <p>Ms May Hermanus (lead independent director) Appointed lead independent director 24 December 2018</p> <p>Appointed to the audit and risk committee effective 20 February 2019</p> <p>Resigned 31 August 2018</p> <p>Mr Juba Mashaba Appointed chairman of remuneration committee effective 24 December 2018</p> <p>Mr Michael Kilbride Appointed to the social, ethics and transformation committee effective 22 February 2019</p> <p>Appointed to the safety, health and environment committee effective 22 February 2019</p>
Auditors	Ernst & Young Incorporated
Secretary	Ms Edinah Mandizha Appointed 13 September 2018
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: Efsthios White CA(SA) under the supervision of: Adrian Macartney CA(SA), Group finance director
Address of registered office	Aveng Park 1 Jurgens Street Jet Park Boksburg 1459
Published	29 August 2019

Audit and risk committee report

Change in composition of the audit and risk committee

The appointment of Mr Sean Flanagan on 1 February 2019, as the Group chief executive officer required a change in the composition of the audit and risk committee. Mr Flanagan stepped down as a member of the audit and risk committee and Ms May Hermanus was appointed as a member of this committee on 20 February 2019. The standing members serving on this committee are Mr Philip Hourquebie (chairman), Mr Michael Kilbride and Ms May Hermanus.

Performance of duties

The audit and risk committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of Aveng Limited. Four scheduled and five special audit and risk 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 and risk committee confirms that it is satisfied with the independence of its external auditor, Ernst & Young Inc, and the quality of the audit work performed.

The audit and risk committee had discussions regarding mandatory audit firm rotation. The process to appoint a new external audit firm will be put in place, including a process to monitor and evaluate the independence of potential auditors and specifically the limitations imposed by section 90(2) of the Companies Act. The committee agreed that the appointment of new auditors will not be considered for the upcoming financial year, while management's focus remains on completing the non-core disposals, turnaround of core businesses and the creation of a sustainable balance sheet. The Company will thereafter be better placed to give the appointment of new external auditors the required attention and adequate time to evaluate and consider the independence requirements. Auditor rotation is therefore planned to commence in the financial year commencing 1 July 2020. This is ahead of the deadline imposed by the Independent Regulatory Board of Auditors (IRBA) for mandatory firm rotation by 2023.

Evaluation of the finance director

In accordance with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, the audit and risk 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. The Group finance reporting function was strengthened with the appointment of several finance staff members. Management will continue to review the function to ensure it is fit for purpose for the Group during the transition period. The audit and risk committee is satisfied that appropriate financial reporting procedures are operating as required.

Statement on internal financial controls

Based on information from and discussions with management and the Group internal audit function, the audit and risk 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 the financial year under review 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.

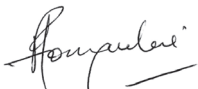
Liquidity and going concern

As included in the directors' report, and further detailed in *note 1: Presentation of consolidated financial statements* to the financial statements, in determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The directors have considered the agreements reached and transactions concluded post the year end, the actions taken by the Group, the financial plans and forecast, including all available information, and are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

This committee has interrogated the key assumptions used in determining the cash flow forecasts used in the going concern assessment, including the early redemption of the convertible bond, the successful rights issue completed, the current status of the non-core assets, disposal plan, the operating cash flows of both core and non-core businesses and other initiatives already embarked on by the Group. The committee was satisfied that the assumptions are supportable. The committee was further satisfied with the post year end events, going concern and liquidity disclosures in the directors' report and within the notes to the financial statements.

Statement on internal control and risk management

The risk management function together with management, identifies and monitors potential risks faced by the Group and the risk mitigation strategies proposed and implemented by management. The internal audit functions monitor the effectiveness of internal control systems and make recommendations to management and the audit and risk committee. The Board has concluded, based on the recommendations of the audit and risk committee and their own understanding, that there is no reason to believe that there were any material internal control or risk management shortcomings during the current financial year that have not been addressed or are in the process of being addressed.



PA Hourquebie
Chairman
Audit and risk committee

Executive chairman's report

Aveng entered the 2019 financial year in a precarious financial position, anticipating the completion of its rights offering and the early redemption of the convertible bond. These capital markets transactions were necessitated following the lower than expected QCLNG award which resulted in a material write-down of uncertified revenue in the 2017 financial results, followed by the renegotiation of bank debt that led to an extensive strategic review. Aveng's position was compounded by continued difficulty in the operating conditions in all of its domestic markets which restricted the Group's ability to generate adequate cash flows from its South African operations.

The initial elements of the strategic plan implemented in 2018 enabled the Group to address these material short-term risks while focusing on the longer-term strategy to be an international infrastructure and resource and mining group, operating in selected fast-growing markets and capitalising on the knowledge and experience of its core businesses.

Overview

During the year to 30 June 2019, Aveng reported a headline loss of R1,5 billion (2018: R1,6 billion loss (restated)) attributable to a number of detrimental events.

The strategic plan involved identifying businesses and assets that were core to the Group and supported the long-term strategy, determining the most appropriate operating structure, and recommending a sustainable future capital and funding model. This resulted in management identifying non-core assets and announcing their disposal in the prior year.

We have met our strategic commitments to date and stabilised Aveng. This has laid the foundation for our longer-term goal of acceptable returns for the providers of our capital and a better future for our employees, clients and suppliers. The broader context of turbulent domestic market conditions in which we are implementing our strategy cannot be ignored – it has taken a heavy toll on many of our industry peers and is reflected in the performance of most of our non-core operations and the material financial loss we reported for the year under review.

Aveng has implemented the strategic plan systematically to create a more robust and sustainable organisation capable of achieving its long-term strategic objectives. The Group has achieved the following progress to date:

Ensuring a long-term capital structure

The most urgent priority was to reduce Aveng's unsustainable debt of R3,3 billion (including R1,3 billion bank debt and R2 billion convertible bonds) at 30 June 2018. We strengthened our balance sheet by:

- ▶ raising R493 million in a 98,6% subscribed rights issue in July 2018 to reduce our net debt position;
- ▶ redeeming the R2 billion convertible bonds in September 2018, 10 months before they matured, and converting them to equity;
- ▶ securing an additional R400 million in bank debt from a consortium of lenders on extended repayment terms. We have since repaid R300 million;
- ▶ in August 2019, renegotiating the debt repayment terms and extending the debt facilities term date to September 2021; and
- ▶ improving cash flow forecasting to allow for more efficient planning and cash management.

Aveng's debt:equity ratio improved from 127% to 87% at 30 June 2019. The Group continues to focus on progressive improvement in the quality of the balance sheet to achieve the capital structure necessary to sustain our growth objectives.

Creating liquidity by selling non-core assets

Disposal of non-core businesses and other assets is a key component of the strategic plan. It creates the liquidity necessary to sustain our operations and repay debt. This enables us to simplify our operating structure and allocate resources, including management's attention and focus, to our core businesses.

Despite the slowdown in merger and acquisition activity in South Africa, we have reported non-core disposals amounting to R1 billion to the date of this report. Proceeds of R520 million have been received for the sale of Jet Park and other properties, Aveng Rail and Aveng Water, and sales amounting to R488 million have been announced. The non-core disposals have been conducted responsibly to create liquidity for the Group and to contribute to the transformation and sustainability of the sectors in which these businesses operate. Most were acquired by 100% empowered businesses, some in consortium with management, and the Building and Civils transaction will satisfy the Group's Voluntary Rebuild Programme commitment to government.

Improving performance of core businesses

McConnell Dowell and Moolmans form the core of our longer-term strategy. Key factors in our decision to base Aveng's future on these two businesses were geographic diversification, market selection based on growth opportunity, reputational strength founded on specialist capabilities, and management teams capable of sustaining sound relationships with quality clients and delivering attractive returns.

Both businesses have required management changes and focused strategies to set them on a longer-term growth trajectory. McConnell Dowell has been profitable since December 2017 and is leveraging its competitive advantages to capitalise on growth in all of its selected markets. Moolmans has been stabilised and positioned to return to modest profitability in 2020.

Composition of the Board

On 1 February 2019, Sean Flanagan was appointed as Group chief executive officer.

May Hermanus was appointed as the lead independent non-executive director on 24 December 2018 and was also appointed to the audit and risk committee on 20 February 2019. The audit and risk committees were combined on 21 February 2018 with Philip Hourquebie as chairman. Phillip Hourquebie was appointed to the safety, health and environment committee on 22 February 2019.

Michael Kilbride was appointed as chairman of the remuneration committee. He was also appointed as a member of the social, ethics and transformation committee on 22 February 2019.

Kholeka Mzondeki resigned as a non-executive director on 24 December 2018 and Juba Mashaba resigned as Group executive director with effect from 31 August 2018. We wish them well in their future endeavours.

Outlook

Aveng's strategy remains valid and the Group is focused on completing the non-core asset disposals and derisking the Group, reducing debt, returning Moolmans to profitability, growing the McConnell Dowell order book profitably and improving equity value for shareholders.

On behalf of the Board, I would like to express our gratitude to the core team of executives, senior management and employees who are implementing the strategic plan while navigating extremely difficult operating conditions. I would also like to thank funding banks, shareholders, suppliers and partners who continue to support us.



EK Diack
Executive chairman

28 August 2019

Certificate of the company secretary

I, the undersigned, Edinah Mandizha, 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.



Edinah Mandizha
Company secretary

28 August 2019

Directors' report

The directors submit their report for the year ended 30 June 2019.

1. Review of activities

Nature of business

The consolidated annual financial statements (results) comprise the financial results of Aveng Limited and its subsidiaries (the Group) at 30 June 2019. 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.

Continued execution and validations of long-term strategy

A strategic review and action plan, implemented in 2018, has enabled the Group to address material short-term risks while continuing to execute its long-term strategy. During the process the Group is transitioning to a sustainable business focused on being an international infrastructure, resource and mining group with a footprint in developing and fast-growing regions.

The strategy remains valid with the following objectives implemented:

- ▶ Ensure a long-term capital structure
- ▶ Create liquidity by selling non-core assets
- ▶ Unlock value from core businesses.

Management remains committed to the execution of the strategy and this has yielded positive results to date. The completion of certain non-core disposals in the current year, together with announced disposals of non-core assets post-year end in *note 50: Events after reporting period* will reduce risk and strengthen Aveng's financial position.

Group financial results

Overall trading performance

McConnell Dowell was consistently profitable as it focused on smaller specialised projects and continued to improve operational performance. While McConnell Dowell's two-year order book grew from a low base to AUD1,15 billion, which supports 77% of budgeted revenue for 2020, the business requires larger scale to achieve its longer-term growth objectives. The value of outstanding tenders is currently AUD2,5 billion, including AUD1,2 billion of preferred status projects. McConnell Dowell remains focused on pursuing opportunities in the areas of specialisation in which it has a proven track record of success. McConnell Dowell has increased its selective bidding activity in growing markets in line with its strategy. The business is negotiating repeat work with major clients in Australia on the strength of sound performances on projects such as the long-term Western Program Alliance and Swanson Dock in Melbourne in order to increase its growth momentum.

Moolmans' disappointing financial performance was attributable largely to underperformance on the Gamsberg and Khutala contracts and the previously reported additional closure costs incurred following the early termination of the Karowe contract in Botswana. The Group-led intervention at Moolmans focused on operational performance, asset health, contract renegotiations and extensions, and timely and improved reporting and monitoring. Following the review, Moolmans renegotiated the costs and conditions of the Gamsberg contract. The Khutala contract will end in September 2019. Moolmans secured five contract extensions, including rate and scope increases. These contributed to the current R6 billion order book, representing 50% growth from 31 December 2018. As a result, Moolmans has secured 82% of budgeted 2020 revenue. Pending a decision on the future of the Nkomati mine, Moolmans has negotiated a three-month extension of the contract to end of September 2019. Opportunities are being explored to redeploy the equipment used on the Nkomati project to existing or new project opportunities within South Africa. The asset health review led to a focus on asset availability and related component replacement. This resulted in continued investment in the fleet of R584 million.

Aveng Grinaker-LTA continued to rightsize its business in line with sustained market weakness. A net operating loss of R401 million (2018: R367 million) was attributable to losses incurred on two road contracts, closure of the Mtentu Bridge project and underperformance on certain building contracts.

Aveng Manufacturing underperformed as the business continued to experience low levels of activity in the infrastructure, mining and rail sectors. Aveng announced the sale of four of the five businesses in Aveng Manufacturing with the final business sale under negotiation. Aveng ACS delivered another profitable year due to higher revenue levels.

Aveng Steel achieved a pleasing result in difficult trading conditions. Revenue increased by 5% to R5,5 billion largely as a result of higher selling prices per tonne but margins were marginally lower than the previous year. Operating profit increased to R39 million (2018: R29 million). The achievement of operational cost savings and improved working capital management contributed to the good performance.

Subsequent to year end, the Group concluded a bulk sale in the ordinary course of business of particular lines of steel inventory in its Roodekop plant to a single buyer for R150 million. This sale has allowed Aveng to monetise a significant part of its stock and significantly reduce its working capital. The cash will be used to reduce debt and strengthen the financial position of Aveng.

The Group reported a reduced headline loss of R1,54 billion or (9,7) cents per share for the year ended 30 June 2019, compared to a restated headline loss of R1,56 billion or (290,1) cents per share in the prior year. Revenue decreased by 16% to R25,7 billion (2018: R30,6 billion) primarily attributable to the implementation of the strategic plan. The net operating loss increased to R1,1 billion from a loss of R401 million in June 2018. Weak trading conditions in the South African market, combined with operational underperformance in domestic businesses, impacted the overall result. The poor performance was partially offset by consistent profitability in McConnell Dowell and Steel.

Directors' report continued

1. Review of activities continued

The Group generated a basic loss attributable to equity holders of the parent of R1,7 billion (2018: R3,5 billion loss) after taking into account an impairment charge of R241 million (R163 million on asset health review at Moolmans, R78 million on subsequent measurement impairment, against intangible assets and property, plant and equipment assets held for sale). Fair value adjustments on assets transferred to Held for Sale amounted to R51 million. Refer to *note 8: Impairments* and *note 20: Assets and liabilities classified as Held for Sale*.

Gain on the disposal of non-core assets

A R244 million gain on the disposal of Aveng Rail, Aveng Water and certain properties was recognised.

- ▶ Full details of the financial position and performance and changes therein for the Group are set out in the consolidated financial statements on pages 18 to 135.

Capital expenditure

Capital expenditure of R832 million for the year (2018: R 786 million) related to R104 million (2018: R138 million) of expansion investment and R728 million (2018: R625 million) replacement investment in property, plant and equipment, and Rnil (2018: R23 million) investment in intangible assets. Net book value of property, plant and equipment disposed amounted to R61 million (2018: R 162 million).

Liquidity, solvency, ongoing funding, disposals and the going concern assertion

In determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group and Company can continue in operational existence for the foreseeable future. The financial performance of the Company is dependent on the wider economic environment in which the Company operates.

Management has prepared a budget and business plan for the 2020 financial year and the following two years, as well as cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared with the assistance of several independent external consultants and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

These forecasts and plans, being implemented by management, indicate that the Group will have sufficient cash resources for the foreseeable future. In approving the operational liquidity forecasts, the Board has considered the following information up to the date of approval of these financial statements.

Achieved during the period

- ▶ Raising R493 million of new capital in a rights issue in July 2018
- ▶ Redeeming the R2 billion convertible bonds in September 2018, 10 months before they matured, funded by a new R460 million debt instrument and the specific issue of Aveng shares
- ▶ Securing an additional R400 million in bank debt from a consortium of lenders on extended funding terms
- ▶ Repaying R300 million by June 2019
- ▶ Renegotiating the repayment terms of the remaining R100 million
- ▶ Renegotiating the debt repayment terms and extending the term and revolving credit facilities term date
- ▶ Improved cash flow forecasting to allow for more efficient planning and cash management.

Execution of plans

- ▶ R1 billion progression on the non-core asset disposal plan, including:
 - the receipt of disposals of R520 million – Aveng Rail of R133 million, Aveng Water of R85 million, Jet Park property of R215 million and other properties and investments of R87 million;
 - the announced disposal of R488 million:
 - Aveng Infraset for R180 million;
 - Aveng Duraset Alrode business for R50 million;
 - Aveng DFC for R114 million;
 - Aveng Rand Roads for R37 million;
 - Aveng Ground Engineering for R7,5 million; and
 - Aveng Civil Engineering and Buildings for R100 million with a deferred payment mechanism (refer to *note 54. Events after the reporting period and pending transactions*); and
 - other disposals are at varying stages of execution.
- ▶ Updated budget and business plans for post-year end period up to 30 June 2021 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved once non-core businesses have been disposed
- ▶ Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the South African lending banks, Australian banks or other financing agreements within the individual liquidity pools
- ▶ The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations.

1. Review of activities *continued*

The Group has cash (net of bank overdraft facilities) of R 1,6 billion (2018: R2.1 billion) at year end, of which R624 million (2018: R568 million) is held in joint arrangements. Unutilised facilities amounted to R302 million (2018: R536 million).

The directors have considered all of the above, including detailed consideration of the current position of all core and non-core businesses, all business plans and forecasts, including all available information, outcome of the Aveng Australia Holdings Group and Aveng Africa Group going concern reviews and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements, and that sufficient liquidity will be available to support the ongoing operations of the Group.

For further information on all of the disclosures included above, refer to *note 5: Going concern and liquidity* in the financial statements and *note 50: Events after the reporting period*.

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. As at 30 June 2019, the trust had no assets and liabilities and was wound up in the 2019 financial year.

2. Events after the reporting period

In addition to the items discussed under liquidity and solvency, refer to *note 50: Events after the reporting period and pending transactions*.

3. Share capital and share premium

Details pertaining to the authorised and issued share capital of the Company at 30 June 2019 are contained in *note 21: Stated Capital of the consolidated annual financial statements*.

4. Directors

In terms of the Company's memorandum of incorporation, the directors listed below will retire by rotation at the forthcoming annual general meeting (AGM) and will be eligible for re-election:

- ▶ Mr Eric Diack
- ▶ Mr Sean Flanagan
- ▶ Ms May Hermanus*

** It should be noted that in terms of King IV, an independent director who has served on the Board for nine years should be subjected to a rigorous review of his/her independence and performance. Ms May Hermanus has served on the Board for nine years, and in giving effect to the above, Ms Hermanus completed the independence evaluation test which was assessed by the remuneration and nomination committee and recommended to the Board. Based on the review, the Board concluded that Ms Hermanus is still independent.*

The following changes were made to the Board to the date of this report:

- ▶ Mr Juba Mashaba – resigned 31 August 2018
- ▶ Ms Kholeka Mzondeki – resigned 24 December 2018
- ▶ Ms May Hermanus – appointed lead independent director 24 December 2018, and appointed to the audit and risk committee effective 20 February 2019
- ▶ Mr Sean Flanagan – appointed Group chief executive Officer on 1 February 2019.

Details of the directors' remuneration and interests are set out in *note 46: Directors' emoluments and interests of the consolidated annual financial statements*.

One of the key principles in King IV is the establishment of a unitary Board which reflects a balance of power. In order to ensure that no one individual, or group of individuals yield unfettered power on the Board, King IV proposes the appointment of independent non-executive directors. It should be noted upfront that all directors, regardless of the classification as an executive, non-executive or independent non-executive director, require the application of an independent state of mind and objective judgement. In essence, all directors are required to act in the best interests of the Company at all times and this can only be achieved if directors set aside their personal interests.

Directors' report continued

5. Auditor

Ernst & Young Inc. continued in office as the external auditor of the Group. At the AGM shareholders will be requested to appoint Ernst & Young Inc. as the Group's auditor for the 2020 financial year.

6. Shareholders

The following information will be available on 29 August 2019 on the Group's website:

- ▶ Shareholders' diary.

7. Directors' responsibility relating to the consolidated and separate 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 and Company as at the end of the financial year and the results of its operations and cash flows for the year ended 30 June 2019.

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee, the South African Institute of Chartered Accountants (SAICA) 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 Limited.

The directors acknowledge that they are responsible for the system of internal financial control established by the Group and Company 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 Board has reviewed the Group's cash flow forecast for the year ended 30 June 2020 and in light of this review and the current financial position, is 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 auditor is responsible for reporting on the Group's and Company's consolidated annual consolidated and separate financial statements. Its unmodified report to the shareholders of the Group and Company is set out on pages 9 to 17.

Approval of consolidated annual financial statements

The consolidated annual financial statements of the Group for the year ended 30 June 2019 set out on pages 18 to 135, which have been prepared on the going concern basis, were approved by the Board of directors on 28 August 2019 and were signed on its behalf by:



EK Diack
Executive chairman



S Flanagan
Group chief executive officer



AH Macartney
Group finance director

Independent auditor's report

To the shareholders of Aveng Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Aveng Limited and its subsidiaries (the "Group" and the "Company") set out on pages 18 to 135, which comprises the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity, and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2019, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the Group and Company in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The key audit matters apply to the audit of the consolidated and separate financial statements. The first key audit matter relates to both the consolidated and separate financial statements while the other key audit matters do not relate to the separate financial statements.

Independent auditor's report continued

To the shareholders of Aveng Limited

Assessment of key audit matters

How the matter was addressed in the audit

1 Liquidity, solvency, capital markets transactions, ongoing funding from SA lenders, and evaluation of the effect on the assessment of the going concern performed by management

The availability of ongoing funding and assessing whether the Group and Company is able to meet its obligations under its financing agreements are important for the going concern assumption and, as such, are significant aspects of our audit.

There were significant events which took place both during and after the reporting period which have an impact on the liquidity of the Group and Company. These events include:

- ▶ Renounceable rights issue to qualifying shareholders concluded on 4 July 2018.
- ▶ Early redemption of a portion of the corporate bond followed by the specific issue of new equity to facilitate the early redemption of the remainder of the corporate bonds to equity.
- ▶ Raising of a new facility for R460 million to facilitate the early redemption of the corporate bond.
- ▶ Realisation of proceeds from disposals of assets and businesses deemed to be non-core to the Group and execution of binding terms sheets with purchasers for other non-core assets and businesses.
- ▶ Changes to the Common Terms Agreement (CTA) with the SA funding banks (SA lenders) effected on 18 September 2018 and amendments dated 27 August 2019 to extend the capital repayment dates to match anticipated non-core asset disposal proceeds and extending the dates for ongoing facilities being available to the Group and Company.

Assessment of the above:

The impact on forecast liquidity and on management's going concern assessment arising from these events both during and after the reporting period was considered to be a key audit matter. The events described above were considered to be interdependent and are collectively complex, requiring management to engage legal and financial experts to assist them in assessing the impact on the liquidity and solvency of the Group and Company.

The future events relating to the disposal of non-core assets and the forecasting of cash flows from non-core (until they are disposed of) and core businesses required management to assess different scenarios, all with different probabilities of success.

The amendments agreed with the SA lenders both during and post-year end in the CTA are significant to our audit as they impact the Group and Company's forecast liquidity model and are linked to the timing of the process of non-core asset disposals.

Management included the amendments to the CTA approved by the SA lenders in the liquidity forecast model approved by the Board. This primarily related to the updated assumptions in respect of the disposal of non-core assets and the timing of the repayments to the SA lenders as well as extending the repayment dates of key facilities available to the Group and Company.

Our audit procedures included:

- ▶ Understanding the process management followed to account for the effect of the capital market transactions which took place during the year.
- ▶ Obtaining the bank statements which reflect the receipt of R493,2 million relating to the rights issue.
- ▶ Inspecting the updated share register post the rights issue.
- ▶ Inspecting the signed facility agreement for the new facility of R460 million.
- ▶ Inspecting the bank statements which reflect the receipt of R460 million.
- ▶ Inspecting the issue of new shares on 25 September 2018 from the transfer secretary.
- ▶ Inspecting the signed facility for R460 million with RMB / iNguza Trust.
- ▶ Understanding the process management have followed to make their assessment regarding the going concern assumption.
- ▶ Evaluating the assumptions on which management's assessment of going concern is based.
- ▶ Evaluating management's plans for future actions including the disposal of the remaining non-core assets and their ability to realise the fair value less costs to sell as determined by the valuation process.
- ▶ Obtaining an understanding of the process and testing in place over the liquidity, compliance with the debt covenants and preparation of the cash flow forecast based on reasonable and supportable assumptions and inputs to the model used to estimate the future cash flows.
- ▶ Evaluating the appropriateness of the budget and forecast systems in place, including key sensitivity tests undertaken on primary inputs with a particular focus on the Aveng Mining budget and forecast. Aveng Mining is a core business in South Africa and is expected to generate cash from operations in order to meet future financial obligations as they fall due.
- ▶ Testing the reasonableness of the inputs and assumptions used in the cash flow forecast against historical performance, economic and industry indicators, publicly available information and the Group's strategic plans.
- ▶ Reperforming the underlying calculations used in the Group and Company's assessment of debt covenants compliance, the cash flow forecast and sensitivity testing of the inputs used.
- ▶ Evaluating the key assumptions including those pertaining to revenue growth and the timing of significant payments in the cash flow forecast for the following financial year.
- ▶ Comparing prior period forecasts with historical results to assess the accuracy of management's forecasting abilities.
- ▶ Comparing the current period forecasts with results achieved to date.

Assessment of key audit matters

How the matter was addressed in the audit

1 Liquidity, solvency, capital markets transactions, ongoing funding from SA Lenders, and evaluation of the effect on the assessment of the going concern performed by management *continued*

The forecast liquidity model required evaluating the forecast operating free cash flows for the Group and Company, assessing post-year end liquidity performance, updating the model for the impact of all known events at the time of conclusion, and performing sensitivity testing on the model before approval by the Board. The evaluation and conclusion process adopted by the Board are key aspects that support the going concern assertion.

Specific auditor attention was required to assess whether the judgements and assumptions applied by management were reasonable and supported by evidence or are based on future events with different degrees of probability.

In particular the primary areas of audit focus in terms of the forecast liquidity model related to:

- a) the cash flows from operations both core and non-core;
- b) the timing and likelihood of success of the disposal of the non-core assets and how this affects the outcome of "a" above; and
- c) how these interplay with the continued availability of the funding from the SA lenders under the revised CTA.

The Group and Company believes it has sufficient liquidity based on the available credit facilities disclosed in *note 22: Borrowings and other liabilities* and the expected liquidity to be generated from operations to meet its financial obligations as they fall due.

Auditor attention was required to assess whether there was sufficient liquidity after applying certain sensitivities to the liquidity model in respect of the areas noted above. This included assessing the impact of reducing the operational EBIT for Aveng Mining. Additional work was also done to assess whether all known facts and circumstances related to the non-core asset disposal plan have been appropriately taken into consideration in the liquidity model, and whether the evaluation of the overall liquidity headroom was appropriate after considering the ability of the Group and Company to meet forecasts based on prior history.

As a result of the large number of uncertain future events there were a number of scenarios to take into account which resulted in additional auditor focus.

- ▶ Inspecting whether the liquidity forecasting model is consistent with the approved budgets and forecasts and is consistent with the information used in the cash-generating unit (CGU) impairment assessments.
- ▶ Evaluating the assumptions made with respect to future initiatives, the results and the cash flows in order to assess the Group and Company's ability to continue meeting its payment obligations and its obligations under the financing covenants in the year ahead.
- ▶ Evaluating the existence, adequacy and terms of borrowing facilities.
- ▶ Obtaining the signed second amended restated common terms agreement (CTA) dated 13 September 2018 and amendments dated 27 August 2019 from the SA Lenders indicating that they have agreed to revise the repayment dates of the RCF and term loans and that they have agreed to extend the existing facilities into the foreseeable future.
- ▶ Inspecting the minutes of the Board meeting evidencing that the directors have assessed the Companies Act requirements in relation to the solvency, liquidity and going concern of the Group and Company.
- ▶ Inspecting the signed sale agreements for the assets and businesses sold during and after the reporting period, including tracing the receipt of proceeds into the bank accounts, and consequential transfer of funds to the SA lenders in terms of the CTA.
- ▶ Inspecting the disposal plan approved by the directors and assessing management's ability to dispose of the remaining non-core assets within the time frame indicated and at the values determined through the valuation process.
- ▶ Inspecting the non-binding offers available for the remaining assets and businesses both at and post the reporting period.
- ▶ Inspecting correspondence from interested parties to validate the status of the disposal process for other assets and businesses.
- ▶ Assessing the adequacy of the disclosure in the financial statements.

Refer to page 51 (note 5: Going concern and liquidity) and page 114 (note 50: Events after the reporting period).

Independent auditor's report continued

To the shareholders of Aveng Limited

Assessment of key audit matters

How the matter was addressed in the audit

2 Accounting for contracts and the impact of the initial application of IFRS 15

The Group has significant long-term contracts in the construction, engineering and mining operating segments. The construction, engineering and mining industries are characterised by contract risk with significant judgements involved in the assessment of the anticipated final contract outcomes.

Changes in any of the significant judgements could result in a material variance in the amount of earnings or losses recognised from individual contracts. During the year new contracts are entered into, contracts are completed and the progress made on existing contracts has changed from the prior year, we are therefore required to completely reassess the contracts and not merely roll forward the work performed in the prior year. As a result, accounting for contracts is considered to be an ongoing key audit matter.

Contract accounting is considered to be an ongoing significant audit risk to the Group as it requires management to exercise a high degree of estimation and judgement in their assessment of the revenue recognition resulting from the contract stage of completion, contract variations and claims; the completeness and accuracy of forecast costs to complete; and the ability to deliver contracts within the requirements of each contract. Furthermore, the Group executes contracts in numerous geographic and operational markets which adds to the complexity of applying judgement.

Management has also considered this area to be a key accounting estimate as disclosed in the "*accounting estimates and management judgements*" note to the consolidated annual financial statements.

During the current financial year, the Group adopted IFRS 15 for the first time. This was considered to be a key audit matter as the proper application of the IFRS 15 accounting standards is considered to be complex and includes an extent of estimates and assumptions made by management.

Our audit procedures were focused on a selection of contracts using a variety of quantitative and qualitative factors in selecting which contracts to test. The most significant factors included high value contracts, significant loss-making contracts and contracts with significant claims. In this way our audit was focused on assessing and evaluating the most significant and more complex contract positions. For each of the contracts selected, our procedures included the following:

- ▶ Discussing and assessing the status of selected contracts with management, finance, and project and engineering staff.
- ▶ We also performed audit procedures to determine that:
 - the expected revenue used in the percentage of completion calculation has been reconciled to signed contracts and variation orders; and
 - the appropriate cost categories have been included in work in progress and that variation orders and claims have been properly considered when determining the valuation of work in progress; and the resulting estimated cumulative result on contracts.
- ▶ With respect to revenue recognised for variable considerations on construction contracts, including claims and variation orders:
 - we inspected supporting documents in order to confirm that such revenue was recognised only when the requirements of IFRS 15 and the Group's accounting policy have been met, namely when it is highly probable that no significant reversal will take place in a subsequent period; and
 - where applicable, we also inspected correspondence with customers concerning variation orders and claims and obtained third-party assessments from legal counsel contracted by the Group in order to assess whether the information was consistent with the estimates made by management.
- ▶ Engaged our own internal engineer to conduct site visits with the audit team on certain key contracts and to assist in assessing management's assumptions relating to the expected costs to complete. Our internal engineer would also consider supporting documentation such as customer certifications, forecast models and comparing previous cost estimates against actual results and examining variation and claim agreements.

Assessment of key audit matters

How the matter was addressed in the audit

2 Accounting for contracts and the impact of the initial application of IFRS 15 *continued*

In addition, the initial application of the new standard on revenue recognition, International Financial Reporting Standards 15 – *Revenue from Contracts with Customers (IFRS 15)*, had a significant impact from the financial year 2018 onward. The Group exercised the option on initial application to recognise the cumulative effect of the transition directly in equity as of 1 July 2018 in accordance with the transitional provisions. The initial recognition of contract assets and the costs of obtaining contracts lead to a decrease in retained earnings under equity of R267 million as of 1 July 2018. In view of the material impact and the complexity of the Group-wide implementation of the new standard, the presentation of the impact was of particular importance for our audit.

- ▶ Inspected the contracts for key clauses, identifying relevant contractual mechanisms such as liquidated damages and success fees and considered their impact on the completeness and existence of the amounts recognised in the financial statements.
- ▶ We tested the sensitivity of all inputs and estimates by primarily comparing these to industry benchmarks and peer group analysis.
- ▶ With regard to the impact of the initial application of IFRS 15, we assessed the impact determined during the Groupwide project for implementing the new standard. In order to take into account the complexity of implementing the new standard, we ensured that audit procedures were consistently carried out throughout the Group by issuing the relevant instructions to the component auditors.
- ▶ Our audit approach included:
 - assessing the impact analysis and the accounting estimates made for the different business models of the Group companies;
 - assessing the design of the processes set up to account for the transactions in accordance with the new standard; and
 - assessing the appropriateness of the methods used to determine the impact of the initial application of IFRS 15 by considering whether all the necessary steps required by IFRS 15 have been taken into account by management.

Refer to pages 29 to 32 (Accounting policy 2.12), page 42 (Significant accounting judgements and estimates 3.1.11), page 86 (note 29: Revenue) and (Statement of changes in equity).

3 Recoverability of uncertified claims and variations

Included in the Group's receivable balance due from contract customers of R2 621 million (2018: R3 310 million) is R760 million (2018: R942 million) which comprises revenue not yet certified, amounts due from customers, and amounts that are currently subject to protracted legal or arbitration proceedings.

A R267 million adjustment was made to opening retained earnings as a result of the impact of the new IFRS 15 accounting standard. This adjustment had the effect of reducing the revenue not yet certified balance.

The valuation of uncertified claims and variations within receivables are significant to the financial statements based on the quantitative materiality and the degree of management judgement required for valuation.

In response to these risks, our audit procedures included, among others:

- ▶ Enquiries with internal and external legal counsel, financial staff and directors in respect of ongoing claims and proceedings.
- ▶ Challenging the judgements on the expected settlement and corroborated explanations through inspection of correspondence, claims lodged against customers and evaluating the historic success rate in estimating the outcome of claims.
- ▶ Meeting with external legal counsel and internal commercial advisers and assessing their estimates of likely outcomes to that recognised in the accounting records of the Group by the financial accountants. Furthermore, we obtained confirmations from external legal counsel opining on the probable outcome of the claims and their best estimates of the quantum of the claims.

Independent auditor's report continued

To the shareholders of Aveng Limited

Assessment of key audit matters

How the matter was addressed in the audit

3 Recoverability of uncertified claims and variations

continued

Since the ultimate outcome of asserted claims and proceedings cannot be predicted with certainty, an adverse outcome could have a material adverse effect on the financial position and results of the Group, including debt covenant compliance; resulting in the identification of a significant financial statement risk. The accounting for these claims and proceedings is complex and highly judgemental, and the amounts involved are material to the financial statements as a whole.

The status of the various outstanding claims and projected performance was assessed in the context of current performance of the business, the current business environment and expected market conditions.

The decision as to whether the long outstanding uncertified revenue amounts are recoverable required management judgement due to the complex nature of the claims. The facts and circumstances surrounding the long outstanding uncertified revenue amounts changes every year as a result of new information from clients, settlement discussions and the outcome of legal proceedings.

As a result, the recoverability of uncertified claims and variations is considered to be an ongoing key audit matter.

The following judgements and considerations were made by management in determining whether the current year uncertified claims and variations are reasonable:

- ▶ The current stage of negotiation and / or legal proceedings on the larger uncertified claims including consideration of the external legal advice on these claims
- ▶ The increasing complexity of the claims and the associated commercial challenges as well as the costly process in bringing long outstanding claims to commercial conclusion
- ▶ The increasing limitations the process has placed on management's ability to balance the value of commercial settlements with the associated costs, business disruptions, client relationships and impact on the Group's reputation

Specific auditor attention was required to assess whether the judgements and considerations made by management, which are listed above, were appropriately and consistently applied.

- ▶ Inspecting the minutes of relevant Board meetings.
- ▶ Evaluating the adequacy of the financial statement disclosures regarding these claims and legal proceedings.
- ▶ Assessing the assumptions, judgements and considerations used by management in determining which long outstanding claims will be written off to ensure that a consistent approach was adopted and that the revised project positions are reasonable and fairly stated.

Refer to page 29 (Accounting policy 2.1.2), page 40 (Significant accounting judgements and estimates 3.15), page 70 (note 16: Amounts due from/(to) contract customers) and (Statement of changes in equity).

Assessment of key audit matters
How the matter was addressed in the audit

4 Assets and disposal groups carried as Held for Sale

In the prior year, the Group announced that a number of non-core assets and disposal groups were to be disposed of over the next 12 months and were classified as Held for Sale in accordance with IFRS 5 as at 30 June 2018.

These assets and disposal groups have been carried at the lower of carrying amount and fair value less costs to sell based on the discounted future cash flow forecasts and costs associated with the disposal determined by management together with an external valuator.

During the year, sales of assets and disposal groups were concluded in accordance with the fair values assigned to them. At the year end, however, there are assets and disposal groups that were not yet sold. Management has applied the requirements of *IFRS 5 Non-Current Assets Held for Sale* to determine whether each asset or disposal group should continue to be carried as Held for Sale.

Management determined that two assets totalling R152 million should be removed from the Held for Sale category, while the remaining assets and disposal groups should continue to be carried as Held for Sale into the following financial year, following a reassessment of each asset or disposal group's fair value less cost to sell.

Due to the high level of judgement involved in determining whether the asset or disposal group should be extended beyond the 12 month period due to the specific IFRS 5 requirements which have to be met for this classification, as well as estimating the fair value less cost to sell of the disposal groups and the significant carrying amount of the assets and liabilities associated with these disposal groups, we considered this to be a key audit matter.

Our audit procedures included:

- ▶ Evaluating the Group's judgement on the inputs required to extend the classification of the disposal group as Held for Sale beyond the initial 12 months, including understanding the status of the sales process and reviewing correspondence from purchasers and prospective purchasers.
- ▶ Inspecting the supporting information for the disposal of the non-core assets sold during the year, including tracing the receipt of proceeds into the bank account.
- ▶ Challenging the Group's assumptions used as the bases for allocating the assets and liabilities between continuing and discontinuing operations and reconciling them to the underlying accounting records.
- ▶ Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities.

Refer to pages 38 (Accounting policy 2.21) and page 73 (note 20: Assets and liabilities classified as Held for Sale).

Independent auditor's report continued

To the shareholders of Aveng Limited

Other information

The directors are responsible for the other information. The other information comprises information included in the 135 page document titled "Audited consolidated annual financial statements" for the year ended 30 June 2019, which includes the directors' report, the audit and risk committee's report and the company secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the annual report which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit 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 Group and Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- ▶ conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Aveng Limited for 32 years.

Ernst & Young Inc.

Ernst & Young Inc

Director: Allister Jon Carshagen

Chartered Accountant (SA)
Registered auditor

102 Rivonia Road
Sandton

28 August 2019

Statement of financial position

as at 30 June 2019

	Notes	2019 Rm	2018 Rm
ASSETS			
Non-current assets			
Goodwill arising on consolidation	10	100	100
Intangible assets	11	39	47
Property, plant and equipment	9	2 814	3 010
Equity-accounted investments	12	45	73
Infrastructure investments	13	142	142
Deferred taxation	14	622	747
Amounts due from contract customers	16	462	661
		4 224	4 780
Current assets			
Inventories	18	214	255
Derivative instruments	15	–	3
Amounts due from contract customers	16	2 159	2 649
Trade and other receivables	17	194	180
Taxation receivable	41	43	39
Cash and bank balances	19	1 605	2 391
		4 215	5 517
Assets Held for Sale	20	3 843	4 773
TOTAL ASSETS		12 282	15 070
EQUITY AND LIABILITIES			
Equity			
Stated capital	21	3 874	2 009
Other reserves		781	1 118
Accumulated losses		(2 208)	(542)
Equity attributable to equity-holders of parent		2 447	2 585
Non-controlling interest		7	9
TOTAL EQUITY		2 454	2 594
Liabilities			
Non-current liabilities			
Deferred taxation	14	86	49
Borrowings and other liabilities	22	1 450	2 688
Payables other than contract-related	23	115	125
Employee-related payables	25	245	248
		1 896	3 110
Current liabilities			
Amounts due to contract customers	16	813	1 140
Borrowings and other liabilities	22	695	599
Payables other than contract-related	23	21	21
Employee-related payables	25	283	253
Derivative instruments	15	1	–
Trade and other payables	24	2 683	2 958
Bank overdrafts	19	–	315
		4 496	5 286
Liabilities Held for Sale	20	3 436	4 080
TOTAL LIABILITIES		9 828	12 476
TOTAL EQUITY AND LIABILITIES		12 282	15 070

Statement of comprehensive earnings

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Revenue	29	25 676	30 580
Cost of sales	30	(24 628)	(28 782)
Gross earnings		1 048	1 798
Other earnings	31	110	106
Operating expenses	32	(2 247)	(2 292)
Loss from equity-accounted investments	12	(30)	(13)
Operating loss		(1 119)	(401)
Impairment loss on goodwill, intangible assets and property, plant and equipment	8	(241)	(1 298)
Impairment on equity-accounted investments	12	–	(195)
Gain on redemption of convertible bonds	22.3	102	–
Gain on disposal of assets Held for Sale		203	–
Gain on disposal of subsidiary	33	41	–
Gain on disposal of property, plant and equipment		36	47
Fair value adjustment on properties and disposal groups classified as Held for Sale	20	(51)	(807)
Loss before financing transactions		(1 029)	(2 654)
Interest earned on bank balances***		181	246
Interest on convertible bonds	22	(63)	(251)
Other finance expenses	34	(524)	(434)
Loss before taxation		(1 435)	(3 093)
Taxation	35	(245)	(426)
Loss for the period		(1 680)	(3 519)
Loss from continuing operations		(927)	(1 050)
Loss from discontinued operations	6	(753)	(2 469)
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		(73)	48
Convertible bond reserve movement		20	–
Other comprehensive (loss) / earnings for the period, net of taxation		(53)	48
Total comprehensive loss for the period		(1 733)	(3 471)
Total comprehensive loss for the period attributable to:			
Equity-holders of the parent		(1 731)	(3 473)
Non-controlling interest		(2)	2
		(1 733)	(3 471)
Loss for the period attributable to:			
Equity-holders of the parent		(1 681)	(3 523)
Non-controlling interest		1	4
		(1 680)	(3 519)
Other comprehensive (loss) / earnings for the period, net of taxation			
Equity-holders of the parent		(50)	50
Non-controlling interest		(3)	(2)
		(53)	48
Results per share (cents)			
From continuing and discontinued operations**			
Loss – basic	36	(10,5)	(653,9)
Loss – diluted	36	(10,5)	(642,9)
From continuing operations			
Loss – basic	36	(5,8)	(195,6)
Loss – diluted	36	(5,8)	(192,4)
From discontinued operations			
Loss – basic	36/6	(4,7)	(458,3)
Loss – diluted	36/6	(4,7)	(450,6)
Number of shares (millions)*			
In issue	36	19 394,5	416,7
Weighted average	36	15 995,5	538,8
Diluted weighted average	36	15 995,5	548,0

The continued and discontinued operations loss before interest, depreciation and amortisation for the Group, being net operating loss before interest, tax, depreciation and amortisation is R369 million. The earnings before interest, tax, depreciation and amortisation for the Group in June 2018 was R293 million.

* As discussed in note 21: Stated Capital, the Group undertook a rights offer on 4 July 2018, whereby the total number of rights offer shares subscribed for and excess allocations applied for was 4 931 854 395 rights offer shares. Further to this, the Group redeemed an existing convertible bond on 25 September 2018 through a specific issue of ordinary shares amounting to 14 045 972 894 shares.

** The profit / (loss) – basic and profit / (loss) – diluted amounts for 30 June 2018 have been retrospectively adjusted as per IAS 33 Earnings per Share, paragraph 26, due to the rights offer share issue.

*** Interest earned on bank balances is calculated using an effective interest rate.

Statement of changes in equity

for the year ended 30 June 2019

	Stated capital*** Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm
Balance at 1 July 2017	2 009	761	31
(Loss) / earnings for the period	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	50	–
Total comprehensive loss for the period	–	50	–
Equity-settled share-based payment charge	–	–	8
Dividends paid	–	–	–
Total contribution and distributions recognised	–	–	8
Balance at 1 July 2018 as previously reported	2 009	811	39
Adoption of IFRS 9 accounting standard*	–	–	–
Adoption of IFRS 15 accounting standard**	–	–	–
Balance at 1 July 2018	2 009	811	39
(Loss)/earnings for the period	–	–	–
Other comprehensive loss for the period (net of taxation)	–	(70)	–
Total comprehensive loss for the period	–	(70)	–
Equity-settled share-based payment charge	–	–	1
Redemption of convertible bond	–	–	–
Share issue – Rights to qualifying shareholders (4 July 2018)	461	–	–
Share issue – Early redemption convertible bond (25 September 2018)	1 404	–	–
Total contributions and distributions recognised	1 865	–	1
Balance at 30 June 2019	3 874	741	40
Note	21		26

* The adoption of the expected credit loss model under IFRS 9 has impacted the accumulated losses opening balance by R6 million. Prior year balances have not been amended as detailed in note 2: Accounting Policies (Refer to note 2.16.1: Financial assets).

** The adoption of IFRS 15 has impacted the accumulated losses opening balance by R267 million. Refer to the effect on disclosure in note 2.24: Impact of adopting new standards on the statement of financial position.

*** In the prior year, stated capital was disclosed as share capital and share premium. This has been aggregated into a single amount in the current year as it provides a more accurate reflection of the nature of this account. There was no impact on the Group audited consolidated annual financial statements by combining these columns.

Convertible bond equity reserve Rm	Total other reserves Rm	Retained earnings/ (accumulated losses) Rm	Total attributable to equity holders of the parent Rm	Non- controlling interest Rm	Total equity Rm
268	1 060	2 981	6 050	8	6 058
–	–	(3 523)	(3 523)	4	(3 519)
–	50	–	50	(2)	48
–	50	(3 523)	(3 473)	2	(3 471)
–	8	–	8	–	8
–	–	–	–	(1)	(1)
–	8	–	8	(1)	7
268	1 118	(542)	2 585	9	2 594
–	–	(6)	(6)	–	(6)
–	–	(267)	(267)	–	(267)
268	1 118	(815)	2 312	9	2 321
–	–	(1 681)	(1 681)	1	(1 680)
20	(50)	–	(50)	(3)	(53)
20	(50)	(1 681)	(1 731)	(2)	(1 733)
–	1	–	1	–	1
(288)	(288)	288	–	–	–
–	–	–	461	–	461
–	–	–	1 404	–	1 404
(288)	(287)	288	1 866	–	1 866
–	781	(2 208)	2 447	7	2 454

Statement of cash flows

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Operating activities			
Cash utilised from operations	37	(1 002)	(2 648)
Non-cash and other movements	38	(8)	2 177
Cash utilised from operations		(1 010)	(471)
Depreciation	9	742	666
Amortisation	11	8	28
Cash (utilised) / generated by operations		(260)	223
Changes in working capital:			
Decrease in inventories		41	1 847
Decrease in amounts due from contract customers		420	1 158
(Increase) / decrease in trade and other receivables		(18)	1 660
Decrease in amounts due to contract customers		(327)	(211)
Decrease in trade and other payables		(274)	(2 959)
Decrease in derivative instruments		(4)	(18)
Decrease in payables other than contract-related		(21)	(21)
Increase / (decrease) in employee-related payables		24	(340)
Decrease in working capital Held for Sale		(161)	(526)
Total changes in working capital		(320)	590
Cash (utilised) / generated by operating activities		(580)	813
Finance expenses paid	39	(513)	(532)
Finance earnings received	40	181	244
Taxation paid	41	(90)	(95)
Cash (outflow) / inflow from operating activities		(1 002)	430
Acquisition of property, plant and equipment – expansion	9	(47)	(138)
Acquisition of property, plant and equipment – replacement	9	(674)	(625)
Proceeds on disposal of property, plant and equipment		97	291
Proceeds on disposal of assets Held for Sale		449	–
Proceeds on disposal of subsidiary	33	61	–
Acquisition of intangible assets – replacement	11	–	(23)
Investments in associate and joint ventures		2	–
Capital expenditure net of proceeds on disposal		(112)	(495)
Loans repaid by equity-accounted investments net of dividends received		6	18
Loans repaid by infrastructure investment companies		–	6
Dividends received	31	3	7
Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale		102	–
Cash outflow from investing activities		(1)	(464)
Operating free cash outflow		(1 003)	(34)
Financing activities with equity-holders			
Proceeds from shares issued		1 866	–
Dividends paid	42	–	(1)
Financing activities with debt-holders			
Early redemption of convertible bond	43	(2 031)	–
Net proceeds from borrowings	43	786	134
Movements in borrowings classified as Held for Sale		(8)	–
Cash inflow from financing activities		613	133
Net (decrease) / increase in cash and bank balances before foreign exchange movements		(390)	99
Foreign exchange movements on cash and bank balances		(81)	(19)
Cash and bank balances at the beginning of the period		2 076	1 996
Total cash and bank balances at the end of the period	19	1 605	2 076
Borrowings excluding bank overdrafts		2 145	3 287
Net debt position		(540)	(1 211)

Accounting policies

for the year ended 30 June 2019

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

Basis of preparation

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

The consolidated annual 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 2018 except for the new standards and interpretations disclosed in *note 4: Standards and interpretations effective and not yet effective*.

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

The Group presents amounts in these consolidated annual financial statements in accordance with *International Financial Reporting Standards (IFRS)*. Only amounts that have a relevant and material impact on the consolidated annual 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 annual 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), International Financial Reporting Interpretations committee (IFRIC), 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 71 of 2008 (as amended) of South Africa.

2. ACCOUNTING POLICIES

2.1 Basis of consolidation

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 Financial Instruments (IFRS 9)*, it is measured in accordance with the appropriate International Financial Reporting Standard (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.

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 pooling of interest method. Any difference between the consideration paid and the capital of the acquiree is recognised in retained earnings/(accumulated losses).

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.1 Basis of consolidation continued

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.

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.

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.

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 exists only when decisions about relevant activities require unanimous consent of the parties sharing control. The Group's interest 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 annual financial statements include the Group's share of the earnings or loss and other comprehensive earnings or loss of the associates and joint ventures, until the date significant influence or joint 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.

Transactions eliminated on consolidation

When the end of the reporting period of a subsidiary, associate or joint venture is different to that of the Group, the subsidiary, associate or joint venture prepares, additional financial statements as at 30 June 2019 for consolidation purposes. When it is impractical for the subsidiary, associate or joint arrangement to prepare additional financial statements as at 30 June 2019, 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 consolidated annual 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.

2. ACCOUNTING POLICIES *continued*

2.2 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.

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.

2.3 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 annual financial statements.

The Group financing (including finance earnings) and income taxes are allocated to operating segments (refer to *note 7: 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.

2.4 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 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.

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.4 Property, plant and equipment continued

The assets' 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%
Leased plant, equipment and vehicles	Shorter of lease period and assets useful life
Owned plant, equipment and vehicles	5% to 33%

2.5 Intangible assets

Recognition and measurement

Subsequent to initial recognition at cost, computer software, brand names, know how and customer list are measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible asset

<i>Trademarks and brand names</i>	Trademarks and brand names with indefinite useful lives are not amortised. Internally developed trademark expenses are written off as and when incurred.
<i>Computer software</i>	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.
<i>Know how and customer lists</i>	Know-how and customer lists were acquired through business combinations.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using a straight-line method over their estimated useful lives, and is 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.

2.6 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. The 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 or CGU 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.

2. ACCOUNTING POLICIES continued

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

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.

2.7 Inventories

Inventories are valued at the lower of cost and net realisable value generally determined on the first-in first-out (FIFO) basis 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.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

2.8 Share capital and share premium

Treasury shares

Treasury shares comprise 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.

2.9 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 three to four years.

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.

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.

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.9 Share-based payments continued

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).

2.10 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.

2.11 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.

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 benefit 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.

The Group has assessed the likelihood of Momentum being unable to perform in terms of an annuity purchase agreement to be remote.

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 12 months after the annual reporting period in which the employees render the related service.

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 12 months of the reporting date, then they are discounted.

2. ACCOUNTING POLICIES continued

2.12 Revenue from contracts with customers

2.12.1 Transition approach

The Group has adopted *IFRS 15 Revenue from Contracts with Customers* using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application (ie 1 July 2018). Accordingly, the information presented for 30 June 2018 has not been restated – ie it is presented, as previously reported under *IAS 18 Revenue (IAS 18)*, *IAS 11 Construction Contracts (IAS 11)* and related interpretations.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces *IAS 18*, *IAS 11* and related interpretations.

The Group has elected to use the optional transitional practical expedient relating to contract modifications. Under this practical expedient, the Group reflected the aggregate effect of all modifications that occurred before the date of initial application of *IFRS 15* when identifying the satisfied and unsatisfied performance obligation, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations for the modified contract at transition.

The details and quantitative impact of the changes in the accounting policy are disclosed in *note 2.24: Impact of adopting the new standards on the statement of financial position*.

2.12.2 Year ended 30 June 2019

The following accounting policy was effective for periods on and after 1 July 2018, in accordance with *IFRS 15*.

Construction contracts

Revenue from construction contracts is recognised when the outcome of the construction contract can be measured reliably, by reference to satisfaction of the performance obligation(s) over a period of time. The Group has concluded that it is the principal in its construction contract revenue arrangements, because it typically controls the delivery of construction contracts over a period of time. 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 profits, less recognised losses, the surplus is reflected as amounts due to customers for contract work.

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 impact on transaction price

Claims are subject to a high level of uncertainty. Various claims are submitted by the Group to their customers. Under *IFRS 15* revenue from claims is required to be accounted for as variable consideration and claims are included in revenue only when it is highly probable that revenue will not be reversed in the future.

Variations to a contract

Revenue related to variations is recognised when it can be reliably measured and it is highly probable that revenue will not be reversed in the future.

Incentive payments

Revenue is recognised when the contract is sufficiently advanced that it is highly probable that the specified performance standard will be met or exceeded and the revenue will not be reversed in the future, and the amount of incentive payment can be measured reliably.

Revenue is measured at the consideration at which the Group is expected to be entitled, excluding discounts, rebates, and value added taxation (VAT).

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 Group measures revenue over a period of time for each 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.

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.12 Revenue from contracts with customers continued

2.12.2 Year ended 30 June 2019 continued

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 from sale of goods is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably. The Group has concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

Timing of revenue from exported goods

The timing of the transfer of control varies depending on the individual terms of the sales contract.

The Group sells certain products to the export market in Africa. Revenue is recognised when the customer obtains control of the goods. Determining the timing of transfer of control requires judgement. Where control is transferred on a later date, revenue on the transaction will only be recorded when control has transferred and will result in a delay in revenue recognition.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Revenue is measured at the consideration at which the Group is expected to be entitled, excluding discounts, rebates, and VAT.

Transport revenue

Revenue from Transport services is recognised when goods being transported are delivered to the customer at an amount that reflects the consideration to which the Group expects to be entitled to for the delivery of goods. The Group has generally concluded that it is the principal in its transport revenue arrangements, because it typically controls the transport service before delivering the goods to the customer.

Revenue is measured at the consideration at which the Group is expected to be entitled, excluding discounts, rebates, and VAT.

Practical expedients

The Group has elected to apply the following practical expedients available in *IFRS 15*:

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in *IFRS 15*, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Costs to obtain a contract

The Group pays sales commission to its employees for certain types of contracts that they obtain. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under employee benefits and part of cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

2. ACCOUNTING POLICIES continued

2.12 Revenue from contracts with customers continued

2.12.3 Year ended 30 June 2018

Before the adoption of *IFRS 15* on 1 July 2018, the following accounting policy was effective for all periods ending before 30 June 2018:

Revenue was recognised only when it was probable that the economic benefits associated with a transaction would flow to the Group and the amount of revenue could be measured reliably. Revenue was measured at the fair value of consideration received or receivable, excluding discounts, rebates, and VAT.

Construction contracts

Revenue from construction contracts was recognised, when the outcome of the construction contract could be measured reliably, by reference to the percentage of completion of the contract at the reporting date. The percentage of completion was 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 were immediately recognised as an expense in contract costs.

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

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

Amounts received before the related work was performed were 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 were included as contract receivables. Variations in contract work, claims and incentive payments were included as part of contract revenue as follows:

Claims

Claims were subject to a high level of uncertainty, and revenue related to claims was only recognised when negotiations had reached an advanced stage such that it was probable that the customer would accept the claim and the amount that was probable could be measured reliably.

Variations

Revenue was recognised when it could be reliably measured and it was probable that the variation would be approved by the customer.

Incentive payments

Revenue was recognised when the contract was sufficiently advanced that it was probable that the specified performance standard would be met or exceeded and the amount of incentive payment could 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 Group measured revenue over a period of time for each 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 was 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.

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.12 Revenue from contracts with customers continued

2.12.3 Year ended 30 June 2018 continued

Sale of goods

Revenue was 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 could be estimated reliably, there was no continuing managerial involvement with the goods, and the amount of revenue could 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 was recognised on a percentage of completion basis over the period for which the services are rendered.

Transport revenue

Transport revenue was recognised when the goods had been delivered to the customer.

2.13 Interest earnings

Interest received on bank balances is recognised on a time proportion basis that takes into account the effective interest on the asset. An appropriate accrual is made at each reporting date.

2.14 Other earnings

Dividends received are included in earnings or loss when the Group's right of payment has been established, except when the Group benefits from such proceeds as a recovery of the cost of the financial asset, in which case, such gains are recorded in other comprehensive earnings. The right of payment has been established when the dividend has been appropriately authorised and is no longer at the entity declaring the dividend's discretion.

2.15 Fair value of assets and liabilities

Financial and non-financial assets

The Group measures certain financial instruments, including infrastructure investments 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.

2. ACCOUNTING POLICIES *continued*

2.16 Financial instruments

2.16.1 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.

Debt instruments 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.

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 best reflects the way the business is managed and information is provided to management.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace are recognised on the trade date, ie 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.

The Group's financial assets are classified and measured as follows:

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 2.12*.

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 directly attributable 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.

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

2.16.1 Financial assets continued

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

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.

Impairment of financial assets

(a) Transition approach

The Group had early adopted the IFRS 9 classification and measurement of financial instruments, and there are no changes in classification and measurement in the current financial year.

The Group has adopted the impairment component of *IFRS 9* using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application (ie 1 July 2018). Accordingly, the information presented in the 30 June 2018 financial statements has not been restated – ie it is presented, as previously reported under *IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)*.

The effect of adopting the measurement section of *IFRS 9* on the carrying amount of financial instruments as at 1 July 2018 relates solely to the new impairment requirements, as detailed in *note 2.24: Impact of adopting the new standards on the statement of financial position*. For assets in the scope of *IFRS 9* impairment model, impairment losses have increased, however not significantly, and have become more volatile.

(b) Year ended 30 June 2019

IFRS 9 replaces the “incurred loss” model in *IAS 39* with a forward-looking “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at fair value through other comprehensive earnings, but not to investments in equity instruments. Under *IFRS 9*, credit losses are recognised earlier than *IAS 39*.

Under *IFRS 9*, ECLs are recognised in either of the following stages:

- ▶ 12 month ECLs: those are ECLs that result from possible default events within the 12 months after the reporting date; and
- ▶ Lifetime ECLs: those are ECLs that result from all possible default events over the expected life of the instrument.

The Group has elected to measure the loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs subsequent to initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and an analysis, based on the Group’s historical experience and information, including credit assessment and forward looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (ie the difference between the contractual cash flows due to the entity in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate of the financial asset).

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

2.16.1 Financial assets continued

Credit-impaired financial assets

At each reporting date, the Group has assessed whether financial assets within the scope of *IFRS 9* impairment requirements are credit-impaired.

Debt instruments not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of credit-impairment. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Accordingly, this accounting policy relates to *note 16: Amounts due from contract customers*, *note 17: Trade and other receivables* and *note 19: Cash and bank balances*.

Objective evidence that financial assets are impaired includes, but is not limited to:

- ▶ 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 a measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Year ended 30 June 2018

In previous years, the Group applied *IAS 39* in determining the impairment required for financial assets. The Group assessed, at each reporting date, whether there was objective evidence that a financial asset or a group of financial assets was impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), had 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 were assessed at each reporting date to determine whether there was objective evidence of impairment.

Accordingly, this accounting policy relates to *note 16: Amounts due from contract customers*, *note 17: Trade and other receivables* and *note 19: Cash and bank balances*.

Objective evidence that financial assets were 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 a measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

2.16.2 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.

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

2.16.2 Financial liabilities continued

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.

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 49: 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.

2.17 Tax

Current taxation

Current taxation comprises of 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 is 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; and
- ▶ 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 in the foreseeable future.

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.

2. ACCOUNTING POLICIES continued

2.17 Tax continued

Deferred taxation continued

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

Withholding tax

A dividend withholding tax is withheld on behalf of the taxation authority on dividend distributions.

Other taxes

Revenues, expenses and assets are recognised net of VAT except for:

- ▶ where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT 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 VAT 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.

2.18 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 transfer 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.

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.

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.

Accounting policies continued

for the year ended 30 June 2019

2. ACCOUNTING POLICIES continued

2.18 Leases continued

Deferred taxation continued

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 basis as rental income. Contingent rental income is recognised as revenue during the period in which it is earned.

2.19 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.

2.20 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.

2.21 Non-current assets Held for Sale and discontinued operations

Non-current assets and disposal groups are classified as Held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Loans (from) / to Group companies that have been classified as Held for Sale are eliminated on consolidation.

Non-current assets (and disposal groups) classified as Held for Sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as Held for Sale.

2.22 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- ▶ represents a separate major line of business or geographic area of operations;
- ▶ is part of a single coordinated plan to dispose of a separate line of business or geographic area of operations; and
- ▶ is a subsidiary acquired solely with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be Held for Sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and Other Comprehensive Income (OCI) is presented as if the operation had been discontinued from the beginning of the comparative period.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in *note 20: Non-current assets and liabilities Held for Sale*. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2. ACCOUNTING POLICIES continued**2.23 Investments in subsidiaries**

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

2.24 Impact of adopting the new standards on the statement of financial position

In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application of *IFRS 9* and *IFRS 15*:

	As reported previously at 30 June 2018 Rm	<i>IFRS 15</i> Transition adjustments* Rm	<i>IFRS 9</i> Expected credit loss transition adjustments** Rm	Opening balance Rm
Impact on assets and liabilities at 1 July 2018				
Non-current assets				
Deferred taxation asset	747	—***	—***	747
Amounts due from contract customers	661	(190)	—	471
Current assets				
Amounts due from contract customers	2 649	(77)	(2)	2 570
Trade and other receivables	180	—	(4)	176
Total assets impact		(267)	(6)	
Accumulated losses	(542)	(267)	(6)	(815)
Total equity impact		(267)	(6)	

* The adoption of *IFRS 15* has impacted the amounts due from contract customers by R190 million, and the trade and other receivables by R77 million. At the end of the prior reporting period, contract claims previously recognised under IAS 11 Construction Contracts could not be recognised under *IFRS 15*, as the transaction price could not be ascertained, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised would not occur when the uncertainty associated with the variable consideration is subsequently resolved.

** The adoption of the expected credit loss model under *IFRS 9* has impacted the amounts due from contract customers by R2 million, and the trade and other receivables by R4 million. Prior year balances have not been amended.

*** There will be no deferred tax impact as at 1 July 2018 due to the fact that the Group is in an assessed loss position as at this date.

The Group has determined that the effect of the ECL on the loss per share at 30 June 2019 is immaterial.

3. 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.

3.1 Judgements and estimation assumptions

In the process of applying the Group's accounting policies, the Group has made judgements relating to certain items recognised, which have the most significant effect on the amounts recognised in the consolidated financial statements. 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 period, 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 they occur.

Accounting policies continued

for the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.1 Useful lives of property, plant and equipment

The Group reviews the estimated useful lives, residual values and depreciation methods of property, plant and equipment at the end of each reporting period.

Refer to *note 9: Property, plant and equipment* for further detail.

3.1.2 Intangible assets

The Group reviews the estimated useful lives, residual values and amortisation methods of intangible assets at the end of each reporting period.

Refer to *note 11: Intangible assets* for further detail.

3.1.3 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 Developments 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 12: 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.

3.1.4 Deferred taxation

Deferred taxation assets are recognised for all unused taxation 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 taxation assets that can be recognised, based upon the likely timing and level of future taxable earnings. If the deferred taxation assets and the deferred taxation liability relate to income taxation in the same jurisdiction, and the law allows net settlement, they have been offset in the statement of financial position.

Refer to *note 14: Deferred taxation* for further detail.

3.1.5 Amounts due from / (to) 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. Positions related to long outstanding contract positions have been judged in conjunction with legal advice and potential timeframes associated with legal action.

Refer to *note 16: Amounts due from / (to) contract customers* for further detail.

3.1.6 Trade and other receivables and contract 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 17: Trade and other receivables* for further detail.

Provision for expected credit losses

The Group uses a probability of default / loss-given-default / exposure-at-default (PD / LGD / EAD) approach to calculate ECLs for trade receivables and contract assets. The Group segments its portfolio of trade receivables and contract assets into various segments based on shared risk characteristics to ensure homogenous grouping of counterparties. The classification of counterparties into the various segments is based on judgement, however is limited to categories established in *Basel II Accord and SARB regulations (ie Externally rated entity, unrated public institutions)*. Other unrated corporate entities and other unrated retail entities), as well as the country of operation of the counterparty to appropriately classify the counterparty into various risk-based segments based on external rating agencies categorisation of sovereign debt.

The probability of default (PD) (defined by the Group as the pool of obligors that are included in the 0 to 90 days past due category; and the 90 days past due category, that will default in the next 12 months) is established by applying a benchmark approach using applicable segment's average PD as obtained from external rating agencies based on the classifications established above. The Group applies judgement through a regression model to adjust the estimated PD using historical information and historical default rates. The Group uses external rating agencies historical PDs to generate forward looking PDs for each segment identified above.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *continued*

3.1 Judgements and estimation assumptions *continued*

3.1.6 Trade and other receivables and contract receivables *continued*

Provision for expected credit losses *continued*

Each established segment in the Group uses judgement to adjust the average LGDs found in the *AIRB banks of South Africa's Pillar 3 reports* in order to remove the securitisation (collateral), overhead costs and downturn components, inherently included within.

Due to the short-term nature of the trade receivables portfolio (less than one year), the Group assumes that the exposure-at-default (EAD) will equal the amount outstanding at reporting date. The Group assumes that the period of exposure would amount to the payment term plus the number of days defined as default. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers this period to be the number of days defined as default as it is the maximum contractual period over which the Group is exposed to risk.

The Group uses a market-related interest rate in the determination of the effective interest rate used in the model.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group built a simple linear regression model to predict average forward-looking probability of defaults using GDP growth rates in the geographies in which the Group operates. The Group determined a clear relationship between the probabilities of defaults of external rating agencies and the annual GDP of geographies in which it operates. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Accordingly, the information about the ECLs on the Group's trade receivables and amounts due from contract customers assets is disclosed in *note 16: Amounts due from contract customers*, *note 17: Trade and other receivables* and *note 19: Cash and bank balances*.

3.1.7 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 18: Inventories* for further detail.

3.1.8 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; and
- ▶ 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 27: Share-based payments*.

3.1.9 Fair value of assets and liabilities

Financial assets and non-financial assets

The fair values of the infrastructure investments recognised in the statement of financial position are measured using the discounted cash flow approach and the market comparable 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 forecast revenues, operating costs, capital expenditure, risk adjusted discount rates and other relevant financial performance measures.

Refer to *note 48: Fair value of assets and liabilities* for the detailed assumptions applied.

Accounting policies continued

for the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.9 Fair value of assets and liabilities continued

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 22.3: Convertible bonds* for further details.

3.1.10 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 cash-generating unit (CGU) of the Group.

Impairment exists when the carrying amount of a CGU exceeds its recoverable amount. 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 8.2: Impairment of goodwill arising on consolidation*.

3.1.11 Revenue recognition

The Group uses the input method in determining the satisfaction of the performance obligation over a period of time in accounting for its construction contracts.

Judgements made in the application of the accounting policies for contracting revenue and profit and loss recognition include:

- ▶ the determination of the point in the progress toward complete satisfaction of the performance obligation;
- ▶ the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- ▶ estimation of total contract revenue and total contract costs;
- ▶ assessment of the amount the client will pay for contract variations; and
- ▶ estimation of project production rates and programme through to completion.

The construction contracts undertaken by the Group may require it to perform extra or change order work, and this can result in negotiations over the extent to which the work is outside the scope of the original contract or the price for the extra work.

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers and executive management is used in assessing the status of negotiations with the customer, the reliability with which the estimated recoverable amounts can be measured, the financial risks pertained to individual projects, and the associated judgements and estimates employed. Cost and revenue estimates are reviewed and updated monthly, and more frequently as determined by events or circumstances.

In addition, many contracts specify the completions schedule requirements and allow for liquidated damages to be charged in the event of failure to achieve that schedule; on these contracts, this could result in the Group incurring liquidated damages.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.12 Leases and sale and leaseback transactions

Material changes in one or more of these judgements and / or estimates, while not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and / or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

The classification of leases as finance leases or operating leases requires judgement 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 terms and the appropriate discount rate to calculate the present value of the minimum lease payments.

3.1.13 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 Provisions, Contingent Liabilities and Contingent Assets (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 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.

3.1.14 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.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense. The following factors are taken into account: future estimated revenues; the determination of the point in the progression toward complete satisfaction of the performance obligations in the contract; the nature and relationship with the customer; expected inflation; the terms of the contract and the Group's experience in that industry.

3.1.15 Change in functional currency – Aveng Zimbabwe Private Limited

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) directed all banks to ring-fence *Nostro* foreign currency accounts (FCAs) by separating them into two categories, namely *Nostro* FCAs and RTGS FCAs. Authorities maintained that the US Dollar represented in the Real Time Gross Settlement (RTGS) system was at a 1:1 exchange ratio, however, there was growing consensus among market participants that the economic reality was different.

With effect 1 October 2018, the functional currencies of Aveng Zimbabwe Private Limited were changed from US Dollar to RTGS Dollar in terms of *IAS 21 The Effects of Changes in Foreign Exchange Rates*. This change was brought about by a review of the indicators set out in this standard and the conclusion reached was that the RTGS Dollar represents the economic effects of the underlying transactions, events and conditions pertaining to this entity more appropriately.

On 20 February 2019, the RBZ announced that the RTGS would be recognised as an official currency and that an inter-bank foreign exchange market would be established to formalise trading in RTGS balances with other currencies. The official interbank exchange rate on 30 June 2019 was 6,54 RTGS Dollar to the US Dollar.

Accounting policies continued

for the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.15 Change in functional currency – Aveng Zimbabwe Private Limited continued

For the period under review, judgements have been applied in the estimation and application of an exchange rate of 8,7312 RTGS Dollar to the US Dollar (RTGS rate). Management has assessed that the official interbank exchange rate of 6,54 RTGS Dollar to the US Dollar is not available for immediate settlement as shortages of foreign currency results in the official exchange rate not being liquid. The inputs considered in this estimate include the recent announcement to increase the fuel price for those settling in RTGS Dollar and the official inflation rate. In addition, the premium at which Old Mutual and PPC shares trade on the Zimbabwe stock exchange versus the JSE was taken into consideration as an approximate indicator of an appropriate exchange rate.

These changes decreased the cash balance from R67 million to R8 million due to a devaluation of R59 million. Refer to *note 19: Cash and bank balances*.

The table below summarises the exchange rates at which the Group's entity operating in Zimbabwe have been translated into South African Rand:

Period	Functional currency	Average rate	Closing rate
1 July 2018 – 30 September 2018	US Dollar	14,1069	14,1036
1 October 2018 – 30 June 2019	RTGS Dollar	4,4913¹	1,6153²

¹ Calculated using the average US Dollar to Rand exchange rate of R14,2206 for the period 1 October 2018 to 30 June 2019 divided by the RTGS rate of 3,1409 to 1 US Dollar.

² Calculated using the closing US Dollar to Rand exchange of R14,1036 at 30 June 2019 divided by the RTGS rate of 8,7312 to 1 US Dollar.

Notes to the consolidated annual financial statements

for the year ended 30 June 2019

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE

The following accounting standards are applicable for the Group in the current financial year:

Standards and interpretations	Description	Effective date: Periods beginning on or after
<i>IFRS 9 Financial Instruments (Impairment of financial assets)</i>	<p>On 24 July 2014, the IASB issued the final <i>IFRS 9 Financial Instruments</i> Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace <i>IAS 39 Financial Instruments: Recognition and Measurement</i>.</p> <p>Impairment of financial assets</p> <p>IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at fair value through other comprehensive earnings, but not to investments in equity instruments. Under <i>IFRS 9</i>, credit losses are recognised earlier than <i>IAS 39</i>.</p> <p>The change from an incurred loss model to an ECL model when assessing the impairment of contracts in progress, certified contract receivables and trade receivables has not had a significant impact on the Group under the new standard. Based on the nature of the customer base and low level of historic credit losses, bad debts are not considered a major expense to the Group. For assets in the scope of <i>IFRS 9</i> impairment model, impairment losses have increased insignificantly and have become more volatile.</p> <p>The incurred loss model was previously calculated on a client-by-client basis and only if a loss was expected for a specific client, a provision was raised. The incurred loss model has been adjusted to the ECL model, where expected future losses are included in the calculation and applied across the various portfolios of the trade receivable book and are applied to all customers.</p> <p>The consolidated annual financial statements have been updated in the current year to ensure compliance with <i>IFRS 9</i> and <i>IFRS 7</i> requirements including the implications of adoption of the various transition options.</p> <p>The Group has adopted the impairment component of <i>IFRS 9</i> using the modified retrospective method with the cumulative effect of initially applying this Standard recognised at the date of initial application (ie 1 July 2018).</p>	1 January 2018
<i>IFRS 2 Share-based Payments Classification and measurement of share-based payment transactions (Amendment)</i>	<p>The amendments address the following:</p> <ul style="list-style-type: none"> ▶ The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. ▶ The classification of a share-based payment transaction with net settlement features for withholding tax obligations. ▶ The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. <p>The Group has determined that there is no impact on the consolidated annual financial statements from the change in the accounting standard.</p>	1 January 2018

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

Standards and interpretations	Description	Effective date: Periods beginning on or after
<i>IFRS 15 Revenue from Contracts with Customers (New standard)</i>	<p><i>IFRS 15</i> establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including <i>IAS 18 Revenue</i>, <i>IAS 11 Construction Contracts</i> and <i>IFRIC 13 Customer Loyalty Programmes</i>.</p> <p>The application of the standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: over time or at a point in time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p> <p>Management has performed an assessment on the adoption of the standard, and has noted the following impact on transactions:</p> <p>Construction contracts, including claims and variations to contracts In terms of <i>IAS 11</i>, revenue related to claims was only recognised when negotiations had reached an advanced stage such that it was probable that the customer would accept the claim and the amount that was probable could be measured reliably. Under <i>IFRS 15</i>, revenue will only be recognised when the highly probable threshold has been met, which is later than previous revenue recognition under <i>IAS 11</i>. 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. Similarly, revenue related to variations is recognised when it can be reliably measured and it is highly probable that revenue will not be reversed in the future.</p> <p>Timing of revenue from exported goods The timing of the transfer of risks and rewards varies depending on the individual terms of the sales contract.</p> <p>The Group sells certain products to the export market in Africa. The effect of this is revenue was previously recorded at a point in time when the goods were loaded onto the delivery vehicle; under <i>IFRS 15</i> revenue is recognised when the customer obtains control of the goods. Determining the timing of transfer of control requires judgement. Where control is transferred on a later date, revenue on the transaction will only be recorded when control has transferred and will result in a delay in revenue recognition.</p> <p>The consolidated annual financial statement disclosures have been updated in the current year to ensure compliance with <i>IFRS 15</i> requirements including the implications of adoption of the various transition options.</p> <p>The Group has adopted <i>IFRS 15 Revenue from Contracts with Customers</i> using the modified retrospective approach (with practical expedients), with the effect of initially applying this standard recognised at the date of initial application (ie 1 July 2018).</p>	1 January 2018
<i>IAS 40</i> Transfers of investment property	<p>The amendments are:</p> <ul style="list-style-type: none"> ▶ paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use; and ▶ the list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list. <p>The Group does not have any investment property accounted for under <i>IAS 40</i>, and hence no impact from the adoption of this standard.</p>	1 January 2018

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE *continued*

Standards and interpretations	Description	Effective date: Periods beginning on or after
<i>IFRIC 22 Foreign Currency Transactions and Advance Consideration</i> (Revised Interpretation)	<p>The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.</p> <p>The Group has determined that there is no significant impact on the consolidated annual financial statements from the change in the accounting standard.</p>	1 January 2018
<i>IAS 28 Long-term interests in associates and joint ventures</i> (Amendment)	<p>The amendment clarifies that an entity applies <i>IFRS 9 Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019
<p>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 2019. All other standards and interpretations that are not disclosed have been assessed and are not applicable to the Group.</p>		
Standards and interpretations	Description	Effective date: Periods beginning on or after
<i>IFRS 16 Leases</i> (New standard)	<p><i>IFRS 16 Leases</i> replaces existing leases guidance, including <i>IAS 17 Leases</i>, <i>IFRIC 4 Determining whether an Arrangement contains a Lease</i>, <i>SIC-15 Operating Leases – Incentives</i> and <i>SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply <i>IFRS 15</i> at or before the date of initial application of <i>IFRS 16</i>.</p> <p><i>IFRS 16</i> introduces a single, <i>on-balance sheet</i> lease accounting model for lessees, similar to the accounting for finance leases under <i>IAS 17</i>. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – ie lessors continue to classify leases as finance or operating leases.</p> <p>The Group leases multiple assets such as buildings and motor vehicles, for example, as well as certain low value assets and short-term leases and currently accounts for these as operating leases and also leases multiple assets such as mining equipment, for example, and currently accounts for these as finance leases.</p> <p>Management is in the process of performing a detailed assessment of the impact of the standard on its lessee accounting in the consolidated annual financial statements from a lessee perspective.</p>	1 January 2019

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

Standards and interpretations	Description	Effective date: Periods beginning on or after
<i>IFRS 16 Leases</i> (New standard) (continued)	<p>On application, the current operating lease assets will be capitalised and reflected as lease assets (right-of-use assets) and lease liabilities on the statement of financial position. The previous straight-lining effect associated with <i>IAS 17 Leases</i> accounting will be reversed, resulting in further accounting impacts on the consolidated financial statements.</p> <p>On application, the existing finance lease assets and liabilities will be remeasured in line with the requirements of the standard, and reclassified and reflected as lease assets (right-of-use assets) and lease liabilities on the consolidated statement of financial position.</p> <p>The consolidated annual statement of cash flows will be affected with payments needing to be split between repayments of the principal and interest amounts.</p> <p>The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with <i>IFRS 16 Leases</i>, requirements including the implication of adoption of the various transition options.</p> <p>Based on the outcomes of the detailed assessments referred to above, the Group will determine which transition option to apply.</p> <p>The largest impact to the Group under this standard is expected to relate to the sale and operating leaseback of properties implemented in previous years, mining equipment at Aveng Moolmans, as well as a number of operating leases for equipment and vehicles. Assets and liabilities would increase while the expense related to these properties would be shown as depreciation and added back for EBITDA. Finance expense relating to the liabilities is expected to initially increase and subsequently decrease with the unwinding of the liability profile.</p> <p>At the reporting date, the Group has non-cancellable operating lease commitments of R1 971 million.</p> <p>Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (eg, a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting under <i>IFRS 16</i> is substantially unchanged from today's accounting under <i>IAS 17</i>. Lessors will continue to classify all leases using the same classification principle as in <i>IAS 17</i> and distinguish between two types of leases: operating and finance leases.</p> <p>No significant impact is expected for the Group's finance leases.</p> <p>The Group is in the process of identifying and assessing all operating leases, in conjunction with the process for the two standards detailed above from a lessors perspective.</p>	1 January 2019

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE *continued*

Standards and interpretations	Description	Effective date: Periods beginning on or after
<i>IAS 12</i> <i>Income Taxes</i> (Amendments)	<p><i>Annual Improvements 2015 – 2017 cycle:</i> Clarifies that the income tax consequences of dividends are linked more directly to the past transactions or events that generated distributable profits than the distributions to owners. Therefore, an entity recognises the income or equity according to where the entity originally recognised those past transactions or events.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019
<i>IAS 19</i> Plan amendment, curtailment or settlements (Amendments)	<p>The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.</p> <p>In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019
<i>IFRS 3</i> <i>Business Combinations</i> (Amendments)	<p><i>Annual improvements 2015 – 2017 cycle:</i> Clarifies that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019
<i>IFRS 11 Business combinations and joint arrangements</i> (Amendments)	<p><i>Annual improvements 2015 – 2017 cycle:</i> <i>IFRS 11</i> provides clarity that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

Standards and interpretations	Description	Effective date: Periods beginning on or after
<i>IAS 28 Investment in Associates</i> (Amendments)	<p><i>Annual improvements 2015 – 2017 cycle:</i> Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i> (New interpretation)	<p>The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects <i>IAS 12</i>. The interpretation addresses the following:</p> <ul style="list-style-type: none"> ▶ Whether an entity considers uncertain tax treatments separately. ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities. ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. ▶ How an entity considers changes in facts and circumstances. <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019
<i>IAS 23 Borrowing costs</i>	<p><i>Annual improvements 2015 – 2017 cycle:</i> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019
<i>IFRS 9 Financial Instruments</i> (amended) Prepayment features with negative compensation	<p>The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of <i>IFRS 9</i>.</p> <p>The Group is still in the process of determining the impact of the changes in the accounting standard.</p>	1 January 2019

5. GOING CONCERN AND LIQUIDITY

As detailed in *note 1: Presentation of Consolidated Annual Financial Statements* and *note 50: Events after the reporting period and pending transactions* to the financial statements, in determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

Management has prepared a budget and business plan for the 2020 financial year and the following two years, as well as cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared with the assistance of several independent external consultants and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

These forecasts and plans, being implemented by management, indicate that the Group will have sufficient cash resources for the foreseeable future. In approving the operational liquidity forecasts, the Board has considered the following information up to the date of approval of these financial statements.

Achieved during the period

- ▶ Raising R493 million of new capital in a rights issue in July 2018
- ▶ Redeeming the R2 billion convertible bonds in September 2018, 10 months before they matured, funded by a new R460 million debt instrument and the specific issue of Aveng shares
- ▶ Securing an additional R400 million in bank debt from a consortium of lenders on extended funding terms
- ▶ Repaying R300 million by June 2019
- ▶ Renegotiating the repayment terms of the remaining R100 million
- ▶ Renegotiating the debt repayment terms and extending the term and revolving credit facilities term date
- ▶ Improved cash flow forecasting to allow for more efficient planning and cash management.

Execution of plans

- ▶ R1 billion progression on the non-core asset disposal plan, including:
 - the receipt of disposals of R520 million – Aveng Rail of R133 million, Aveng Water of R85 million, Jet Park property of R215 million and other properties and investments of R87 million;
 - the announced disposal of R488 million:
 - Aveng Infraset for R180 million;
 - Aveng Duraset Alrode business for R50 million
 - Aveng DFC for R114 million;
 - Aveng Rand Roads for R37 million;
 - Aveng Ground Engineering for R7,5 million; and
 - Aveng Civil Engineering and Buildings for R100 million with a deferred payment mechanism. (refer to *note 50. Events after the reporting period and pending transactions*).
 - Other disposals are at varying stages of execution.
- ▶ Updated budget and business plans for post-year end period up to 30 June 2021 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved once non-core businesses have been disposed;
- ▶ Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the South African lending banks, Australian banks or other financing agreements within the individual liquidity pools; and
- ▶ The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations.

In the 2019 financial year, the Group reported a loss after tax of R1 680 million, inclusive of R241 million of impairments. As a result of these losses and continued difficult trading conditions in the domestic market, the Group's available cash resources were negatively impacted. The Group continues to focus on improving operational performance, reducing overhead and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded, implemented or are in progress.

The Group has cash (net of bank overdraft facilities) of R1,6 billion (2018: R2,1 billion) at year end, of which R624 million (2018: R568 million) is held in joint arrangements. Unutilised facilities amounted to R302 million (2018: R536 million).

The directors have considered all of the above, including detailed consideration of the current position of all core and non-core businesses, all business plans and forecasts, including all available information, outcome of the Aveng Australia Holdings Group and Aveng Africa Group going concern reviews and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements, and that sufficient liquidity will be available to support the ongoing operations of the Group and that the realisation of assets and settlement of liabilities, including contingent liabilities and commitments, will occur in the ordinary course of business.

Refer to *note 50: Events after the reporting period*.

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6. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

During the previous financial year, management embarked on an extensive strategic review to ensure the Group's sustainable future. The review was completed in February 2018 following a thorough and robust interrogation of all parts of the business. The review included the identification of businesses and assets that are core to the Group and which support the overall long-term strategy, determining the most appropriate operating structure, as well as recommending a sustainable future capital and funding model.

A comprehensive plan was developed and is being implemented by management to execute on the critical findings of the strategic review. Some of the critical findings included the reshaping of the Group's operating structure to a smaller and more focused group. The newly envisaged Group structure comprises McConnell Dowell and Moolmans forming the core businesses of the Group with Aveng Grinaker-LTA, Aveng Manufacturing and Aveng Trident Steel being deemed the non-core operating groups. As at 30 June 2019, management remained committed to a robust plan to exit and dispose of the identified non-core operating groups.

Aveng Grinaker-LTA, forming part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment (refer to *note 7: Segmental report*) and Aveng Manufacturing and Aveng Trident Steel, both forming part of the *Manufacturing and Processing* reportable segment (refer to *note 7: Segmental report*), have met the requirements in terms of *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations* and have been presented as discontinued operations in the Group's statement of comprehensive earnings.

The Group's intention to dispose of the non-core operating groups triggered an initial impairment assessment on the underlying assets at 30 June 2018, and impairment was allocated to the identified cash-generating units of the operating groups (refer to *note 8: Impairment*).

The underlying assets and liabilities of the non-core operating groups were classified as Held for Sale per the requirements of *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations* in separately identifiable disposal groups (refer to *note 20: Assets and liabilities classified as Held for Sale*).

Further to this, the Group remeasured the non-core operating groups by calculating the subsequent fair value less costs to sell as at 30 June 2019. The subsequent fair value measurement is detailed on the following page.

6. DISCONTINUED OPERATIONS continued

	2019 Rm	2018 Rm
Revenue	12 128	13 975
Cost of sales	(11 864)	(13 659)
Gross earnings	264	316
Other earnings	118	113
Operating expenses	(916)	(966)
Earnings from equity-accounted investments	4	3
Operating loss	(530)	(534)
Impairment loss on goodwill, intangible assets and property, plant and equipment	(78)	(1 132)
Impairment loss on equity-accounted investments	–	(7)
Gain on disposal of property, plant and equipment	36	12
Fair value adjustments on properties and disposal groups classified as Held for Sale	(51)	(734)
Loss before financing transactions	(623)	(2 395)
Net finance expenses	(34)	(89)
Loss before taxation	(657)	(2 484)
Taxation	(96)	15
Loss for the period	(753)	(2 469)
Attributable to:		
Equity-holders of the parent	(753)	(2 469)
Items by nature		
Capital expenditure	113	138
Depreciation	–	(132)
Amortisation	–	(8)
Loss before interest, taxation, depreciation and amortisation (EBITDA)	(530)	(394)
Results per share (cents)		
Loss – basic	(4,7)	(458,3)
Loss – diluted	(4,7)	(450,6)
Net cash flows in relation to discontinued operations:		
Cash outflow from operating activities	(843)	(4)
Cash inflow / (outflow) from investing activities	102	(93)
Cash (outflow) / inflow from financing activities	(8)	17

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7. SEGMENTAL REPORT

The reportable segments of the Group are components:

- ▶ that engage in business activities from which they earn revenues and incur expenses; and
- ▶ 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 in the assessment of their performance as required per *IFRS 8 Operating Segments*.

Prior to the outcome of the strategic review and management's implementation of a robust plan to reshape and refocus the operating structure of the Group, the following five reportable segments were presented which were largely organised and managed separately according to the nature of products and services provided:

- ▶ Construction and Engineering: Australasia and Asia;
- ▶ Mining;
- ▶ Other and Eliminations;
- ▶ Construction and Engineering: South Africa and rest of Africa; and
- ▶ Manufacturing and Processing.

In line with the findings of the strategic review and as discussed in *note 20: Assets and liabilities classified as Held for Sale*, the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* reportable segments are presented and disclosed as discontinued operations. The *Construction and Engineering: Australasia and Asia*, *Mining* and *Other and Eliminations* reporting segments are presented as continuing operations.

The reportable segments are presented per their classification as continuing and discontinued in the disclosure of the segmental statement of comprehensive earnings and segmental statement of financial position in this note.

Details on the reportable segments are as follows:

7.1 Continuing operations

7.1.1 Construction and Engineering: Australasia and Asia (continued operations)

This segment comprises McConnell Dowell and is divided into the following business units: Australia, New Zealand and Pacific, Built Environs, Southeast Asia and Middle East.

This segment specialises in the construction and maintenance of tunnels and pipelines, railway infrastructure maintenance and construction, marine and mechanical engineering, industrial building projects, Oil & Gas construction and mining and mineral construction.

7.1.2 Mining

This segment comprises Moolmans and operates in the open cut and underground mining sectors. Revenues from this segment are derived from mining-related activities.

7.1.3 Other and Eliminations

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

Included in the segment are several properties that are classified as Held for Sale – refer to *note 20: Assets and liabilities classified as Held for Sale*. As these properties are separately identifiable assets, the segment remains a continuing operation.

7. SEGMENTAL REPORT continued

7.2 Discontinued operations

7.2.1 Construction and Engineering: South Africa and rest of Africa

This segment includes: Aveng Grinaker-LTA and Aveng Capital Partners (ACP). Aveng Grinaker-LTA is divided into the following business units: Aveng Grinaker-LTA Building and Coastal, Aveng Grinaker-LTA Civil Engineering (including Rand Roads and GEL), Aveng Grinaker-LTA Mechanical & Electrical and Aveng Water.

Revenues from this segment include the supply of expertise in a number of market sectors: power, mining, infrastructure, commercial, retail, industrial, Oil & Gas, real estate and renewable concessions and investments.

7.2.2 Manufacturing and processing

This segment comprises Aveng Manufacturing and Aveng Steel.

The revenues from this segment comprise the supply of products, services and solutions to the mining, construction, Oil & Gas, water, power and rail sectors across the Group's value chain locally and internationally.

Aveng Manufacturing business units include Aveng Automation and Control Solutions (ACS), Aveng Dynamic Fluid Control (DFC), Aveng Duraset, Aveng Infraset and Aveng Rail.

Aveng Trident Steel is the only business unit in Aveng Steel.

Notes to the consolidated annual financial statements continued

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7. SEGMENTAL REPORT continued

CONTINUING OPERATIONS						
	Construction and Engineering: Australasia and Asia		Mining		Other and Eliminations	
	2019	2018	2019	2018	2019	2018
Assets						
Goodwill arising on consolidation	100	100	–	–	–	–
Intangible assets	–	–	20	24	19	23
Property, plant and equipment	510	409	2 250	2 598	54	3
Equity-accounted investments	2	31	3	1	12	16
Infrastructure investments	–	–	–	–	142	142
Deferred taxation	618	644	–	14	4	8
Derivative instruments	–	–	–	3	–	–
Amounts due from contract customers	2 213	2 838	614	518	(206)	(46)
Inventories	40	20	174	235	–	–
Trade and other receivables	117	58	50	66	27	56
Taxation receivable	33	20	(15)	7	14	2
Cash and bank balances	1 024	1 443	72	286	(121)	(336)
Assets Held for Sale	–	99	–	–	–	224
Total assets	4 657	5 662	3 168	3 752	(55)	92
Liabilities						
Deferred taxation	73	90	236	264	(300)	(382)
Borrowings and other liabilities	178	204	178	200	1 789	2 883
Payables other than contract related	–	–	–	–	136	146
Employee-related payables	309	320	141	116	78	65
Trade and other payables	1 657	1 999	529	638	469	296
Derivative instruments	–	–	1	–	–	–
Amounts due to contract customers	645	1 098	169	42	(1)	–
Bank overdraft	–	–	–	–	–	315
Liabilities Held for Sale	–	–	–	–	–	–
Total liabilities	2 862	3 711	1 254	1 260	2 171	3 323

		DISCONTINUED OPERATIONS					
Total		Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Total	
2019	2018	2019	2018	2019	2018	2019	2018
100	100	–	–	–	–	–	–
39	47	–	–	–	–	–	–
2 814	3 010	–	–	–	–	–	–
17	48	28	25	–	–	28	25
142	142	–	–	–	–	–	–
622	666	–	78	–	3	–	81
–	3	–	–	–	–	–	–
2 621	3 310	–	–	–	–	–	–
214	255	–	–	–	–	–	–
194	180	–	–	–	–	–	–
32	29	17	1	(6)	9	11	10
975	1 393	259	474	371	524	630	998
–	323	921	1 201	2 922	3 249	3 843	4 450
7 770	9 506	1 225	1 779	3 287	3 785	4 512	5 564
9	(28)	36	13	41	64	77	77
2 145	3 287	–	–	–	–	–	–
136	146	–	–	–	–	–	–
528	501	–	–	–	–	–	–
2 655	2 933	28	25	–	–	28	25
1	–	–	–	–	–	–	–
813	1 140	–	–	–	–	–	–
–	315	–	–	–	–	–	–
–	–	1 064	1 605	2 372	2 475	3 436	4 080
6 287	8 294	1 128	1 643	2 413	2 539	3 541	4 182

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

7. SEGMENTAL REPORT continued

CONTINUING OPERATIONS						
	Construction and Engineering: Australasia and Asia		Mining		Other and Eliminations	
	2019	2018	2019	2018	2019	2018
Revenue	9 527	11 716	4 143	4 713	(122)	176
Construction contract revenue	9 527	11 716	4 120	4 691	(71)	224
Sale of goods	–	–	11	7	(52)	(50)
Other revenue	–	–	12	15	1	2
Transport revenue	–	–	–	–	–	–
Cost of sales	(8 537)	(10 788)	(4 325)	(4 452)	98	117
Gross earnings / (loss)	990	928	(182)	261	(24)	293
Other earnings / (loss)	3	7	(8)	(23)	(3)	9
Operating expenses	(846)	(827)	(181)	(227)	(304)	(272)
(Loss) / earnings from equity-accounted investments	(37)	(5)	(1)	–	4	(11)
Net operating earnings / (loss)	110	103	(372)	11	(327)	19
Impairment loss on goodwill, intangible assets and property, plant and equipment	–	–	(163)	(55)	–	(111)
Gain on redemption of convertible bond	–	–	–	–	102	–
Gain on disposal of assets Held for Sale	–	–	–	–	203	–
Gain on disposal of subsidiary	–	–	–	–	41	–
Impairment loss on equity-accounted investments	–	–	–	–	–	(188)
Gain on sale of property, plant and equipment	–	32	–	–	–	3
Fair value adjustments on properties and disposal groups classified as Held for Sale	–	–	–	–	–	(73)
Earnings / (loss) before financing transactions	110	135	(535)	(44)	19	(350)
Net finance income / (expenses)	(15)	(220)	(12)	(63)	(345)	(67)
Earnings / (loss) before taxation	95	(85)	(547)	(107)	(326)	(417)
Taxation	(16)	(36)	(40)	(116)	(93)	(289)
Earnings / (loss) for the period	79	(121)	(587)	(223)	(419)	(706)
Capital expenditure	137	136	584	507	–	5
Depreciation	(127)	(132)	(612)	(394)	(3)	(8)
Amortisation	–	–	(4)	(4)	(4)	(16)
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	237	235	244	409	(320)	43

		DISCONTINUED OPERATIONS					
Total		Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Total	
2019	2018	2019	2018	2019	2018	2019	2018
13 548	16 605	4 617	6 622	7 511	7 353	12 128	13 975
13 576	16 631	4 614	6 600	153	165	4 767	6 765
(41)	(43)	–	–	7 282	7 079	7 282	7 079
13	17	3	22	–	21	3	43
–	–	–	–	76	88	76	88
(12 764)	(15 123)	(4 704)	(6 660)	(7 160)	(6 999)	(11 864)	(13 659)
784	1 482	(87)	(38)	351	354	264	316
(8)	(7)	12	21	106	92	118	113
(1 331)	(1 326)	(330)	(353)	(586)	(613)	(916)	(966)
(34)	(16)	4	3	–	–	4	3
(589)	133	(401)	(367)	(129)	(167)	(530)	(534)
(163)	(166)	(6)	(82)	(72)	(1 050)	(78)	(1 132)
102	–	–	–	–	–	–	–
203	–	–	–	–	–	–	–
41	–	–	–	–	–	–	–
–	(188)	–	(7)	–	–	–	(7)
–	35	21	11	15	1	36	12
–	(73)	–	–	(51)	(734)	(51)	(734)
(406)	(259)	(386)	(445)	(237)	(1 950)	(623)	(2 395)
(372)	(350)	13	(12)	(47)	(77)	(34)	(89)
(778)	(609)	(373)	(457)	(284)	(2 027)	(657)	(2 484)
(149)	(441)	(94)	(37)	(2)	52	(96)	15
(927)	(1 050)	(467)	(494)	(286)	(1 975)	(753)	(2 469)
721	648	31	49	82	89	113	138
(742)	(534)	–	(62)	–	(70)	–	(132)
(8)	(20)	–	–	–	(8)	–	(8)
161	687	(401)	(305)	(129)	(89)	(530)	(394)

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7. SEGMENTAL REPORT continued

The Group operates in six principal geographical areas:

	2019 Revenue Rm	2018 Revenue Rm	2019 Segment assets Rm	2018 Segment assets Rm	2019 Capital expenditure Rm	2018 Capital expenditure Rm
South Africa	15 033	16 754	5 019	9 349	697	554
Rest of Africa including Mauritius	944	1 910	2 540	1 071	–	95
Australia	5 181	6 817	1 499	2 148	76	59
New Zealand	2 116	1 734	1 031	469	44	25
Southeast Asia	2 105	2 602	2 128	1 833	17	52
Middle East and other regions	297	763	65	200	–	1
	25 676	30 580	12 282	15 070	834	786

8. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2019. The test involves the assessment of internal and external qualitative factors for each CGU that may constitute an indicator of impairment. The test may be extended to individual assets in instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of the assets. For Held for Sale CGUs, the Group performed a subsequent impairment assessment whereby the carrying values of the CGUs were remeasured at the fair value less costs of disposal in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)*.

8.1 CGUs of the Group in the scope of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

Initial classification as Held for Sale

As detailed in *note 6: Discontinued Operations*, the Board made the decision in the prior year that the operating groups of the following reportable segments no longer form part of the overall long-term strategy of the Group:

- ▶ *Construction and Engineering: South Africa and rest of Africa; and*
- ▶ *Manufacturing and Processing.*

The intention of the Board to discontinue the operations of these reportable segments and the subsequent classification of the underlying assets and liabilities as Held for Sale are indicators of impairment – refer to *note 20: Assets and liabilities classified as Held for Sale*.

The following business units were deemed to be individual CGUs for which individual impairment assessments were performed in terms of *IFRS 5* at 30 June 2019:

Construction and Engineering: South Africa and rest of Africa

- ▶ Aveng Grinaker-LTA Building
- ▶ Aveng Grinaker-LTA Coastal
- ▶ Aveng Grinaker-LTA Civil Engineering
- ▶ Aveng Grinaker-LTA GEL
- ▶ Aveng Grinaker-LTA Mechanical and Electrical
- ▶ Aveng Grinaker-LTA Rand Roads.

Manufacturing and Processing

- ▶ Aveng Trident Steel
- ▶ Aveng Automation and Control Solutions (ACS)
- ▶ Aveng Dynamic Fluid Control (DFC)
- ▶ Aveng Duraset
- ▶ Aveng Infraset.

Subsequent remeasurement of CGUs Held for Sale to fair value less costs of disposal

As at 30 June 2019, management determined the recoverable amounts of the CGUs within the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* segments to be fair value less cost of disposal. The Group does not expect that the fair value less costs of disposal of the following CGUs differ materially from the value determined at 30 June 2018.

Except for the CGUs identified below, it has been determined that the fair value less costs of disposal of all other CGUs exceed the carrying amount, and no fair value adjustment is required for any of these CGUs.

8. IMPAIRMENT continued

8.1 CGUs of the Group in the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations continued Subsequent remeasurement of CGUs Held for Sale to fair value less costs of disposal continued

As at 30 June 2019, the Group had entered into a binding sales agreement for the sale of Aveng Infraset. In addition, as detailed in *note 50: Events after reporting period*, the Group has received binding offers for the following CGUs:

Construction and Engineering: South Africa and rest of Africa

- ▶ Aveng Grinaker-LTA Rand Roads
- ▶ Aveng Grinaker-LTA GEL
- ▶ Aveng Grinaker-LTA Building
- ▶ Aveng Grinaker-LTA Civil Engineering.

Manufacturing and Processing

- ▶ Aveng Dynamic Fluid Control (DFC)
- ▶ Aveng Duraset Alrode business.

The Group used these binding offers to sell to determine the fair value less cost of disposal amount for each of the CGUs at 30 June 2019. Based on these binding offers to sell, it has been determined that the carrying amount exceeds the fair value less costs to dispose, and additional impairment is required for these CGUs.

The CGU fair values were all categorised as level 3 per the *IFRS 13 Fair Value Measurement* hierarchy based on the inputs used in the valuation techniques.

The valuation techniques used to determine the fair values of the CGUs were:

- ▶ The Enterprise EBITDA multiple method (EV / EBITDA Multiple) (Market approach per *IFRS 13 Fair Value Measurement*); and
- ▶ The Discounted cash flow method (DCF) (Income approach per *IFRS 13 Fair Value Measurement*).

The fair value valuations were determined based on management's past experience and best estimates. The cash flows incorporated in the valuation models were based on the approved budgets for the 2020 financial year, as well as forecasts until 2023, utilising the following assumptions.

▶ EV / EBITDA Multiple valuation method

Risk adjusted peer average EBITDA multiples – The Group calculated the average peer EBITDA multiples of local and international competitors adjusted for risks a market participant would incorporate in the valuation. The multiple applied in the CGU impairment assessments was 4,2x to 7,2x.

▶ DCF valuation method

Discount rate – The discount rate used in the DCF valuations is the weighted average cost of capital (WACC). The WACC is based on a market-related peer average rate adjusted for entity-specific risks a market participant would incorporate. The discount rate range of the CGU impairment assessments was between 18,2% and 22,4%.

Terminal value exit EBITDA multiple – The terminal value is calculated by multiplying the terminal EBITDA (EBITDA as forecast for 2022) with the average peer EBITDA multiple of local and international competitors adjusted for risks a market participant would incorporate. The range of the multiples applied in the CGU impairment assessments was between 0,9x and 8,9x.

Period of projection – The period of projection is impacted by the ability of management to forecast cash flows in the future. Forecast has been performed for a period of three years with a terminal value exit EBITDA multiple applied to determine the terminal value.

The cost of disposal, being the incremental costs directly attributable to the disposal of the assets, comprise primarily of the financial consulting costs, legal and audit fees. Management used their best estimate in determining the cost of disposal for each CGU based on the complexity of the potential deal, the deal valuation and the costs associated with similar transactions in the past.

Sensitivity analysis

The impact on the impairment losses recognised based on sensitivities applied to the assumptions of the valuation methods are as follows:

Assumption	Sensitivity applied	Impact on current impairment charge
<i>EV / EBITDA Multiple valuation method</i>		
Risk adjusted peer average EBITDA multiples	Increase multiple by 0,5x	No impact
Risk adjusted peer average EBITDA multiples	Decrease multiple by 0,5x	No impact
<i>DCF valuation method</i>		
Discount rate	Increase by 100 basis points	No impact
Discount rate	Decrease by 100 basis points	No impact
Terminal value exit EBITDA multiple	Increase multiple by 0,5x	No impact
Terminal value exit EBITDA multiple	Decrease multiple by 0,5x	No impact

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8. IMPAIRMENT continued

8.1 CGUs of the Group in the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations continued Other individual assets in the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

As disclosed the prior year column of *note 12: Equity-accounted investments*, impairment charges were recognised on the Group's investment in Oakleaf Investment Holdings 86 Proprietary Limited. No additional impairment was required for this investments at 30 June 2019.

The Jet Park and Vanderbijlpark properties were disposed of in the current year. (Refer to *note 20: Assets and liabilities classified as Held for Sale*). The fair values of the properties are all level 3 per the *IFRS 13 Fair Value Measurement* hierarchy. The remaining properties were transferred out of the assets Held for Sale in the current year as they no longer met the criteria to be classified as assets Held for Sale. These properties were assessed for impairment under *IAS 36* in the current year. No additional impairment was required.

8.2 Assets in the scope of IAS 36 Impairments Goodwill arising on consolidation

A compulsory impairment assessment of goodwill allocated to the McConnell Dowell CGU was performed in the current year. The McConnell Dowell CGU falls under the *Construction and Engineering: Australasia and Asia* reportable segment. The recoverable amount of the CGU, being the value-in-use based on a discount rate of 12%, materially exceeded the carrying amount of the CGU and hence no goodwill impairment loss was recognised in the current year.

CGUs of the Group in the scope of IAS 36 Impairments

The Group performed an impairment assessment on the Aveng Moolmans' CGU at 30 June 2019. No impairment was required for this CGU at 30 June 2019. Aveng Moolmans falls under the *Mining* reportable segment.

Other individual assets in the scope of IAS 36 Impairments

Centralised software systems managed at corporate level are deemed corporate assets as defined by *IAS 36 Impairment of Assets*. The components of the centralised systems attributable to the operating groups of the above mentioned discontinued reportable segments were subject to an impairment assessment. The centralised software systems are accounted for in the *Other and Eliminations* reportable segment.

No additional impairment was required for any equity-accounted investments at 30 June 2019.

An impairment assessment was performed on plant and equipment accounted for in Aveng Moolmans.

As at 30 June 2019, the Group determined that there was an additional impairment of R163 million required for Aveng Moolmans, which is part of the *Mining* reportable segment, relating to these individual assets in the scope of *IAS 36 Impairments*.

8.3 Total impairment losses for the year

The total impairment losses for the year per CGU and individual assets are summarised as follows:

	2019 Property, plant and equipment Rm	2019 Intangible assets Rm	2019 Goodwill arising on consoli- dation Rm	2018 Property, plant and equipment Rm	2018 Intangible assets Rm	2018 Goodwill arising on consoli- dation Rm
CGUs in the scope of IFRS 5						
Aveng Grinaker-LTA Civil Engineering	–	–	–	35	–	–
Aveng Grinaker-LTA GEL	4	–	–	4	–	–
Aveng Grinaker-LTA Rand Roads	2	–	–	43	–	–
Aveng Trident Steel	–	–	–	152	–	–
Aveng DFC	38	34	–	44	56	242
Aveng Rail	*	*	–	99	5	–
Aveng Duraset	–	–	–	49	23	–
Aveng Infraset	–	–	–	364	16	–
Other individual assets in the scope of IAS 36						
Properties	–	–	–	43	–	–
Corporate assets – Centralised software systems	–	–	–	–	68	–
Aveng Moolmans – Plant and equipment	163	–	–	55	–	–
	207	34	–	888	168	242

* The sale of Aveng Rail was concluded in the current year. No additional impairment is required at 30 June 2019.

9. PROPERTY, PLANT AND EQUIPMENT
Reconciliation of property, plant and equipment

	Land and buildings Rm	Leased plant, equipment and vehicles Rm	Owned plant, equipment and vehicles Rm	Total Rm
2019				
Cost				
Opening balance	37	16	7 885	7 938
Additions	4	–	717	721
Disposals	–	(3)	(475)	(478)
Transfers	–	–	(118)	(118)
Classified as Held for Sale – transferred in	53	–	99	152
Foreign exchange movements	–	–	172	172
	94	13	8 280	8 387
Accumulated depreciation and impairment				
Opening balance	(23)	(13)	(4 892)	(4 928)
Depreciation*	(7)	–	(735)	(742)
Impairment	–	–	(163)	(163)
Disposals	–	3	290	293
Transfers	–	–	118	118
Foreign exchange movements	–	–	(151)	(151)
	(30)	(10)	(5 533)	(5 573)
	64	3	2 747	2 814
2018				
Cost				
Opening balance	490	86	11 714	12 290
Additions	5	–	758	763
Disposals	(72)	(8)	(897)	(977)
Transfers	–	–	(50)	(50)
Reclassifications	(3)	(5)	(17)	(25)
Classified as Held for Sale – transferred out	(388)	(11)	(3 676)	(4 075)
Foreign exchange movements	5	(46)	53	12
	37	16	7 885	7 938
Accumulated depreciation and impairment				
Opening balance	(100)	(54)	(7 525)	(7 679)
Depreciation*	(19)	(6)	(641)	(666)
Impairment	(120)	–	(768)	(888)
Disposals	24	7	784	815
Transfers	–	–	50	50
Reclassifications	3	3	2	8
Classified as Held for Sale – transferred out	191	8	3 203	3 402
Foreign exchange movements	(2)	29	3	30
	(23)	(13)	(4 892)	(4 928)
	14	3	2 993	3 010

* Depreciation included in cost of sales amounted to R736 million (2018: R643 million) and amounts included in operating expenses amounted to R6 million (2018: R23 million). Refer to note 32: Operating expenses.

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

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 22: Borrowings and other liabilities).

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

10. GOODWILL ARISING ON CONSOLIDATION

	2019 Rm	2018 Rm
Cost		
Opening balance	1 455	1 455
	1 455	1 455
Accumulated impairment		
Opening balance	(1 355)	(1 113)
Impairment*	–	(242)
	(1 355)	(1 355)
Carrying amount	100	100
Allocation of goodwill to CGUs		
The carrying amount of goodwill has been allocated to the following CGUs:		
McConnell Dowell	100	100
	100	100
Aggregation of goodwill to operating segments		
Goodwill identified within the various CGUs is allocated to the operating group as follows:		
Construction and Engineering: Australia and Asia	100	100
	100	100

* Refer to note 8.2: Assets in the scope of IAS 36 Impairments.

11. INTANGIBLE ASSETS

Reconciliation of intangible assets – 2019

	Indefinite useful life brand names and trade- marks* Rm	Brand names* Rm	Customer lists* Rm	Know-how* Rm	Computer software Rm	Total Rm
Cost						
Opening balance	–	–	–	–	247	247
	–	–	–	–	247	247
Accumulated amortisation and impairment						
Opening balance	–	–	–	–	(200)	(200)
Amortisation	–	–	–	–	(8)	(8)
	–	–	–	–	(208)	(208)
Carrying amount	–	–	–	–	39	39

* The totals of these categories have been classified as Held for Sale in terms of IFRS 5 in the prior year. As such, there is no balance relating to continued operations in the current year.

11. INTANGIBLE ASSETS continued
Reconciliation of intangible assets – 2018

	Indefinite useful life brand names and trade- marks Rm	Brand names Rm	Customer lists Rm	Know-how Rm	Computer software Rm	Total Rm
Cost						
Opening balance	48	31	116	102	386	683
Capitalised	–	–	–	–	23	23
Classified as Held for Sale – transferred out	(48)	(31)	(116)	(102)	(162)	(459)
	–	–	–	–	247	247
Accumulated amortisation and impairments						
Opening balance	(48)	(16)	(82)	(66)	(200)	(412)
Amortisation	–	(3)	(3)	(3)	(19)	(28)
Impairments*	–	(12)	(31)	(33)	(92)	(168)
Classified as Held for Sale – transferred out	48	31	116	102	111	408
	–	–	–	–	(200)	(200)
Carrying amount	–	–	–	–	47	47

* Refer to note 8.1: CGUs of the Group in the scope of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

12. EQUITY-ACCOUNTED INVESTMENTS

	2019 Rm	2018 Rm
Opening balance	73	334
Loans (paid) / advanced	(6)	(18)
Impairment of investments	–	(39)
Impairments of loans receivable from Steeledale Proprietary Limited	–	(156)
Provision raised – claims	–	(2)
Share of loss after taxation and dividends – amount recorded in the statement of comprehensive earnings	(30)	(13)
Foreign currency translation movement	8	(1)
	45	105
Classified as Held for Sale – transferred out	–	(32)
	45	73

Investments	Holding	2019 Rm	2018 Rm
Reconciliation of investments			
Investments (including loan balances)*			
	% holding		
Oakleaf Investment Holdings 86 Proprietary Limited**	50	–	32
REHM Grinaker Property Co Limited	43	19	18
REHM Grinaker Construction Co Limited	43	9	7
Dutco McConnell Dowell Middle East Limited	50	2	31
Steeledale Proprietary Limited	30	11	16
Other		4	1
		45	105
Classified as Held for Sale – transferred out		–	(32)
		45	73

* None of the investments are individually significant to warrant separate disclosure in terms of IFRS 12 Disclosure of interest in other Entities.

** The investment in Oakleaf Investment Holdings 86 Proprietary Limited has been classified as Held for Sale in the prior year. Refer to Note 20: Assets and Liabilities classified as Held for Sale.

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:

	2019 Rm	2018 Rm
Aggregate carrying amount of associates	45	73
	45	73
The Group's share of results of operations of equity-accounted investments are summarised below:		
Associates		
Loss for the year	(30)	(13)
Total share of loss from equity-accounted investments	(30)	(13)
Impairments		
Impairment loss on investments in associates	–	(39)
Impairment loss on amounts receivable from associates	–	(156)
Total share of impairment loss from equity-accounted investments	–	(195)

12. EQUITY-ACCOUNTED INVESTMENTS continued**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, that 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 R190 million (June 2018: R1,394 billion). A subordination agreement is in place with SASFIN amounting to R275 million for Steeledale.

For detail on contingent liabilities refer to *note 45: Contingent liabilities and assets* for the Group's contingent liabilities relating to its associates and joint ventures.

13. INFRASTRUCTURE INVESTMENTS

	2019 Rm	2018 Rm
South African infrastructure investments		
Financial investments	142	142
	142	142

The investments in Imvelo Concession Company Proprietary Limited (Imvelo) and Firefly Investments 238 Proprietary Limited (Firefly) are managed by ACP and accounted for under the *Construction and Engineering: South Africa and rest of Africa* reportable segment. These investments do not form part of the Group's long-term strategy and have been classified as Held for Sale in 2018 (refer to *note 20: Assets and liabilities classified as Held for Sale*).

The investment in Dimopoint Proprietary Limited (Dimopoint) is classified as a financial asset at fair value through profit or loss. Please refer to *note 48: Fair value of assets and liabilities* for details regarding the valuation methodology and other disclosures required by *IFRS 13 Fair value measurement*. There is no fair value adjustment required in the current year.

	2019 Rm	2018 Rm
South African infrastructure investments		
Opening balance	142	265
Classified as Held for Sale – transferred out	–	(121)
Interest capitalised on loans	–	4
Loans advanced	–	(6)
	142	142
Balance at the end of the year comprises:		
Dimopoint Proprietary Limited (Dimopoint)	142	142
	142	142

Notes to the consolidated annual financial statements continued

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14. DEFERRED TAXATION

	2019 Rm	2018 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	747	1 290
Recognised in earnings or loss – current year	(27)	(373)
Recognised in earnings or loss – adjustment for prior year	–	9
Effect of change in foreign tax rate	–	(2)
Foreign currency translation movement and other	(185)	3
Reallocation from deferred taxation liability*	87	(180)
	622	747
Reconciliation of deferred taxation liability		
At the beginning of the year	(49)	(319)
Recognised in earnings or loss – current year	(103)	89
Reallocation to deferred taxation asset*	(87)	180
Foreign currency translation movement and other	153	1
	(86)	(49)
Deferred taxation asset balance at the year end comprises		
Accelerated capital allowances	(125)	(205)
Provisions	193	136
Contracts	161	136
Other	(158)	(227)
Assessed losses carried forward	551	907
	622	747
Deferred taxation liability balance at the year end comprises		
Accelerated capital allowances	(36)	(10)
Provisions	(1)	–
Contracts	(85)	–
Other	36	(8)
Convertible bond	–	(32)
Assessed losses carried forward	–	1
	(86)	(49)

* The reclassifications of deferred tax liabilities to deferred tax assets are as a result of the changes in deferred tax positions of the underlying assets and liabilities.

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

As at June 2019 the Group had unused taxation losses of R14 097 million (2018: R12 830 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R1 967 million (2018: R3 107 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R12 130 million (2018: R9 724 million) due to the uncertainty of future taxable profits in the related legal entities.

Unused tax losses

The Group performed a three-year forecast for the financial years 2020 to 2022, which is the key evidence that supports the recognition of deferred taxation assets. The forecast specifically focused on Aveng Africa Proprietary Limited and Aveng Australia Holdings Proprietary Limited.

In addition, in terms of the strategic review the Group is making good progress in positioning Aveng for future profitability, including considerable restructuring and right sizing of the business in line with current market conditions. Attention has been given to the commercial and risk management processes and pre-tender assessments. This will enhance margins in the foreseeable future.

15. DERIVATIVE INSTRUMENTS

	2019 Net fair value Rm	2018 Net fair value Rm
Current assets		
Derivative instruments at fair value through profit or loss	–	9
Classified as Held for Sale – transferred out	–	(6)
	–	3
Current liabilities		
Derivatives designated as hedging instruments	1	–
	1	–

Derivative instruments subject to enforceable netting agreements amounted to a net liability of R1 million (2018: Net asset of R3 million). The Group held no 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 49: Offsetting financial assets and financial liabilities* for further information.

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 48: Fair value of assets and liabilities* and *note 47: Risk management* respectively.

Notes to the consolidated annual financial statements continued

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16. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	2019 Rm	2018 Rm
Uncertified claims and variations (underclaims)*/**1	1 031	1 646
Contract contingencies*	(361)	(490)
Progress billings received (including overclaims)*2	(771)	(1 404)
Uncertified claims and variations less progress billings received	(101)	(248)
Contract receivables*3	1 916	2 602
Provision for contract receivables*	–	(2)
Provision for expected credit loss*	(1)	–
Retention receivables*4	36	208
	1 850	2 560
Amounts received in advance*5	(42)	(85)
	1 808	2 475
Classified as Held for Sale – transferred out (net)	–	(305)
Net amounts due from contract customers	1 808	2 170
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations*/**1	1 031	1 646
Contract contingencies*	(361)	(490)
Contract and retention receivables*	1 952	2 810
Provision for contract receivables	–	(2)
Provision for expected credit losses*	(1)	–
Classified as Held for Sale – transferred out*	–	(654)
Amounts due from contract customers	2 621	3 310
Progress billings received*	(771)	(1 404)
Amounts received in advance*	(42)	(85)
Classified as Held for Sale – transferred out	–	349
Amounts due to contract customers	(813)	(1 140)
Net amounts due from contract customers	1 808	2 170

* Amounts due from / (to) contract customers previously classified under these categories have been classified as Held for Sale in terms of IFRS 5 in the prior year. As such, the balances for 2019, reflected above represent only the continued operations. No additional amounts due from / (to) contract customers were transferred to / from the Held for Sale disposal groups in the current year. Refer to note 20: Assets and Liabilities classified as Held for Sale for disclosure of the disposal groups amounts due from / (to) contract customers classified as Held for Sale.

** Provisions have been netted off against uncertified claims and variations.

¹ Includes revenue not yet certified – recognised over time / 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. These conditions are anticipated to be fulfilled within the following 12 months.

⁵ Advances are amounts received from the customer before the related work is performed.

The net amounts due from contract customers includes R760 million (2018: R942 million) which is subject to protracted legal proceedings.

Expected credit losses

Amounts due from contract customers

As at 30 June 2019, the Group has amounts due from contract customers of R1 808 million (2018: R2 170 million) which is net of the provision for expected credit loss of R1 million (2018: Rnil).

Trade receivables

As at 30 June 2019, the Group has trade receivables of R3 million (2018: R1 272 million). The provision for expected credit loss relating to trade receivables is less than R1 million (2018: Rnil).

The provision for expected credit losses are only material for amounts due from contract customers and trade receivables. The Group has elected to measure the provision for ECL at an amount equal to lifetime ECLs.

16. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS continued**Expected credit losses** continued

Set out below is the movement in the provision for expected credit losses:

	2019 Rm	2018 Rm
Opening balance	–	–
Provision for expected credit losses – Initial adoption of IFRS 9 ECL impairment model (1 July 2018)	6	–
Movement in the current year	*	–
Attributed to Held for Sale – transferred out	(5)	–
Closing balance	1	–
Attributable to:		
Amounts due from contract customers	1	–
Closing balance	1	–

* Amount less than R1 million.

17. TRADE AND OTHER RECEIVABLES

	2019 Rm	2018 Rm
Financial assets		
Trade receivables*	3	1 272
Provision for doubtful debts – specific debtors*	(2)	(56)
Provision for expected credit losses*	**	–
Sundry receivables*	170	247
Non-financial assets		
Prepayments*	23	117
	194	1 580
Classified as Held for Sale – transferred out	–	(1 400)
	194	180

* Trade and other receivables previously classified under these categories have been classified as Held for Sale in terms of IFRS 5 in the prior year. As such, the balances for 2019, reflected above represents only the continued operations. No additional trade and other receivables were transferred to / from the Held for Sale disposal groups in the current year.

** Amount less than R1 million

Refer to note 20: Assets and Liabilities classified as Held for Sale for disclosure of the disposal group's trade and other receivables classified as Held for Sale.

The carrying amount of trade and other receivables approximates its fair value due to its short-term maturity.

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 47: Risk management for further details regarding the credit risk exposure.

Expected credit losses on trade and other receivables

As at 30 June 2019, the Group has trade and other receivables of R194 million (2018: R180 million). The provision for expected credit losses on trade receivables is less than R1 million. Refer to note: 16. Amounts due from/(to) contract customers for additional information.

Notes to the consolidated annual financial statements continued

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18. INVENTORIES

	2019 Rm	2018 Rm
Raw materials [#]	–	586
Work-in-progress [#]	–	98
Finished goods* [#]	–	1 121
Consumables [#]	279	276
	279	2 081
Allowance for obsolete inventory [#]	(65)	(20)
	214	2 061
Classified as Held for Sale – transferred out	–	(1 806)
Closing balance	214	255
Reconciliation of movement in allowance for obsolete inventory		
Opening balance	20	57
Transferred to Held for Sale	–	(16)
Allowance created	148	(34)
Allowance released	(103)	13
	65	20
Inventories utilised in cost of sales during the year	1 248	8 563
Inventories written-off and impaired during the year**	–	13

* Included in the carrying amount of finished goods is Rnil million (2018: R10 million) relating to a basis adjustment against the carrying amount of inventory. Management elected to apply IAS 39 par (b) in terms of which the effective portion of a cash flow hedge that has been deferred in other comprehensive income, as a result of a highly probable forecast transaction, is adjusted against the carrying amount of inventory on initial recognition.

** There is no inventory included in the Mining and Construction and Engineering: Australasia and Asia segments that have been written off in the current year.

[#] Inventory previously classified under these categories have been classified as Held for Sale in terms of IFRS 5 in the prior year. As such, the balances reflected above represent only the continued operations. No additional inventories were transferred to / from the Held for Sale disposal groups in the current year. Refer to note 20: Assets and Liabilities classified as Held for Sale for disclosure of the disposal groups inventories classified as Held for Sale.

The value of inventory carried at net realisable value amounts to R174 million (2018: R357 million), with the balance carried at cost.

19. CASH AND BANK BALANCES

	2019 Rm	2018 Rm
Cash and bank balances	1 605	2 391
Less: Bank overdrafts	–	(315)
	1 605	2 076
Cash and bank balances at the end of the period include the following cash and bank balances that are restricted from immediate use and are only for use by respective joint operations, and are not for general use by the Group:		
Cash held by Aveng Zimbabwe*	8	67
Group share of cash held by joint operations	624	568

* Included in bank balances are balances relating to Aveng Zimbabwe (Private) Limited of R8 million which is regarded as having limited transferability.

19. CASH AND BANK BALANCES continued**Finance earnings**

Cash at banks earn finance earnings at floating rates based on daily bank deposit rates.

Offsetting of bank overdrafts

The Group is offsetting notional bank overdrafts. Refer to *note 47: Risk management* for further disclosure on the Group's exposure to credit risk and *note 49: Offsetting financial assets and financial liabilities* for further disclosure on the impact of the Group's netting arrangements.

Expected credit losses

The expected credit loss provision for cash and bank balances is immaterial.

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As disclosed in *note 6: Discontinued operations*, the outcome of the strategic review lead to the Board's decision to exclude the following reportable segments from the Group's long-term strategy:

- ▶ *Construction and Engineering: South Africa and rest of Africa; and*
- ▶ *Manufacturing and Processing.*

These non-core reporting segments are presented as separately identifiable disposal groups and are disclosed as discontinued operations in the Group's statement of comprehensive earnings (refer to *note 7: Segmental report* and *note 6: Discontinued Operations*).

Initial recognition

At initial recognition, the disposals were expected to occur within the succeeding 12 months; the assets and liabilities were classified as Held for Sale. The assets and liabilities of the disposal groups were allocated to their cash-generating units (CGUs) in the prior year and were subject to an impairment assessment prior to classification as Held for Sale. The recoverable amounts of all CGUs were assessed as the fair value less cost of disposal (refer to *note 8: Impairments*). On initial recognition, the proceeds from the sale were expected to equal the net carrying amounts. As noted in *note 8: Impairments*, impairment was required for both reporting segments at 30 June 2018. The carrying amounts of some of the assets in relation to the *Construction and Engineering: South Africa and the rest of Africa* and *Manufacturing and Processing* disposal group, exceed their fair value less cost of disposal after being classified as Held for Sale. An adjustment was recognised to present these assets at their fair value less costs of disposal in the prior year.

Sales finalised in the current year**Manufacturing and Processing Segment**

In October 2018 the sale of Aveng Rail was announced. The sale was concluded in May 2019, whereby the CGU was sold to 100% black-owned Mathupha Capital for R133 million. The sale of Aveng Infraset was announced in February 2019 to the Colossal Africa Consortium, a 100% black-owned investment special purpose vehicle for R180 million. The deal is expected to be concluded soon after year end.

Construction and Engineering: South Africa and the rest of Africa

Aveng Water was disposed of in the current year to Infinity Partners a 100% black-owned company for R85 million.

Properties

Individual properties accounted for under the *Other and Eliminations* reportable segment were classified as Held for Sale during the prior year. The carrying amounts of some of the properties exceeded their fair values less cost of disposal prior to being classified as Held for Sale leading to the recognition of impairment losses in the prior year (refer to *note 8: Impairments*.) No additional adjustment was required in the current year.

The disposal of the Jet Park and Vanderbijlpark properties were concluded in the current year for an amount of R258 million. The Group entered into a sale of the Jet Park properties located in Boksburg to Equites Property Fund. The Group entered into a triple net lease on the property for a maximum of 24 months, but with the ability for the Group to terminate the lease with three months' notice and market-related monthly rental of R1,1 million, subject to an annual escalation of 8%. The Group entered into a sale of the Vanderbijlpark property to Stodasat (Proprietary) Limited following the completion of an auction process. The fair value of the properties was assessed as level 3 per the *IFRS 13 Fair Value Measurement* hierarchy.

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for the year ended 30 June 2019

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Assets transferred out of assets Held for Sale

Construction and Engineering: Australasia and Asia – Marine Barge

The asset classified as Held for Sale amounting to R99 million, no longer met the classification requirements to be Held for Sale. This asset was transferred from non-current assets Held for Sale back to property, plant and equipment. Refer to *note 9: Property, plant and equipment*.

Kathu property

The Kathu property – which had a carrying value of R50 million was classified under the *Properties – Other* disposal group at 30 June 2018. Other properties, amounting to R3 million were included in this segment. At the end of the current year, the properties no longer met the requirements to be classified as Held for Sale. These assets were transferred out of non-current assets Held for Sale back to property, plant and equipment (refer to *note 9: Property, plant and equipment*) as the Group did not receive reasonable offers to purchase the assets in the current year. Even though the Kathu property does not meet the *IFRS 5* subsequent measurement criteria for an asset to be classified as Held for Sale, management remains committed to dispose of these assets per the strategy announced in the prior year.

Subsequent measurement

The extension of the classification of the remaining assets within non-core operating segments as Held for Sale beyond 12 months is supported by the commitment by the Board to actively sell the assets in line with the strategic review. In the preceding 12 months, the Group did not receive reasonable offers to purchase all of the remaining assets, and the delay in the finalisation of sales were due to events and circumstances beyond the control of management. In response, management continued to actively market the remaining assets at prices that are reasonable based on valuations performed.

Subsequent to initial classification as Held for Sale, the Group remeasured the assets at their fair value less costs of disposal. In the case where the carrying amount exceeded the fair value less costs of disposal, an adjustment was recognised to present these assets at the lower value. In the case where a binding offer had been received by 30 June 2019 for the sale of an asset, the fair value less costs of disposal is determined based on the value of the offer received, less costs required to dispose of the assets. The carrying amounts of some of the assets which have binding offers in relation to the *Manufacturing and Processing* and *Construction and Engineering: South Africa and rest of Africa* disposal groups, exceed their fair value less costs of disposal. An adjustment was recognised to present these assets at their updated fair values less costs of disposals (refer to *note 8: Impairments*).

In the case where the fair value less costs of disposal exceed the carrying amount, an adjustment could be recognised. The adjustment is subject to a limit on the amount of any gain that can be recognised as a result of an increase in fair value less costs to sell before disposal. The maximum increase (and therefore gain) that can be recognised is the cumulative amount of impairment losses recognised in accordance with *IFRS 5* and previously in accordance with *IAS 36*. No adjustment to adjust the carrying amount were recognised on any assets Held for Sale.

Of relevance to this note is the information in *note 50: Events after the reporting period* relating to the sale of Aveng DFC, Aveng Grinaker-LTA Rand Roads, Aveng Grinaker-LTA GEL and Aveng Grinaker-LTA Buildings & Civil Engineering, which were announced after year end.

	2019 Rm	2018 Rm
Assets Held for Sale	3 843	4 773
Liabilities Held for Sale	(3 436)	(4 080)
	407	693
Movement during the year		
Opening balance	693	122
Movements in:		
Non-current assets	(20)	874
Current assets	(416)	3 850
Non-current liabilities	19	(65)
Current liabilities	558	(3 281)
Sale of assets Held for Sale	(224)	–
Transfer of assets classified as Held for Sale to property, plant and equipment	(152)	–
Adjustment to fair value less cost of disposal*	(51)	(807)
Net assets Held for Sale	407	693

* No impact on other comprehensive earnings in the current year.

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2019, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

30 June 2019	Construction and Engineering: South Africa and the rest of Africa disposal group Rm	Manufacturing and Processing disposal group Rm	Total Rm
ASSETS			
Non-current assets			
Intangible assets	–	22	22
Property, plant and equipment	265	69	334
Equity-accounted investments*	32	–	32
Infrastructure investments	119	–	119
	416	91	507
Current assets			
Inventories**	12	1 646	1 658
Amounts due from contract customers	397	4	401
Trade and other receivables	96	1 181	1 277
	505	2 831	3 336
TOTAL ASSETS	921	2 922	3 843
LIABILITIES			
Non-current liabilities			
Borrowings and other liabilities	–	1	1
Employee-related payables	34	7	41
	34	8	42
Current liabilities			
Amounts due to contract customers	218	6	224
Borrowings and other liabilities	–	1	1
Employee-related payables	112	77	189
Trade and other payables	700	1 494	2 194
Financial liabilities	–	1	1
Provision for unallocated fair value adjustments	–	785	785
	1 030	2 364	3 394
TOTAL LIABILITIES	1 064	2 372	3 436
Net assets Held for Sale	(143)	550	407

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20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2018, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

30 June 2018	Construction and Engineering: South Africa and the rest of Africa disposal group Rm	Manufacturing and Processing disposal group Rm	Properties – Vanderbijlpark Rm	Properties – Jet Park Rm	Properties – Other Rm	Construction and Engineering: Australasia and Asia – Marine vessel Held for Sale Rm	Total Rm
ASSETS							
Non-current assets							
Intangible assets	–	51	–	–	–	–	51
Property, plant and equipment	282	110	43	128	53	99	715
Equity-accounted investments*	32	–	–	–	–	–	32
Infrastructure investments	125	–	–	–	–	–	125
	439	161	43	128	53	99	923
Current assets							
Inventories	44	1 746	–	–	–	–	1 790
Derivative instruments	–	6	–	–	–	–	6
Amounts due from contract customers	618	36	–	–	–	–	654
Trade and other receivables	100	1 300	–	–	–	–	1 400
	762	3 088	–	–	–	–	3 850
TOTAL ASSETS	1 201	3 249	43	128	53	99	4 773
LIABILITIES							
Non-current liabilities							
Borrowings and other liabilities	–	12	–	–	–	–	12
Employee-related payables	46	7	–	–	–	–	53
	46	19	–	–	–	–	65
Current liabilities							
Amounts due to contract customers	347	2	–	–	–	–	349
Borrowings and other liabilities	–	10	–	–	–	–	10
Employee-related payables	100	59	–	–	–	–	159
Trade and other payables	1 112	1 651	–	–	–	–	2 763
Provision for unallocated fair value adjustments	–	734	–	–	–	–	734
	1 559	2 456	–	–	–	–	4 015
TOTAL LIABILITIES	1 605	2 475	–	–	–	–	4 080
Net assets Held for Sale	(404)	774	43	128	53	99	693

* The investment in Oakleaf Investment Holdings 86 Proprietary Limited classified as Held for Sale is disclosed and presented under the Construction and Engineering: South Africa and the rest of Africa reporting segment disposal group as it forms part of Aveng Capital Partners investment Portfolio.

** Subsequent to year end, the Group concluded a bulk sale in the ordinary course of business of particular lines of steel inventory. Refer to paragraph 50.1.5 Sale of inventory of Aveng Trident Steel's Roodekop plant in note 50: Events after the reporting period for additional information.

21. STATED CAPITAL

	2019 Rm	2018 Rm
Authorised		
180 882 034 263 ordinary shares (2018: 180 882 034 263 ordinary shares)	9 044	9 044
Issued		
Stated capital (19 394 498 220 ordinary shares) (2018: 396 817 098 ordinary shares)	3 874	2 009
Stated capital	3 874	2009
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Number of shares	6 018 386	6 018 386
– Market value (Rm)	*	1
Shares held by the Aveng Management Company Proprietary Limited		
– Number of shares	788 684	788 684
– Market value (Rm)	*	*
Shares held in terms of equity-settled share-based payment plan		
– Number of shares	18 046 763	13 046 763
– Market value (Rm)	*	2

Reconciliation of number of shares issued	Number of shares	Number of shares
Opening balance	416 670 931	416 670 931
Share issue – Rights to qualifying shareholders (4 July 2018)	4 931 854 395	–
Share issue – Early redemption of convertible bond (25 September 2018)	14 045 972 894	–
Closing balance	19 394 498 220	416 670 931
Less: treasury shares	(24 853 833)	(19 853 833)
Number of shares in issue less treasury shares	19 369 644 387	396 817 098

* Amounts less than R1 million.

Rights offer to qualifying shareholders

The Group undertook a renounceable rights offer to raise up to R500 million, to qualifying shareholders. The rights offer consisted of 5 000 000 000 rights offer shares in the ratio of 1 199,98772 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on 15 June 2018 and at a price of R0,10 per rights offer share. The total number of rights offer shares subscribed for and excess allocations applied for was 4 931 854 395 rights offer shares, representing 98,6% of the rights offer. An aggregate amount of R493 million was raised.

The rights offer shares subscribed for were issued on 2 July 2018, with excess allocation shares issued on 4 July 2018.

Early redemption of the convertible bond

In terms of the strategic review, the debt levels within the Group were considered to be unsustainable, in particular the convertible bonds which created significant constraints on the Group's liquidity position. The Group redeemed the existing convertible bond on 25 September 2018 through the execution of the following:

- ▶ On 4 July 2018, the bondholders agreed to the capitalisation of interest on the bonds and voted to accept the terms of the early bond redemption on 30 August 2018;
- ▶ On 10 September 2018, the Group's shareholders passed the required resolutions giving effect to the specific issue of shares at R0,10 per share, equivalent to the rights offer price, to settle the convertible bonds;
- ▶ On 17 September 2018, a specific buyback of R690 million of the existing convertible bonds at 70% of the principal amount (a 30% discount) was completed; and
- ▶ The remaining R1,4 billion bonds were settled through the specific issue of ordinary shares at R0,10 per share on 25 September 2018.

Notes to the consolidated annual financial statements continued

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21. STATED CAPITAL continued

	Shares	Holding
The top 10 shareholders of the Group as at 30 June 2019 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)**	3 835 659 712	19,8%
Coronation Asset Management Proprietary Limited (ZA)	3 110 400 203	16,0%
Allan Gray Proprietary Limited (ZA)	2 252 525 495	11,6%
ATM Holding GmbH (DE)**	1 359 584 403	7,0%
Deutsche Securities Proprietary Limited (ZA)**	895 240 321	4,6%
J.P. Morgan Securities Plc (UK)**	800 005 461	4,1%
Investec Securities Proprietary Limited (ZA)**	651 668 556	3,4%
Investec Asset Management	638 789 039	3,3%
Personal Trust International (ZA)**	629 530 200	3,3%
BNP Paribas Arbitrage S.N.C. (FR)**	502 681 498	2,6%
	14 676 084 888	75,7%
The top 10 shareholders of the Group as at 30 June 2018 are entities (or clients of these entities in aggregate) listed below:		
Allan Gray Proprietary Limited (ZA)	100 511 612	24,1%
Coronation Asset Management Proprietary Limited (ZA)	85 815 005	20,6%
Investec Asset Management	45 483 550	10,9%
Mazi Capital Proprietary Limited*	21 768 541	5,2%
Dimensional Fund Advisors*	18 601 141	4,5%
Gool S (ZA)*	16 814 174	4,0%
Aveng (Africa) Limited ESOP LTIP (ZA)*	13 046 763	3,1%
Ashburton Investments (ZA)*	12 113 273	2,9%
Sanlam Investment Management *	10 279 199	2,5%
Aveng Community Investment Trust (ZA)*	8 586 593	2,1%
	333 019 851	79,9%
* Shareholder no longer in the top 10.		
** Shareholder was not in the top 10 in prior year.		

22. BORROWINGS AND OTHER LIABILITIES

	2019 Rm	2018 Rm
Borrowings held at amortised cost comprises:		
Total borrowings as at year end	2 145	3 309
Classified as Held for Sale – transferred out	–	(22)
Interest-bearing borrowings comprise:	2 145	3 287
Payment profile		
– within one year	695	599
– between two and five years	1 450	2 688
	2 145	3 287
Interest rate structure		
Fixed and variable (interest rates)		
Fixed – long term	414	1 946
Fixed – short term	129	305
Variable – long term	1 036	742
Variable – short term	566	294
	2 145	3 287

22. BORROWINGS AND OTHER LIABILITIES continued

22.1 Borrowings held at amortised cost

Description	Terms	Rate of interest	2019 Rm	2018 Rm
Credit and term facilities				
Revolving credit facility***	Repayable September 2021	1M JIBAR plus 4,89%	550	–
Revolving credit facility***	Repayable September 2021	Fixed rate of 13,986% from 1 October 2020 1M JIBAR plus 4,89%	281	–
Term facility***	Repayable June 2021	1M JIBAR plus 5,02%	858	–
Super senior liquidity facility#2***	Repayable October 2019	1M JIBAR plus 4,21%	100	–
Working capital credit facility****	Repaid monthly as on a revolving facility basis	BBSY plus 2,5%	49	–
Term loan facility denominated in ZAR***	Monthly instalments ending April 2021	Fixed interest rate of 10,58%	32	48
Revolving credit facility***	Refer to N1	JIBAR plus 3,00% to 5,75%	–	700
Super senior liquidity facility****	Refer to N1	South African prime plus 2,50% to 5,50%	–	255
Short-term facility of AUD6 million	Settled July 2018	Fixed interest rate of 4,63%	–	62
Convertible bonds				
Convertible bonds of R2 billion****	Early redemption September 2018	Coupon of 7,25%	–	1 929
Finance lease facilities				
Finance lease facility of AUD12 million*	Monthly instalments ending November 2020	Fixed interest rate of 4,50%	70	118
Finance lease facility of AUD6 million*	Monthly instalments ending May 2021	Fixed interest rate of 1,35% to 7,00%	59	–
Finance lease facilities denominated in ZAR*	Monthly instalments ending in August 2022	South African prime	9	19
Finance lease facility denominated in ZAR*	Monthly instalments ending in August 2022	South African prime	4	2
Hire purchase agreement denominated in ZAR*	Monthly instalments ending September 2019	Fixed interest rate of 14%	5	–
Hire purchase agreement denominated in ZAR*	Monthly instalments ending December 2019	Fixed interest rate of 12,50%	10	–
Hire purchase agreement denominated in ZAR*	Monthly instalments ending November 2019	South African prime less 1,70%	14	29
Hire purchase agreement denominated in ZAR*	Monthly instalments ending August 2020	South African prime plus 3,00%	18	32
Hire purchase facility denominated in USD*	Monthly instalments ending August 2021	Fixed interest rate of 6,68%	86	63
Hire purchase agreement denominated in ZAR*	Settled September 2018	South African prime plus 0,50%	–	18
Hire purchase agreement denominated in ZAR*	Settled July 2018	Fixed interest rate of 12,50%	–	5
Hire purchase agreements amounting to AUD2 million*	Settled September 2018	Fixed interest rate of 1,35% to 7%	–	24
Interest-bearing borrowings			2 145	3 304
Interest outstanding on interest-bearing borrowings**			–	5
Classified as Held for Sale – transferred out			–	(22)
Total interest-bearing borrowings			2 145	3 287

* These borrowings and other liabilities are finance leases.

** Interest outstanding in the current year relates to finance leases.

*** These loans are in terms of the second amended and restated common terms of Agreement (CTA) and the signed amendment letter on 27 August 2019 with the different commercial banks.

**** Australian Bank Bill Swap Bid Rate.

***** Early redemption of convertible bond.

N1 All rights and obligations of the Company under the Existing Facilities Agreements were ceded and delegated to Aveng (Africa) Proprietary Limited through a flow of funds and Implementation Agreement with effect from the bank restructure date, on or about 25 September 2018. The transfer and re-designation of the facilities took place on a cashless basis and recorded as amounts owing to subsidiaries.

Unutilised borrowing facilities

At 30 June 2019, the Group had available R302 million (2018: R706 million) of unutilised borrowing facilities.

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22. BORROWINGS AND OTHER LIABILITIES continued

22.2 Finance lease liabilities

	2019 Rm	2018 Rm
Finance lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	203	149
– in two to five years	125	191
Less: future finance charges	(21)	(25)
Present value of minimum lease payments	307	315

The *Construction and Engineering: Australasia and Asia* operating segment enters into asset-based finance arrangements to fund the acquisition of various items of plant and machinery.

The total asset-based finance facilities amounted to AUD13 million (2018: AUD21 million). The amount outstanding on these facilities as at year end was AUD13 million (2018: AUD14 million) and is equivalent to R129 million (2018: R142 million). These asset based arrangements were secured by plant and equipment with a net carrying amount of R69 million (2018: R75 million).

The *Mining* operating segment entered into various asset-based finance lease agreements 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 August 2022. The total amount outstanding on these facilities amounted to R178 million (2018: R133 million). Equipment with a net carrying amount of R321 million (2018: R231 million) has been pledged as security for the facility.

The *Mining and Manufacturing and Processing* operating segments entered into various vehicle lease arrangements.

The *Manufacturing and Processing* operating segment asset lease arrangements were early settled as part of the relevant disposals.

22.3 Convertible bonds

	Convertible bond liability Rm	Convertible bond equity reserve Rm	Total Rm
2019			
Opening balance	1 929	268	2 197
Interest determined with the effective interest rate*	63	–	63
Carrying amount before early conversion	1 992	268	2 260
Buyback of convertible bond through cash**	(690)	–	(690)
Buyback of convertible bond through share issue**	(1 404)	–	(1 404)
Transfer to accumulated losses	–	(268)	(268)
Profit on redemption of convertible bond	102	–	102
Closing balance	–	–	–
Accrual of coupon interest for convertible bond	63	–	63
Unwinding of liability owing to:			
– Transaction costs capitalised	2	–	2
– Effect of fair value adjustment of derivative liability	2	–	2
– Effect of fair value of conversion option	23	–	23

22. BORROWINGS AND OTHER LIABILITIES continued**22.3 Convertible bonds** continued

	Convertible bond liability Rm	Convertible bond equity reserve Rm	Total Rm
2018			
Opening balance	1 823	268	2 091
Coupon bi-annual payment	(145)	–	(145)
Interest determined with the effective interest rate*	251	–	251
Closing balance	1 929	268	2 197
Accrual of coupon interest for convertible bond	145	–	145
Unwinding of liability owing to:			
– Transaction costs capitalised	9	–	9
– Effect of fair value adjustment of derivative liability	8	–	8
– Effect of fair value of conversion option	89	–	89

* Interest on convertible bond.

** Early redemption of convertible bond.

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 issue date at par plus interest. The effective interest rate associated with the convertible bond liability was 13,6%.

In terms of the strategic review, the debt levels within the Group were considered to be unsustainable, in particular the convertible bonds which created significant constraints on the Group's liquidity position. The Group redeemed the existing convertible bond on 25 September 2018 through the execution of the following

- ▶ On 4 July 2018, the bondholders agreed to the capitalisation of the interest on the bonds and voted to accept the terms of the early bond redemption on 30 August 2018
- ▶ On 10 September 2018, the Group's shareholders passed the required resolutions giving effect to the specific issue of shares at R0,10 per share, equivalent to the rights offer price, to settle the convertible bonds
- ▶ On 17 September 2018, a specific buyback of R690 million of the existing convertible bonds at 70% of the principal amount (a 30% discount) was completed
- ▶ The buyback was funded by a new debt instrument of R460 million, the terms of which will run pari passu with the bank debt (excluding super senior facilities) under the common terms agreement, and an additional R25 million in cash
- ▶ The remaining R1,4 billion bonds were settled through the specific issue of ordinary shares at R0,10 per share on 25 September 2018.

23. PAYABLES OTHER THAN CONTRACT-RELATED

	Opening balance Rm	Utilised Rm	Unwinding of discount Rm	Total Rm
Reconciliation of payables other than contract-related				
2019				
Payables other than contract-related	146	(21)	11	136
2018				
Payables other than contract-related	154	(21)	13	146

	2019 Rm	2018 Rm
Current liabilities	21	21
Non-current liabilities	115	125
	136	146

South African government settlement

Following an extensive period of negotiation in prior years, the South African government and the participating construction companies concluded a settlement agreement which addressed outstanding legacy issues and a commitment to a plan which ensures the repositioning of the South African construction sector. All parties to the settlement agreement acknowledged the need to foster a better relationship between the government and the construction industry going forward. Refer to paragraph 50.1.4 Disposal of Aveng Grinaker-LTA building and civil engineering business in note 50: Events after the reporting period for events after the reporting period affecting the South African government settlement.

Notes to the consolidated annual financial statements continued

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24. TRADE AND OTHER PAYABLES

	2019 Rm	2018 Rm
Trade payables	1 032	2 502
Sub-contractors	117	412
Accrued expenses	1 363	2 222
Promissory notes	–	585
Other provisions	171	–
	2 683	5 721
Classified as Held for Sale – transferred out	–	(2 763)
	2 683	2 958

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

Promissory notes are issued by the Group to manage working capital levels and do not represent funding facilities and are accounted for as trade payables and included in assets and liabilities Held for Sale (Refer to *note 20: Assets and Liabilities Held for Sale*). These promissory notes bear interest between a range of 9,72% and 12,52% per annum (2018: 12,49% and 15,55% per annum). Terms vary in accordance with contracts of supply and service but are generally settled on 60 to 61 day terms.

The carrying amounts of trade and other payables approximate their fair values due to its short-term maturity.

25. 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 27: 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. The discounting element of these obligations was realised through profit and loss in the current year.

25. EMPLOYEE-RELATED PAYABLES continued**Leave pay benefits** continued

	2019 Rm	2018 Rm
Total employee-related payables	528	713
Classified as Held for Sale – transferred out	–	(212)
	528	501
Non-current	245	248
Current	283	253
	528	501

Reconciliation of employee-related payables

	Opening balance Rm	Recogn- ised / (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Unwinding of discount Rm	Classified as Held for Sale – transferred out Rm	Total Rm
2019							
<i>IFRS 2 Share-based payment obligation</i>	3	–	(1)	–	–	–	2
Employee entitlements	241	75	(57)	3	–	–	262
Leave pay benefits	257	29	(16)	(6)	–	–	264
	501	104	(74)	(3)	–	–	528
2018							
<i>IFRS 2 Share-based payment obligation</i>	22	(15)	(4)	–	–	–	3
Employee entitlements	452	86	(181)	1	–	(117)	241
Leave pay benefits	339	46	(61)	–	28	(95)	257
	813	117	(246)	1	28	(212)	501

26. 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 46: Directors emoluments and interests*.

	2019 Rm	2018 Rm
Opening balance	39	31
Equity-settled share-based payment expense	1	8
	40	39

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27. SHARE-BASED PAYMENTS

27.1 Cash-settled share-based payment plan

27.1.1 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. This scheme was discontinued in 2011.

The movement during the year under review were as follows:

	2019 Weighted average exercise price	2019 Number of options	2018 Weighted average exercise price	2018 Number of options
Opening balances	–	–	38,92	1 916 585
Options forfeited / cancelled*	–	–	38,92	(1 916 585)
	–	–	–	–
Number of exercisable options and exercise price at year end*	–	–	–	–

* All options were forfeited in the prior year.

27.1.2 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. This scheme was replaced by the Aveng Long Term Incentive Plan (LTIP) approved at the AGM in October 2015.

The movements during the year under review were as follows:

	2019 Weighted average exercise price	2019 Number of options	2018 Weighted average exercise price	2018 Number of options
Opening balances	–	–	20,89	4 423 340
Options forfeited / cancelled*	–	–	20,89	4 423 340
	–	–	–	–

* All options were forfeited in the prior year.

The right to take delivery or to exercise the options 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. There are no options outstanding as at 30 June 2019.

27.1.3 Conditional share plan

Due to Aveng Limited being in a closed, cautionary or prohibited period since December 2015, the Aveng remuneration and nomination committee was unable to make normal annual awards under the newly approved LTIP. In light of recognising the importance of retaining critical leadership talent to the future success of Aveng, and ensuring that employees remain incentivised to achieve target performance, Aveng took advice from its advisers and sponsor and considered industry practice to determine an appropriate alternative to the LTIP awards.

On this basis, the committee decided to make cash-settled conditional share awards to certain selected executive and senior employees. The design principles of the cash-settled conditional share plan mirror those of the approved LTIP scheme, with the only exception that the plan is settled in cash. Vesting of the performance awards are subject to the satisfaction of a performance condition, which is the same as the approved LTIP, measured over the performance period of three years.

On resignation, the employee will forfeit all unvested awards. On death, retrenchment, sale of employer company, disability or retirement, only a portion of the awards 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 cash-settled.

27. SHARE-BASED PAYMENTS *continued*27.1 Cash-settled share-based payment plan *continued*27.1.3 Conditional share plan *continued*

The outstanding awards at 30 June 2019 were as follows:

Grant date	Vesting period	Number of awards 2019*	Number of awards 2018
15 August 2016	15 August 2017 – 15 August 2019	81 231	128 656
19 September 2016	18 September 2019	5 787 667	5 275 000
4 April 2017	3 April 2020	–	50 000
1 June 2017	31 May 2020	–	75 000
		5 868 898	5 528 656

* The number of Cash-Settled Conditional Shares were adjusted as per the rules of the scheme based on the impact of the 2018 Rights Offer. Awards have vested and forfeited during the current period.

27.2.1 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 of three years. 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.

This scheme was replaced by the Aveng Long Term Incentive Plan (LTIP) approved at the AGM in October 2015.

	2019 Number of shares	2018 Number of shares
The movements during the year were as follows:		
Opening balance	2 265 200	4 730 181
Shares forfeited*	(2 265 200)	(2 464 981)
	–	2 265 200
Average purchase price of shares granted to participant (R)	–	–
Total value of shares granted to participants (Rm)	–	–

* In light of the performance condition not being satisfied, shares reported hereunder were automatically forfeited in terms of the scheme rules and the endorsement of the remuneration and nomination committee.

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28. POST-EMPLOYMENT BENEFITS

	2019	2018
Defined contribution plan		
Aveng Group and industry retirement plans*	8 790	9 241
McConnell Dowell Corporation Limited plan*	2 089	2 053
Number of covered employees	10 879	11 294
Number of employees not covered*	665	2 864
Total number of employees	11 544	14 158
Cover ratio	94,2%	79,8%
The Group's retirement expense (Rm)	315	347

* Number of employees.

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 benefit 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.

The Group has assessed the likelihood of Momentum being unable to perform in terms of an annuity purchase agreement to be remote.

29. REVENUE

The Group's revenue is derived from contracts with customers. Revenue can be classified into the following categories: construction contracts, sale of goods and transport services. The nature and effect of initially applying *IFRS 15* on the Group's financial statements is disclosed in *note 2: Accounting policies*.

Year ended 30 June 2019 Rm	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS		Total
	Construction and Engineering: Australasia and Asia	Mining	Other and Eliminations	Construction and Engineering: South Africa and the rest of Africa	Manufacturing and Processing	
Revenue						
Construction						
Contract revenue	9 527	4 120	(71)	4 614	153	18 343
Sale of goods	-	11	(52)	-	7 282	7 241
Other revenue	-	12	1	3	-	16
Transport revenue	-	-	-	-	76	76
	9 527	4 143	(122)	4 617	7 511	25 676

29. REVENUE continued

Year ended 30 June 2018* Rm	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS		Total
	Construction and Engineering: Australasia and Asia	Mining	Other and Eliminations	Construction and Engineering: South Africa and the rest of Africa	Manufacturing and Processing	
Revenue						
Construction						
Contract revenue	11 716	4 691	224	6 600	165	23 396
Sale of goods	–	7	(50)	–	7 079	7 036
Other revenue	–	15	2	22	21	60
Transport revenue	–	–	–	–	88	88
	11 716	4 713	176	6 622	7 353	30 580

* Subsequent to the approval of the Aveng Group Annual Financial Statements (AFS) for the year ended 30 June 2018, it came to the attention of the Group that the composition of the two disclosures included within note 29: Revenue was incorrectly presented. The unintentional presentation matter (UPM) resulted in construction contract revenue being understated by R1 172 million, with the corresponding other revenue being overstated by the same amount.

The incorrect presentation is limited to the composition of the note only and is an unintentional presentation misstatement in classification between types of revenue. The total of the note remains unchanged, and there is no impact on any other financial information.

The table disclosed above shows the correct revenue after the correction of the UPM.

30. COST OF SALES

	2019 Rm	2018 Rm
Operating lease charges – premises	143	139
Earnings from contract-related property, plant and equipment	(36)	(83)
Depreciation of property, plant and equipment	736	643
Loss on derecognition of components included in property, plant and equipment	124	116
Employee cost	5 020	6 056
Employee benefits	136	140
Materials	7 525	8 005
Sub-contractors	6 475	7 826
Other	4 505	5 940
	24 628	28 782

31. OTHER EARNINGS

Dividends received	3	6
Discount received	93	104
Foreign exchange (losses) / gains*	(32)	(60)
Rent received	29	16
Other income	17	40
	110	106

* Includes gains on forward exchange contracts.

Notes to the consolidated annual financial statements continued

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32. OPERATING EXPENSES

	Notes	2019 Rm	2018 Rm
Operating lease charges		83	80
Rationalisation and restructuring		31	15
Depreciation of property, plant and equipment		6	23
Amortisation of intangible assets		8	28
Share-based payment expense		1	(7)
Employee costs		1 145	1 237
Employee benefits		24	48
Computer costs		159	130
Consulting fees		214	206
Auditors remuneration		70	65
Other		506	467
		2 247	2 292

33. DISPOSAL OF SUBSIDIARY

On 25 June 2019, Aveng Water Proprietary Limited was sold for R61 million cash. Aveng Water Proprietary Limited formed part of the *Construction and Engineering: South Africa and the rest of Africa* disposal group. The subsidiary was not considered an operating segment nor a separate major line of business or geographical area.

	2019 Rm
Net cash impact of sale	
Total assets (excluding cash and bank balances)	20
Property, plant and equipment, net of accumulated depreciation and impairment losses	*
Inventories	6
Amounts due from contract customers	15
Trade and other receivables, net of provisions	(1)
Cash and bank balances	*
Total liabilities	(34)
Amounts due to contract customers	2
Trade and other payables	(36)
Net assets sold	(14)
Gain on disposal of subsidiary	41
<i>Add back: Associated obligations</i>	34
Net proceeds received in cash	61
Total proceeds received in cash	63
Less: Transaction costs paid**	(2)

* Amounts less than R1 million.

** Transaction costs incurred relating to this transaction was expensed.

34. OTHER FINANCE EXPENSES

	2019 Rm	2018 Rm
Interest on other debt instruments	449	376
Commitment fees and other costs	75	58
	524	434

35. TAXATION**Major components of the taxation expense****Current taxation**

Local income taxation – current period	56	1
Local income taxation – recognised in the current taxation for prior periods	(1)	(1)
Foreign income taxation or withholding taxation – current period	36	141
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	23	9
	114	150

Deferred taxation

Deferred taxation – current period	130	283
Deferred taxation – arising from prior period adjustments	–	(9)
Deferred taxation – foreign tax rate change	1	2
	131	276
	245	426

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35. TAXATION continued

	%	%
Reconciliation of the taxation expense		
Effective taxation rate on earnings	(17,1)	(13,8)
Exempt income and capital profits	(4,4)	(0,8)
Deferred taxation asset not recognised	41,6	25,1
Disallowable charges	3,4	17,8
Other	4,5	(0,3)
	28,0	28,0

South African income taxation is calculated at 28% (2018: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

36. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2019 Number of shares	2019 Weighted average number of shares	2018 Number of shares	2018 Weighted average number of shares
Opening balance	416 670 931	416 670 931	416 670 931	416 670 931
Issue of shares – Rights issue	4 931 854 395	4 763 669 189	–	–
Issue of shares – Settlement of convertible bonds	14 045 972 894	10 698 028 670	–	–
	19 394 498 220	15 878 368 790	416 670 931	416 670 931
<i>Less: Treasury shares</i>				
Aveng Limited Share Purchase Trust	(6 018 386)	(6 018 386)	(6 018 386)	(6 018 386)
Aveng Management Company Proprietary Limited	(788 684)	(788 684)	(788 684)	(4 634 228)
Equity-settled share-based payment plan	(18 046 763)	(18 019 366)	(13 046 763)	(9 201 219)
Total treasury shares	(24 853 833)	(24 826 436)	(19 853 833)	(19 853 833)
Rights issue – Bonus element*	–	141 939 095	141 939 095	141 939 095
Weighted average number of shares	19 369 644 387	15 995 481 449	538 756 193	538 756 193
<i>Add: Contingently issuable shares in terms of the equity-settled share-based payment plan</i>	–	–	13 046 763	9 201 219
Diluted weighted average number of shares**	19 369 644 387	15 995 481 449	551 802 956	547 957 412
Note	21		21	

* This item is in relation to the bonus element of the rights issue that was closed on 29 June 2018. The bonus element resulted due to the exercise price being less than the fair value of the share on 29 June 2018.

** The convertible bonds were anti-dilutive for the years ended 30 June 2019 and 2018 and have therefore not been included in the calculation of diluted number of shares.

36. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

	2019		2018 (restated)	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline loss				
Loss for the period attributable to equity holders of parent		(1 681)		(3 523)
Impairment of goodwill	–	–	242	242
Impairment of property, plant and equipment	163	163	888	661
Impairment of property, plant and equipment – Held for Sale	44	44	–	–
Gain on disposal of assets Held for Sale	(203)	(203)	–	–
Gain on disposal of subsidiary	(41)	(41)	–	–
Impairment of intangible assets	34	34	168	168
Loss on derecognition of components	124	124	116	116
Gain on disposal of property, plant and equipment	(36)	(36)	(47)	(34)
Fair value adjustment on properties and disposal groups classified as Held for Sale	51	51	807	807
Headline loss		(1 545)		(1 563)*
Diluted headline loss		(1 545)		(1 563)
HEPS from continuing and discontinued operations				
Headline loss per share – basic (cents)		(9,7)		(290,1)
Headline loss per share – diluted (cents)		(9,7)		(285,2)
Issued shares		19 394,5		416,7
Weighted average shares		15 995,5		538,8
Diluted shares		15 995,5		548,0

* Following an extensive assessment of asset health within Moolmans carried out at the end of the prior year and beginning of the current year, certain costs are disaggregated within already recorded cost of sales to better reflect how the asset components are utilised. These costs have been reflected as loss on derecognition of components and added back in determining headline loss in the prior year, resulting in a restatement of headline loss.

37. CASH UTILISED FROM OPERATIONS

	2019 Rm	2018 Rm
Loss before taxation from continued operations	(778)	(609)
Loss before taxation from discontinued operations	(657)	(2 484)
Loss before taxation	(1 435)	(3 093)
Finance earnings	(181)	(246)
Finance expenses	587	685
Dividend earnings	(3)	(7)
Share of (earnings) / loss from equity-accounted investment	30	13
	(1 002)	(2 648)

38. NON-CASH AND OTHER MOVEMENTS

Impairment loss on goodwill, property, plant and equipment and intangible assets	241	1 298
Impairment loss on equity-accounted investments	–	195
Gain on redemption of convertible bond	(102)	–
Gain on sale of assets Held for Sale	(203)	–
Gain on sale of subsidiaries	(41)	–
Gain on sale of property, plant & equipment	(36)	(129)
Fair value adjustment on properties and disposal groups classified as Held for Sale	51	807
Unrealised foreign exchange losses on borrowings and other liabilities	1	3
Movements in foreign currency translation	(44)	(11)
Movement in equity-settled share-based payment reserve	1	8
Derecognition of components included in property, plant and equipment	124	–
Other non-cash items	–	6
	(8)	2 177

Notes to the consolidated annual financial statements continued

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	Note	2019 Rm	2018 Rm
39. FINANCE EXPENSES PAID			
Amount charged to the statement of comprehensive earnings		(587)	(685)
Movement in finance expenses unpaid		74	153
		(513)	(532)
40. FINANCE EARNINGS RECEIVED			
Amount charged to the statement of comprehensive earnings		181	246
Movement in accrued finance earnings		–	(2)
		181	244
41. TAXATION PAID			
Amounts overpaid / (unpaid) at the beginning of the period		39	61
Amounts charged to the statement of comprehensive earnings – normal tax	35	(114)	(150)
Amounts (overpaid) / unpaid at the end of the period		(43)	(39)
Amounts relating to foreign currency translation movement		28	33
		(90)	(95)
42. DIVIDENDS PAID			
Dividends to non-controlling interest*		–	(1)
		–	(1)

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

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening balance Rm	Net cash flow movement Rm	Unrealised foreign exchange (gains) / losses Rm	Classified as Held for Sale – transferred out Rm	Other non-cash movements Rm	Closing balance Rm
2019						
Interest-bearings loans and borrowings (including finance lease liabilities excluding the convertible bond liability)	1 358	786	1	–	–	2 145
Convertible bond liability*	1 929	(2 031)	–	–	102	–
	3 287	(1 245)	1	–	102	2 145
Note			38			
Current portion of total borrowings and other liabilities						695
Non-current portion of total borrowings and other liabilities						1 450
						2 145

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES continued

	Opening balance Rm	Net cash flow movement Rm	Unrealised foreign exchange (gains) / losses Rm	Classified as Held for Sale – transferred out Rm	Other non-cash movements Rm	Closing balance Rm
2018						
Interest-bearing loans and borrowings (including finance lease liabilities excluding the convertible bond liability)	1 243	134	3	(22)	–	1 358
Convertible bond liability*	1 823	–	–	–	106	1 929
	3 066	134	3	(22)	106	3 287
Current portion of total borrowings and other liabilities						599
Non-current portion of total borrowings and other liabilities						2688
						3 287

* Refer to note 22: Borrowing and other liabilities – Convertible bonds for the detail disclosure of items relating to the convertible bond liability.

44. COMMITMENTS

	2019 Rm	2018 Rm
Authorised capital expenditure		
– Contracted	14	62
– Authorised, but not contracted	1	–
Total capital expenditure	15	62
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		
Continued operations		
The future minimum lease payments under non-cancellable operating leases are as follows:		
– within one year	295	342
– in second to fifth year inclusive	850	956
– later than five years	746	780
Discontinued operations		
The future minimum lease payments under non-cancellable leases are as follows:		
– within one year	47	30
– in second to fifth year inclusive	31	58
– later than five years	2	–
	1 971	2 166

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45. CONTINGENT LIABILITIES AND ASSETS

	2019 Rm	2018 Rm
Contingent liabilities at the reporting date, not otherwise provided for in interim results, arise from performance bonds and guarantees issued in:		
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	1 491	2 155
Parent company guarantees (ZARm)	30	509
	1 521	2 664
Australasia and Asia		
Guarantees and bonds (AUDm)	270	287
Parent company guarantees (AUDm)	44	337
	314	624

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 position 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 probable.

46. DIRECTORS' EMOLUMENTS AND INTERESTS

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

Executive directors

	Year	Salary ¹ R'000	Retire- ment fund ² R'000	Termi- nation payments ³ R'000	Other payments ⁴ R'000	Cash incentive payments ⁵ R'000	Cash settled CSP ⁶ R'000	Rights offer ⁷ R'000	Total ⁸ R'000
EK Diack (SA) ⁹	2019	7 800	–	–	–	9 802	–	–	17 602
	2018	6 698	–	–	–	4 204	–	–	10 902
SJ Flanagan (SA) ¹⁰	2019	3 250	–	–	–	3 627	–	–	6 877
	2018	–	–	–	–	–	–	–	–
AH Macartney (SA)	2019	4 229	213	–	–	4 287	1	–	8 730
	2018	3 929	198	–	–	658	64	3 021	7 870
JJA Mashaba (SA) ¹¹	2019	676	51	1 447	–	–	1	–	2 175
	2018	4 044	198	–	–	672	68	3 034	8 016
HJ Verster (SA) ¹²	2019	–	–	–	–	–	–	–	–
	2018	1 537	66	2 709	5 660	–	2 469	–	12 441

¹ Salary for South African directors is total fixed earnings inclusive of contributions towards medical aid, administration and risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the directors total guaranteed package (TGP).

² Retirement fund contributions are also funded from the directors' TGP.

³ Termination payments including leave pay, notice pay, and sundry, where applicable.

⁴ Other payments relating to termination.

⁵ Cash incentive payments made in relation to 2019 Performance Incentive Plan.

⁶ Vested Cash-Settled Conditional Share Plan Awards (FY16 Award) relating to the bonus shares.

⁷ As announced on SENS in 2018, the executive directors on market sale of letters of allocation.

⁸ The total reflected includes all cash payments made to the executive director in the financial year. The single figure of remuneration reflected in Part 3 of the remuneration report will differ based on the requirements of King IV™.

⁹ EK Diack appointed as executive chairman on 23 August 2017.

¹⁰ SJ Flanagan appointed as CEO on 1 February 2019.

¹¹ JJA Mashaba resigned 31 August 2018.

¹² HJ Verster resigned 30 September 2017.

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46. DIRECTORS' EMOLUMENTS AND INTERESTS continued
Non-executive directors

	Directors' fees R'000	Chairman fees R'000	Committee fees R'000	Other fees¹ R'000	Total R'000
2019					
MA Hermanus ²	499	374	170	–	1 043
MJ Kilbride	462	162	723	126	1 473
K Mzondeki ³	338	108	241	–	687
SJ Flanagan ⁴	274	–	616	4 151	5 041
	1 573	644	1 750	4 277	8 244
PA Hourquebie (€) ⁵	94	–	36	6	136
2018					
EK Diack ⁶	165	72	103	–	340
PJ Erasmus ⁷	330	108	259	–	697
MA Hermanus	716	327	–	–	1 043
MJ Kilbride	773	–	348	–	1 121
T Mokgosi-Mwantembe ⁸	193	54	93	–	340
MI Seedat ⁹	221	47	384	–	652
M Mzondeki	761	162	396	–	1 319
SJ Flanagan	744	–	652	278	1 674
	3 903	770	2 235	278	7 186
PA Hourquebie (€)	107	–	38	–	145

¹ Other fees relate to attendance at subsidiary board meetings and extraordinary services rendered.

² MA Hermanus was appointed as the lead independent non-executive director effective from 24 December 2018 and was appointed to the audit and risk committee effective 20 February 2019.

³ K Mzondeki resigned on 24 December 2018.

⁴ SJ Flanagan was appointed as the chief executive officer with effect from 1 February 2019.

⁵ PA Hourquebie fees are disclosed in British Pounds (£).

⁶ EK Diack was appointed as executive chairman on 23 August 2017.

⁷ PJ Erasmus passed away 4 February 2018.

⁸ TM Mokgosi-Mwantembe resigned 24 November 2017.

⁹ MI Seedat resigned 24 November 2017.

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 benchmarks from a non-executive director remuneration survey, as well as extracts and benchmarking data from annual reports of at least four medium businesses within the same industry sector. A comparison of the current and proposed fees against the market surveys and benchmarks informs the appropriate fee recommended by management. The services of independent remuneration consultants may also be used to obtain independent benchmarks for non-executive directors' fees.

While market benchmarks provide an indication of competitiveness of non-executive director fees, other considerations such as company performance and affordability ultimately influence fee increases.

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46. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Interest of directors of the Company in share capital

	Ordinary shares 2019	Ordinary shares 2018
Executive directors		
EK Diack	–	–
JJA Mashaba ¹	–	89 661
SJ Flanagan	–	–
AH Macartney	–	–
HJ Verster ²	–	–
	–	89 661
Non-executive directors		
MJ Kilbride	129 999	10 000
	129 999	10 000
	129 999	99 661

¹ JJA Mashaba resigned effective 31 August 2018.

² HJ Verster resigned effective 22 September 2017.

Forfeitable shares – old scheme (Discontinued in 2015)

	Date from which exercisable	Number entitled to at 1 July 2018	Number granted during the year	Number redeemed or taken up during the year	Number forfeited during the year ¹	Number entitled to at 30 June 2019
JJA Mashaba	Sep 2018	372 800	–	–	372 800	–
		372 800	–	–	372 800	–
AH Macartney	Sep 2018	391 000	–	–	391 000	–
		391 000	–	–	391 000	–

¹ In light of the performance condition not being satisfied, shares reported hereunder were automatically forfeited in terms of the scheme rules and the endorsement of the remuneration and nomination committee.

46. DIRECTORS' EMOLUMENTS AND INTERESTS *continued*
Cash-settled conditional shares (CSPs)

	Date from which exercisable	Number entitled to at 1 July 2018	Number granted during the year	Number adjusted for rights offer during the year ¹	Number redeemed or taken up during the year	Number forfeited during the year	Number entitled to at 30 June 2019
JJA Mashaba	Aug 2018	17 544	–	–	17 544	–	–
	Aug 2019	17 544	–	23 072	–	40 616	–
	Sep 2019	1 000 000	–	1 315 066	–	2 315 066	–
		1 035 088	–	1 338 138	17 544	2 355 682	–
AH Macartney	Aug 2018	16 374	–	–	16 374	–	–
	Aug 2019	16 375	–	21 533	–	–	37 908
	Sep 2019	400 000	–	526 026	–	–	926 026
		432 749	–	547 559	16 374	–	963 934

¹ The number of Cash-Settled Conditional Shares were adjusted as per the rules of the scheme based on the impact of the 2018 Rights Offer.

Long-term Incentive Plan (LTIP)

	Date from which exercisable	Number entitled to at 1 July 2018	Number granted during the year	Number forfeited during the year	Number entitled to at 30 June 2019
JJA Mashaba	Dec 2018	41 965	–	41 965	–
	Dec 2019	41 965	–	41 965	–
	Dec 2020	1 349 218	–	1 349 218	–
		1 433 148	–	1 433 148	–
AH Macartney	Dec 2018	42 124	–	42 124	–
	Dec 2019	42 124	–	–	42 124
	Dec 2020	1 323 142	–	–	1 323 142
		1 407 390	–	42 124	1 365 266

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46. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Prescribed officers and other key management personnel

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 ² R'000
JN Govender ¹⁰	2019	1 110	71
	2018	–	–
S Cummins (Aus) ¹¹	2019	1 120	161
	2018	1 084	157
HA Aucamp ¹²	2019	–	–
	2018	3 373	170
BKN Mdlalose ¹²	2019	–	–
	2018	738	32
SPF White ¹³	2019	2 452	165
	2018	3 622	275
LS Letsoalo ¹⁴	2019	–	–
	2018	1 237	119
CD Botha ¹⁵	2019	–	–
	2018	1 139	47

¹ Salary for South African prescribed officers is total fixed earnings inclusive of contributions towards medical aid, administration and risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the prescribed officers total guaranteed package (TGP).

² Retirement fund contributions are also funded from the prescribed officer's TGP.

³ Termination payments including leave pay, notice pay, and sundry where applicable.

⁴ Other payments relating to S Cummins' appointment award. The appointment award was paid in three equal tranches, this being the final tranche.

⁵ Incentive bonus payment made to S Cummins.

⁶ Vested Cash-Settled Conditional Share Plan Awards (FY16 Award) relating to the bonus shares

⁷ MTI paid in March 2018 in respect of previous years' awards. The scheme was discontinued from the 2015/2016 financial year.

⁸ The prescribed officers on market sale of letters of allocation relating to the rights offer in 2018.

⁹ The total reflected includes all cash payments made to the prescribed officers in the financial year. The single figure of remuneration reflected in Part 3 of the remuneration report will differ based on the requirements of King IVTM.

¹⁰ JN Govender appointed as Moolmans' Managing Director on 1 April 2019.

¹¹ S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefits allowance.

¹² In line with the implementation of the strategic action plan, managing directors of the non-core businesses will no longer be considered prescribed officers of Aveng, as they have no direct or indirect influence over the strategic direction of the Group.

¹³ SPF White resigned 31 January 2019.

¹⁴ LS Letsoalo resigned 31 October 2017.

¹⁵ CD Botha terminated 30 September 2017.

Termination payments ³ R'000	Other payments ⁴ R'000	Cash incentive payments ⁵ R'000	Cash settled CSP ⁶ R'000	Medium- term incentive (MTI) ⁷ R'000	Rights offer ⁸ R'000	Total ⁹ R'000
–	–	–	–	–	–	1 181
–	–	–	–	–	–	–
–	400	100	–	–	–	1 781
–	400	–	–	–	–	1 641
–	–	–	–	–	–	–
–	–	100	73	–	461	4 177
–	–	–	–	–	–	–
–	–	270	–	–	13	1 053
1 654	–	–	1	–	–	4 272
–	–	637	46	275	494	5 349
–	–	–	–	–	–	–
182	–	–	–	–	–	1 538
–	–	–	–	–	–	–
175	1 169	–	–	–	–	2 530

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47. 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 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 of excess liquidity.

The executive committee is responsible for risk management activities within the Group. The executive committee 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. There have been no changes in the risk management policies since the prior year.

47.1 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 2019 and 30 June 2018.

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 R2,4 billion (2018: R2,6 billion).

The Group's strategy is to achieve the ROIC ratio at a minimum of 15%. The ROIC ratio as at 30 June 2019 and 2018 was as follows:

	2019 Rm	2018 Rm
Net operating loss less adjusted tax	(1 250)	(704)
Invested capital	7 764	10 090
ROIC ratio (%)	(16,2)	(7,0)

47.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency, as and when they fall due. 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.

At year end, the Group had revolving credit facilities of R831 million from various CTA banks which are repayable in September 2020, and term facilities of R890 million, all of which were fully drawn.

The Group enacted a buyback of R693 million of the existing convertible bonds at 70% of the principal amount. The remaining R1,4 billion bonds were settled through a share issue in September 2018. In addition, the Group settled two revolving credit facilities of R400 million and R300 million from Absa and Nedbank respectively early in September 2018.

The Group has assessed the liquidity risk as medium. The Group remains confident that available cash resources, facilities and operating cash flows will be sufficient to meet its funding requirements. In the prior year, certain asset-based financing arrangements required consent from relevant lenders, in order to be transferred to Aveng Africa Proprietary Limited, as a Group restructure was a covenant under the previous agreement. This consent was obtained during the prior year for all agreements, with the exception of one agreement which was completed in the current year.

The maturity analysis for derivative and non-derivative financial liabilities has been included (refer to *note 47.7: Borrowing capacity*).

47. RISK MANAGEMENT continued**47.3 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. For interest rate disclosure refer to *note 22: Borrowings and other liabilities*.

The Group's exposure to interest rate risk relates primarily to the Group's debt obligations with variable interest rates and the asset-based finance which are repayable at a fixed interest rate in quarterly instalments. The interest rate risk excludes the interest on the Group's convertible bond which was capitalised before being redeemed in September 2018.

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

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 were 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:

	2019 Rm	2018 Rm
Total variable borrowings	1 602	1 036
Effect on earnings after taxation – plus 50 basis points increase	(6)	(4)
Effect on earnings after taxation – minus 50 basis points increase	6	4

47.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's material exposure to credit risk is in its receivables (refer to *note 17: Trade and other receivables*), deposits and cash balances (refer to *note 19: Cash and bank balances*), and amounts due from contract customers (refer to *note 16: Amounts due from / (to) contract customers*).

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.

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. Cash balances as per *note 19: Cash and bank balances* represent the maximum credit exposure.

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from contract customers as disclosed in *note 16: Amounts due from / (to) contract customers* and trade receivables as disclosed in *note 17: Trade and Other Receivables*. The Group evaluates the concentration of risk with respect to amounts due from contract customers and trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group performs a specific assessment on amounts that are past due and have indicators that there is no reasonable expectation of recovery and includes these in the provision for doubtful debts – specific debtors. These include amounts relating to financial assets that are written-off but are still subject to enforcement activity.

Expected credit losses on trade receivables and amounts due from contract customers

An impairment analysis in line with the requirements of *IFRS 9 Financial Instruments* is performed at the end of the reporting date using a forward looking "expected credit loss" (ECL) model. This model uses a PD / LGD / EAD approach to calculate the expected credit losses. The Group segments its portfolio of trade receivables and amounts due from contract customers into various segments based on shared risk characteristics to ensure homogeneous grouping of counterparties. The classification of counterparties into the various segments is based on their country of operation, whether the counterparty is rated by an external rating agency, and the segment in which the counterparty operates. The classification is limited to categories established in the Basel II Accord and SARB regulations (ie Externally rated entities, unrated public institutions; other unrated corporate entities and other unrated retail entities). The Group uses judgement to appropriately notch down the ratings assigned to various categories of debt into categories appropriate to the Group's credit risk.

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The impact on the Group is that the credit risk has increased, however not significantly.

Notes to the consolidated annual financial statements continued

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47. RISK MANAGEMENT continued

47.4 Credit risk continued

47.4.1 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*	Past due and impaired*	Total Rm
2019						
Trade receivables	1	–	–	–	2	3
Provision for doubtful debts – specific debtors	–	–	–	–	(2)	(2)
Provision for expected credit losses	–	–	–	–	**	–
Net book value	1	–	–	–	–	1
2018						
Trade receivables	1 055	71	58	32	56	1 272
Provision for doubtful debts	–	–	–	–	(56)	(56)
Net book value	1 055	71	58	32	–	1 216

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

** Amount less than R1 million.

Trade and other receivables impaired

As at 30 June 2019, trade receivables with a nominal value of R2 million (2018: R56 million) (doubtful debts – specific debtors and expected credit losses) were provided for in a provision account.

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

	2019 Rm	2018 Rm
Trade and other receivables	173	1 519
Provision for doubtful debts – specific debtors	(2)	(56)
Provision for expected credit losses	**	–
	171	1 463
Reconciliation of provision for doubtful debts – specific debtors		
Opening balance	56	30
Raised during the year	23	32
Utilised	(77)	(6)
	2	56
Reconciliation of allowance for credit losses		
Opening balance adjustment:		
– adoption of IFRS 9 accounting standard	4	–
Transferred to Held for Sale	(4)	–
	**	–

** Amounts less than R1 million.

47. RISK MANAGEMENT continued

47.4 Credit risk continued

47.4.2 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 16: Amounts due from / (to) 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 and not impaired* Rm	Past due and impaired* Rm	Total Rm
2019						
Contract and retention receivables	1 667	71	60	154	1	1 953
Provision for contract receivables	–	–	–	–	–	–
Provision for expected credit losses	–	–	–	–	(1)	(1)
Net book value	1 667	71	60	154	–	1 952
2018						
Contract and retention receivables	2 589	63	119	37	2	2 810
Provision for contract receivables	–	–	–	–	(2)	(2)
Net book value	2 589	63	119	37	–	2 808

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

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.

	Provision for contract receivables		Provision for expected credit losses	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Reconciliation of provisions relating to amounts due from contract customers				
Opening balance	2	2	–	–
Adoption of IFRS 9 accounting standard**	–	–	2	–
Transferred to Held for Sale	–	–	(1)	–
Raised during the year	–	–	*	–
Utilised	(2)	–	–	–
	–	2	1	–

* Amounts less than R1 million.

** The adoption of the expected credit loss model under IFRS 9 has impacted the amounts due from contract customers opening balance by R2 million. Comparatives have not been amended as detailed in the note above.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

47. RISK MANAGEMENT continued

47.4 Credit risk continued

47.4.2 Amounts due from / (to) contract customers continued

Analysis of past due accounts continued

	Uncertified claims and variations Rm	Contract contingencies Rm	Contract receivables Rm	Provision for contract receivables Rm	Provision for expected credit losses Rm	Retention receivables Rm	Total Rm
2019							
Non-current assets	462	–	–	–	–	–	462
Current assets	569	(361)	1 916	–	(1)	36	2 159
	1 031	(361)	1 916	–	(1)	36	2 621
2018							
Non-current assets	661	–	–	–	–	–	661
Current assets	985	(490)	2 602	(2)	–	208	3 303
	1 646	(490)	2 602	(2)	–	208	3 964

47.4.3 Credit risk mitigation and collateral

Where appropriate, the Group obtains collateral and uses first loss trade credit insurance to mitigate risk.

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 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 creditworthiness 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 and delay costs associated with the extension of time.

47. RISK MANAGEMENT continued**47.5 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, and the majority of costs are denominated in the unit's functional currency.

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 (due to changes in the fair value of foreign denominated monetary assets and liabilities at year end).

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)
2019					
Australian Dollar (AUD)	9,90	10,40	9,41	(30)	30
United States Dollar (USD)	14,10	14,81	13,40	*	*
Euro (EUR)	16,06	16,86	15,26	*	*
Effect on earnings before taxation**				(30)	30
2018					
Australian Dollar (AUD)	10,13	10,64	9,62	(35)	35
United States Dollar (USD)	13,71	14,40	13,03	*	*
Euro (EUR)	16,01	16,81	15,21	*	*
Effect on earnings before taxation**				(35)	35

* Amounts less than R1 million.

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

47. RISK MANAGEMENT continued

47.6 Foreign currency risk

The carrying value by functional currency of the Group's monetary assets and liabilities are as follows:

	Notes	South African Rand Rm	Rand equivalent amount (Rm)				Total
			USD	AUD*	EUR	Other	
2019							
Monetary assets as per the statement of financial position							
Amounts due from contract customers – current	16	348	38	1 751	–	22	2 159
Amounts due from contract customers – non-current	16	–	–	462	–	–	462
Trade and other receivables	17	44	7	117	–	26	194
Cash and bank balances	19	487	24	1 026	5	63	1 605
Monetary assets classified as Held for Sale							
Amounts due from contract customers – current	20	374	–	–	–	27	401
Trade and other receivables	20	1 230	24	7	3	13	1 277
		2 483	93	3 363	8	151	6 098
Monetary liabilities as per the statement of financial position							
Derivative instruments – current	15	1	–	–	–	–	1
Borrowings and other liabilities – current	22	573	–	122	–	–	695
Borrowings and other liabilities – non-current	22	1 394	–	56	–	–	1 450
Payables other than contract-related	23	136	–	–	–	–	136
Employee-related payables	25	200	10	309	–	9	528
Trade and other payables	24	986	9	1 657	–	31	2 683
Amounts due to contract customers	16	168	–	645	–	–	813
Monetary liabilities classified as Held for Sale							
Borrowings and other liabilities – current and non-current	20	2	–	–	–	–	2
Employee-related payables	20	223	1	1	2	3	230
Amounts due to contract customers	20	214	–	–	–	10	224
		3 897	20	2 790	2	53	6 762
Net exposure		(1 414)	73	573	6	98	(664)

* This amount includes exposure to NZD and other currencies within the Australasia and Southeast Asia market.

47. RISK MANAGEMENT continued

47.6 Foreign currency risk continued

	Notes	South African Rand Rm	Rand equivalent amount (Rm)				Total
			USD	AUD*	EUR	Other	
2018							
Monetary assets as per the statement of financial position							
Derivative instruments – current	15	9	–	–	–	–	9
Derivative instruments – non-current	15	–	–	–	–	–	–
Amounts due from contract customers – current	16	984	18	2 176	–	125	3 303
– non-current	16	–	–	661	–	–	661
Trade and other receivables	17	1 060	99	70	6	345	1 580
Cash and bank balances	19	382	136	1 445	7	106	2 076
		2 435	253	4 352	13	576	7 629
Monetary liabilities as per the statement of financial position							
Borrowings and other liabilities – current	22	471	18	120	–	–	609
Borrowings and other liabilities – non-current	22	2 570	46	84	–	–	2 700
Payables other than contract-related – current	23	146	–	–	–	–	146
Employee-related payables	25	368	8	299	3	35	713
Trade and other payables	24	3 511	28	2 005	7	170	5 721
Amounts due to contract customers	16	379	–	1 098	–	12	1 489
		7 445	100	3 606	10	217	11 378
Net exposure		(5 010)	153	746	3	359	(3 749)

* This amount includes exposure to NZD and other currencies within the Australasia and Southeast Asia market.

47.7 Borrowing capacity

The Group's borrowing capacity is set out in accordance with the terms of the Company's memorandum of incorporation.

	2019 Rm	2018 Rm
The Group had the following undrawn facilities:		
Total borrowing facilities (includes bank overdraft facility of R205 million (2018: R706 million))	2 447	4 160
Current utilisation	(2 145)	(3 624)
Borrowing facilities available	302	536

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

47. RISK MANAGEMENT continued

47.7 Borrowing capacity continued

Maturity profile of financial instruments

The maturity profile of the recognised financial instruments are summarised below. These profiles represent the discounted 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
2019				
Non-derivative financial liabilities				
Interest-bearing borrowings	972	1 916	–	2 888
Amounts due to contract customers	813	–	–	813
Trade and other payables	2 683	–	–	2 683
	4 468	1 916	–	6 384
2018				
Non-derivative financial liabilities				
Interest-bearing borrowings	632	3 000	–	3 632
Amounts due to contract customers	1 140	–	–	1 140
Trade and other payables	2 958	–	–	2 958
	4 730	3 000	–	7 730

48. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- ▶ Infrastructure investments; and
- ▶ Forward exchange contracts (FECs).

Infrastructure investments

The Group measures its remaining infrastructure investment, Dimopoint Proprietary Limited at fair value through profit or loss. The investments in Imvelo Concession Company Proprietary Limited and Firefly Investments 238 Proprietary Limited were classified as Held for Sale in the prior year – refer to *note 13: Infrastructure investments* and *note 20: Non-current assets and liabilities classified as Held for Sale*.

(i) Dimopoint Proprietary Limited (Dimopoint)

Methodology

The value of the Group's share in Dimopoint was determined on the basis of the underlying long-term contractual rental streams. The fair value was determined based on the underlying investment property portfolio. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows. The valuation takes into consideration the selling price, escalations per year, rental income escalation per year and risk-adjusted discount rates.

Valuation parameters and assumptions

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

- ▶ In estimating the fair value of the properties, the highest and best use of the properties is taken into account
- ▶ Free cash flows based on the underlying long-term contractual rental streams
- ▶ Market comparable yields applicable to the underlying investment property portfolio.

(ii) 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 17,0% 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.

48. FAIR VALUE OF ASSETS AND LIABILITIES continued**Infrastructure investments** continued**(ii) Imvelo Concession Company Proprietary Limited (Imvelo)** continued**Valuation parameters and assumptions**

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

- ▶ In estimating the fair value of Imvelo, a discount rate of 17,0% was applied
- ▶ Free cash flows based on the underlying long-term contractual equity distributions (dividends) and shareholder loan interest and principal repayments.

(iii) Firefly Investments 238 Proprietary Limited (Firefly)**Methodology**

The value of the Group's share in Firefly was determined on the basis of the long-term contractual operations and maintenance fees charged by Firefly. The fair value was determined by performing a discounted cash flow valuation over a contract term of approximately 20 years.

Valuation parameters and assumptions

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

- ▶ In estimating the fair value of Firefly, a discount rate of 14,1% was applied
- ▶ Free cash flows based on the underlying long-term contractual revenue streams and operating cost forecasts
- ▶ Long-term revenue and cost indexation (ZAR based) of 4,5% and 1,2% (EUR based) respectively.

Forward exchange contracts (FECs)**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.

Fair value hierarchy

The table below sets out 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 unobservable inputs Level 3 Rm
2019					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	142	142	–	–	142
Infrastructure investments (Held for Sale)	119	119	–	–	119
Liabilities					
FECs	2	2	–	2	–
2018					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	142	142	–	–	142
Infrastructure investments (Held for Sale)	125	125	–	–	125
FECs	3	3	–	3	–
FECs (Held for Sale)	6	6	–	6	–

The Group uses Level 2 valuation techniques to measure foreign exchange contracts and Level 3 valuation techniques to measure infrastructure investments. 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.

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

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

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48. FAIR VALUE OF ASSETS AND LIABILITIES continued

Sensitivity analysis: Financial assets valuations using observable and unobservable inputs

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 profit and loss	
			Increase Rm	Decrease Rm
Infrastructure investments				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	16,0%	0,5%	(9)	9
Classified as Held for Sale				
– Imvelo Concessions Company Proprietary Limited	17,0%	0,5%	(2)	2
– Firefly Investments 238 Proprietary Limited	14,1%	0,5%	(2)	2

49. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with *IAS 32 Financial Instruments: Presentation*, 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 annual financial statements continued

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49. 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 2019			
Derivative instruments	(1)	–	(1)
Derivative instruments – Held for Sale	–	–	–
Cash and bank balances*	1 605	–	1 605
Total assets	1 604	–	1 604
30 June 2018			
Derivative instruments	3	–	3
Derivative instruments – Held for Sale	6	–	6
Cash and bank balances*	3 037	646	2 391
Total assets	3 046	646	2 400

* 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.

*** 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".

Related amounts not set-off

Offsetting financial instruments	Financial collateral**	Net amount	Amounts not subject to enforceable netting arrangements	Total as per statement of financial position***	Current	Non-current
–	–	(1)	–	(1)	(1)	–
–	–	1 605	1 605	1 605	1 605	–
–	–	1 604	1 605	1 604	1 604	–
–	–	3	–	3	3	–
–	–	6	–	6	6	–
–	–	2 391	2 391	2 391	2 391	–
–	–	2 400	2 391	2 400	2 400	–

Notes to the consolidated annual financial statements continued

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50. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant matter or circumstance arising after the reporting date up to the date of this report except as stated below:

50.1 Sale of non-core businesses and assets

The strategic review identified the non-core assets to be sold to strengthen the financial position of the Group, through the repayment of debt and improved liquidity.

50.1.1 Sale of Aveng Dynamic Fluid Control (DFC)

The Group announced on 5 July 2019 that it had entered into a binding term sheet for the sale of DFC to Copaflo Proprietary Limited. The proposed transaction is R165 million, comprising the sale of business for R129 million payable to Aveng and the sale of property for R36 million payable to Dimopoint. The net cash proceeds to Aveng will be R114 million, R129 million purchase price less R11 million via a subordinated loan advanced by Aveng to Copaflo less R4 million lease termination costs payable by Aveng to Dimopoint. The sale is subject to conditions precedent normal for a transaction of this nature.

50.1.2 Sale of Aveng Grinaker-LTA – Rand Roads and GEL

Aveng announced on 12 July 2019 that it entered into a fully funded binding sale of business agreement with Ultra Asphalt for the sale of Rand Roads, a business unit of Aveng Grinaker-LTA, subject to certain conditions. Rand Roads is a specialist division within Aveng Grinaker-LTA. The transaction consideration is R30 million plus the value of inventory as at the effective date estimated at R7,5 million. The sale is subject to conditions precedent normal for a transaction of this nature.

Aveng has also entered a binding sale of business agreement with a newly formed investment special purpose vehicle (NewCo) for the sale of the Aveng Grinaker-LTA Ground Engineering business unit as a going concern for R7,5 million.

50.1.3 Sale of Aveng Duraset – Alrode business

The Group announced on 7 August 2019 that it had entered into a fully funded, binding sale of business agreement with Videx Wire Products Proprietary Limited for the sale of the Aveng Duraset Alrode business as a going concern subject to certain conditions precedent. The proposed transaction is limited to the sale of the Duraset Alrode operation and product portfolio to Videx which includes all assets and liabilities of Duraset Alrode. The proposed transaction consideration is R50 million in cash and is subject to a target sales and net working capital adjustment. The minimum consideration payable is R30 million.

50.1.4 Disposal of Aveng Grinaker-LTA Building and Civil Engineering business

Aveng announced on the 8 August 2019 that it had, acting through its wholly owned subsidiary, Grinaker-LTA Proprietary Limited, entered into a binding sale of business agreement with the Laula Consortium for the sale of the Aveng Grinaker-LTA Building and Civil Engineering business as a going concern, subject to certain conditions precedent.

The sale comprises the following businesses: Aveng Grinaker-LTA Buildings Inland, Aveng Grinaker-LTA Buildings South, Aveng Grinaker-LTA Buildings KZN, Aveng Grinaker-LTA Civil Engineering, Aveng Grinaker-LTA Plant and Yard, and Aveng Grinaker-LTA Training School. Contracts nearing completion will remain with Aveng. The transaction will further settle the Group's VRP transformation commitment to government.

The proposed transaction consideration is R100 million in cash and will be subject to a net working capital adjustment with a deferred and spread out payment mechanism.

50.1.5 Sale of inventory at Aveng Trident Steel's Roodekop plant

Subsequent to year end, the Group concluded a bulk sale in the ordinary course of business of particular lines of steel inventory in its Roodekop plant to a single buyer for R150 million. This sale has allowed Aveng to monetise a significant part of its stock and significantly reduce its working capital. The cash will be used to reduce debt and strengthen the financial position of Aveng.

50.2 Liquidity, solvency, ongoing funding and the going concern assertion

As included in the directors' report, and further detailed below, in determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group can continue in operational existence for the foreseeable future. The directors have considered the agreements reached, the transactions executed post the year end, the actions taken by the Group, the financial plans and forecasts, including all available information, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements. In forming the conclusion, the directors have considered the following:

Funding from South African lending banks

Following the year end, the Group agreed certain amendments to its financing arrangements with the South African Banking Group and the iNguza noteholders. The effect thereof is to amend the debt repayment terms, covenants and extend the term of facilities to 30 September 2021. All other terms remain consistent. Details thereof are set out in *note 22: Borrowings and other liabilities to these financial statements*.

51. RELATED PARTIES

During the period the Group, in the ordinary course of business, entered into various sale and purchase transactions with entities which are equity accounted for.

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.

Refer to transactions with key management disclosed in *note 46: Directors' emoluments and interests*.

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

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.

	2019 Rm	2018 Rm
Associates and joint ventures		
Loans (paid) / advanced – associates and joint ventures	(6)	(18)
Trade and other receivables – associates and joint ventures	9	7
Trade and other payables – associates and joint ventures	(2)	(1)
	1	(12)
Parent company guarantees (ZARm)	700	1 288
Parent company guarantees (AUDm)	4 824	4 200

The Group had no balances with key management personnel or balances with entities controlled by key management personnel during the year under review.

Transactions with associates, joint ventures, joint operations, 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.

	2019 Rm	2018 Rm
Interest paid / (received) from related parties	–	(3)
Management fees received from related parties	–	(1)
Rent paid / (received) from related parties	(14)	(13)
	(14)	(17)

The Group had no transactions with key management personnel or transactions with entities controlled by key management personnel during the year under review.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

52. STRUCTURED ENTITIES

52.1 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.

52.2 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.

	2019 Empowerment vehicles Rm	2019 Structured investment vehicles Rm	Total Rm
Assets			
Investment in subsidiaries	–	1	1
Cash and bank balances	–	3	3
	–	4	4
Maximum exposure to loss**	–	4	4

** The Group's maximum exposure to loss can be calculated as the sum of its assets recognised in the statement of financial position.

	2018 Empowerment vehicles Rm	2018 Structured investment vehicles Rm	Total Rm
Assets			
Investment in subsidiaries	–	50	50
Cash and bank balances	–	4	4
	–	54	54
Maximum exposure to loss**	–	54	54

** The Group's maximum exposure to loss can be calculated as the sum of its assets recognised in the statement of financial position.

Financial support provided or to be provided to unconsolidated structured entities

As at the reporting date, the Group has no intention to provide further financial assistance or other support to any of the unconsolidated structured entities.

52.3 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.

53. GROUP OPERATING ENTITIES

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities		
ACP Investment Managers Proprietary Limited	South Africa	100
Andersen & Hurley Instruments (SA) 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 Holdings Proprietary Limited	Australia	100
Aveng Management Company Proprietary Limited	South Africa	100
Aveng Mining DRC Société à Responsabilité Limitée	Democratic Republic of Congo	100
Aveng Moolmans Burkina Faso SA	Burkina Faso	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 Trident Steel Holdings Proprietary Limited	South Africa	100
Aveng Trident Steel Proprietary Limited	South Africa	100
Aveng Water Treatment Proprietary Limited	Namibia	100
Aveng Zimbabwe (Private) Limited	Zimbabwe	100
Built Environs Proprietary Limited	Australia	100
Aveng Construccious Chile Limitada	Chile	100
Aveng Indústria E Comércio De Válvulas Do Brasil Limitada	Brazil	100
Built Environs Qld Proprietary Limited	Australia	100
Built Environs WA Proprietary Limited	Australia	100
CMM Consultants Proprietary Limited	South Africa	100
Consortio Aveng-Mas Errazuriz Société Anonyme	Chile	60
Dynamic Fluid Control Proprietary Limited	South Africa	100
Dynamic Fluid Control Water Proprietary Limited	South Africa	100
E+PC Engineering & Projects Company (Zambia) Limited	Zambia	100
E+PC Engineering & Projects Company Australia Proprietary Limited	Australia	100
Fort Concrete Holdings (Private) Limited	Zimbabwe	100
Fort Concrete Central (Private) Limited	Zimbabwe	100
Fort Concrete Koala (Private) Limited	Zimbabwe	100
Grinaker-LTA (Botswana) Proprietary Limited	Botswana	100
Grinaker-LTA Construction (Private) Limited	Zimbabwe	100
Grinaker-LTA Construction (Zambia) Limited	Zambia	100
Grinaker-LTA Construction and Development Proprietary Limited	South Africa	100
Grinaker-LTA Engineering and Mining Services Proprietary Limited	South Africa	100
Grinaker-LTA Intellectual Property Proprietary Limited	South Africa	100
Grinaker-LTA Zimbabwe Limited	Zimbabwe	100
Grinaker LTA Proprietary Limited	South Africa	100
Grinaker Pieterse Housing Proprietary Limited	South Africa	100
Grinaker-LTA International Construction Limited	Mauritius	100
Grinaker-LTA International Holdings Limited	Mauritius	100

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2019

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities continued		
Grinaker-LTA Properties Proprietary Limited	South Africa	100
Hylekite Proprietary Limited	Australia	100
IHH (Private) Limited	Zimbabwe	100
Ikhule Construction Incubator Proprietary Limited (Vexicom Proprietary Limited)	South Africa	100
Infrasat 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
LTA Mali Société Anonyme	Mali	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 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	100
McConnell Dowell Saudi Arabia Limited	Saudi Arabia	100
McConnell Dowell Southeast Asia Private Limited	Singapore	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
NFI Holdings Limited	Thailand	100
Perseroan Terbatas McConnell Dowell Services	Indonesia	100
Perseroan Terbatas Wanamas Puspita	Indonesia	100
Perseroan Terbatas McConnell Dowell Indonesia	Indonesia	94
RF Valves Osakeyhtiö	Finland	100
RF Valves, Incorporated	United States of America	100
Toll Highway Development Company Proprietary Limited	South Africa	100
Trident Steel Intellectual Properties 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

53. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %
Associates, joint ventures and infrastructure investments		
AEF Mining Services Proprietary Limited	South Africa	30
Dimopoint Proprietary Limited	South Africa	30
Dutco McConnell Dowell Fabrication LLC	Qatar	50
Dutco McConnell Dowell Middle East Limited Liability Company*	United Arab Emirates	50
Dutco McConnell Dowell Qatar LLC	Qatar	50
Dutco McConnell Dowell Saudi Arabia LLC (KSA)	Saudi Arabia	50
Firefly Investments 238 Proprietary Limited	South Africa	45
Imvelo Concession Company Proprietary Limited	South Africa	30
Lesedi Tracks Proprietary Limited	South Africa	25
McConnell Dowell Abu Dhabi LLC Ltd	UAE	50
ML JV Proprietary Limited	Australia	50
Northern Toll Road Construction Limited	South Africa	24
Oakleaf Investment Holdings 86 Proprietary Limited*	South Africa	50
REHM Grinaker Construction Co Limited	Mauritius	43
REHM Grinaker Properties Co Limited	Mauritius	43
Specialised Road Technologies Proprietary Limited	South Africa	15
Steeledale Proprietary Limited	South Africa	30
<i>* The following associates and joint ventures have a reporting period (31 December) which is different to that of the Group.</i>		
Joint operations		
ADR Joint Venture	Swaziland	80
ADR Hilton Joint Venture	Swaziland	70
Aveng Grinaker-LTA Enza 2 Joint Venture	South Africa	50
Aveng Grinaker-LTA Enza 3 Joint Venture	South Africa	70
Aveng Grinaker-LTA Khonzi Joint Venture	South Africa	70
Aveng Trencon Joint Venture	South Africa	50
Aveng Lubocon Joint Venture	South Africa	80
Aveng Trencon Village Walk Joint Venture	South Africa	65
Northern Toll Roads Joint Venture	South Africa	50
Karrena Concor Joint Venture	South Africa	60
Karrena Concor Joint Venture	South Africa	50
Masakhane JV (R61)	South Africa	70
Medupi Power Station JV	South Africa	33
McConnell Dowell / OHL JV – K2K Road project	Australia	50
McConnell Dowell / SYS- SPJ Project	Malaysia	60
McConnell Dowell / Hawkins JV– City Rail Link Connecticut Project	New Zealand	50
McConnell Dowell / Marina Technologies and Construction (MBS South Crystal Pavilion)	Singapore	65
McConnell Dowell / GE Betz / United Group Infrastructure (WSRW)	Australia	20
McConnell Dowell / Lend lease JV (MLJV Proprietary Ltd)	Australia	50
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	New Zealand	24.3
McConnell Dowell / Downer (CSM2)	New Zealand	50

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Separate statement of financial position

as at 30 June 2019

	Notes	2019 Rm	2018 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	1	2 726	2 009
Amounts owing by subsidiaries	3	2 147	3 388
		4 873	5 397
Current assets			
Other receivables		4	2
Cash and bank balances	4	507	–
		511	2
TOTAL ASSETS		5 384	5 399
EQUITY AND LIABILITIES			
Equity			
Stated capital	5	4 205	2 340
Reserves		(391)	253
Accumulated losses		(80)	(285)
		3 734	2 308
LIABILITIES			
Non-current liabilities			
Amounts owing to subsidiaries	3	1 562	–
Deferred taxation	2	–	30
Borrowings and other liabilities	6	–	2 484
		1 562	2 514
Current liabilities			
Amounts owing to subsidiaries	3	77	73
Borrowings and other liabilities	6	–	265
Trade and other payables	7	11	24
Bank overdraft	4	–	215
		88	577
TOTAL LIABILITIES		1 650	3 091
TOTAL EQUITY AND LIABILITIES		5 384	5 399

Separate statement of comprehensive earnings

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Operating expenses		(48)	(215)
Net operating loss	8	(48)	(215)
Gain on redemption of convertible bond	6	102	–
Funding fee expense*		(207)	–
Impairment / loss on de-recognition of investments / receivables		(12)	(3 199)
Other income – intercompany loan written off		–	2
Loss before financing transactions		(165)	(3 412)
Finance earnings	9	177	279
Interest on convertible bonds	6	(63)	(251)
Other finance expenses	10	(42)	(112)
Loss before taxation		(93)	(3 496)
Taxation	11	10	33
Loss for the period		(83)	(3 463)
Other comprehensive earnings			
Other comprehensive earnings for the period**		20	–
Total comprehensive loss for the period		(63)	(3 463)
Results per share (cents)			
Loss – basic	12	(0,5)	(642,8)
Loss – diluted	12	(0,5)	(632,0)
Number of shares (millions)			
In issue	12	19 394,5	416,7
Weighted average	12	15 995,5	538,8
Diluted weighted average	12	15 995,5	548,0

* Funding fee expense relates to the settlement of the convertible bond.

** Net of taxation.

Separate statement of changes in equity

for the year ended 30 June 2019

	Stated capital* Rm	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	Convertible bond equity reserve Rm	Other reserves*** Rm	Total reserves Rm	Retained earnings / (accumulated loss) Rm	Total equity Rm
Balance at 1 July 2017	2 340	31	(54)	268	–	245	3 178	5 763
Loss for the year	–	–	–	–	–	–	(3 463)	(3 463)
Total comprehensive loss for the period	–	–	–	–	–	–	(3 463)	(3 463)
Equity-settled share-based payment charge for the period	–	8	–	–	–	8	–	8
Total contributions by and distribution to owners of company recognised directly in equity	–	8	–	–	–	8	–	8
Balance at 1 July 2018	2 340	39	(54)	268	–	253	(285)	2 308
Loss for the year	–	–	–	–	–	–	(83)	(83)
Other comprehensive earnings for the period (net of taxation)	–	–	–	20	–	20	–	20
Total comprehensive loss for the period	–	–	–	20	–	20	(83)	(63)
Equity-settled share-based payment charge	–	1	–	–	–	1	–	1
Redemption of convertible bond	–	–	–	(288)	–	(288)	288	–
Share issue – Rights to qualifying shareholders (4 July 2018)**	461	–	–	–	–	–	–	461
Share issue – Early redemption of convertible bond (25 September 2018)	1 404	–	–	–	–	–	–	1 404
Interest waived due to loan agreement amendment***	–	–	–	–	(377)	(377)	–	(377)
Total contributions by and distribution to owners of company recognised directly in equity	1 865	1	–	(288)	(377)	(664)	288	1 489
Balance at 30 June 2019	4 205	40	(54)	–	(377)	(391)	(80)	3 734
Note	5	13		6				

* In the prior year stated capital was disclosed as share capital and share premium, however, this has been aggregated into one column in the current year as it is a more accurate reflection of the nature of the account. There was no impact on the annual financial statements by combining these columns.

** Inclusive of R31 million transaction costs capitalised.

*** This is a result of the amendment to the loan agreement with Aveng Australia Holdings Proprietary Limited (subsidiary) during the current year, in which interest charged on the loan since inception has been waived. It is treated as capital due to the parent / subsidiary relationship. No interest has been paid between the subsidiary and the parent during the existence of the loan.

Separate statement of cash flows

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Operating activities			
Cash utilised from operations	14	(165)	(3 412)
Non-cash and other movements	17	(1 139)	3 382
Cash utilised by operations		(1 304)	(30)
Changes in working capital:			
Increase in other receivables		(2)	(17)
(Decrease) / increase in other payables		(13)	9
Total changes in working capital		(15)	(8)
Cash utilised by operating activities		(1 319)	(38)
Finance expenses paid	18	(42)	(109)
Finance earnings received	19	25	3
Cash outflow from operating activities		(1 336)	(144)
Operating free cash outflow		(1 336)	(144)
Financing activities with equity holders			
Proceeds from shares issued		1 866	–
Financing activities with debt holders			
Repayment on early redemption of convertible bonds	16	(2 031)	–
Proceeds from borrowings	16	–	675
Investment in subsidiaries (Bifurcation of intercompany loan)		(638)	–
Decrease / (increase) in amounts owing by subsidiaries		2 861	(867)
Cash inflow / (outflow) from financing activities		2 058	(192)
Net increase / (decrease) in cash and bank balances		722	(336)
Cash and bank balances at beginning of the period		(215)	121
Total cash and bank balances at the end of the period	4	507	(215)
Borrowings excluding bank overdrafts	6	–	2 749
Net cash / (debt) position		507	(2 964)

Notes to the separate annual financial statements

for the year ended 30 June 2019

1. INVESTMENTS IN SUBSIDIARIES

Name of company	Country	% holding 2019	2019 Rm	2018 Rm
Aveng Australia Holdings Proprietary Limited	Australia	100	216	216
Capital contribution to Aveng Australia Holdings Proprietary Limited (Bifurcation of loan)**	Australia	100	717	–
Aveng (Africa) Proprietary Limited	South Africa	100	1 793	1 793
Grinaker-LTA Properties Proprietary Limited	South Africa	100	*	*
Aveng Management Company Proprietary Limited	South Africa	100	*	*
			2 726	2 009
Reconciliation of investments in subsidiaries				
Opening balance			2 009	5 208
Capital contribution to Aveng Australia Holdings Proprietary Limited**			717	–
Impairment			–	(3 199)
			2 726	2 009
Impairment				
Aveng (Africa) Proprietary Limited			–	(3 199)
			–	(3 199)

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

The carrying amount of the subsidiaries are shown net of impairment losses.

* Amounts are less than R1 million.

** On 1 October 2018 a bifurcation of the loan between the Company and Aveng Australia Holdings Proprietary Limited took place following the interest waiver and remeasurement in terms of IFRS 9. Consequently, R717 million has been transferred to the investment. The legally enforceable loan agreement between the two parties remains unchanged and still represents the full loan value of R1,7 billion.

2. DEFERRED TAXATION

	2019 Rm	2018 Rm
Balance at year end comprises		
Convertible bond	–	(32)
Assessed losses carried forward	–	2
	–	(30)
Reconciliation of deferred taxation		
At the beginning of the year	(30)	(61)
Transfer from statement of comprehensive earnings – current year	10	31
Convertible bond reserve movement	20	–
	–	(30)

Unused taxation losses

As at June 2019 the Company had unused taxation losses of R5 million (2018: R7 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the uncertainty of future taxable profits.

Notes to the separate annual financial statements continued

for the year ended 30 June 2019

3. AMOUNTS OWING BY / (TO) SUBSIDIARIES

	2019 Rm	2018 Rm
Reconciliation of amounts owing by subsidiaries		
Opening balance	3 388	2 403
Current year movement	(1 241)	985
Balance at the end of the year	2 147	3 388
Reconciliation of amounts owing to subsidiaries		
Opening balance	(73)	(73)
Current year movement	(1 566)	–
Balance at the end of the year	(1 639)	(73)
Interest-bearing loans to subsidiaries	–	1 815
Non-interest bearing to subsidiaries	2 147	1 573
Non-interest bearing from subsidiaries	(1 639)	(73)
Net amounts owing by subsidiaries	508	3 315
Non-current assets	2 147	3 388
Non-current liabilities	(1 562)	–
Current liabilities	(77)	(73)
Net amounts owing by subsidiaries	508	3 315

The total allowance for non-performing loans relating to amounts owing by subsidiaries amounted to R388 million (2018: R388 million), of which R220 million (2018: R220 million) relates to the loan to Aveng Management Company Proprietary Limited, the remaining R168 million (2018: R168 million) relates to the loan to Aveng Australia Holdings Proprietary Limited.

Refer to *note 21: Related parties*.

4. CASH AND BANK BALANCES

	2019 Rm	2018 Rm
Cash and bank balances*	507	–
Less: Bank overdrafts	–	(215)
	507	(215)

* The cash balance at year end is part of the committed inter-group support and guarantee structure implemented through Aveng (Africa) Proprietary Limited.

5. STATED CAPITAL

	2019 Rm	2018 Rm
Authorised		
180 882 034 263 ordinary shares (2018: 180 882 034 263 ordinary shares)	9 044	9 044
Issued		
Stated capital (19 394 498 220 ordinary shares of 3 cents each) (2018: 416 670 931 ordinary shares of 5 cents each)	4 205	2 340
Stated capital	4 205	2 340
Shares held in terms of equity-settled share-based payment plan		
– Number of shares	18 046 763	13 046 763
– Market value (Rm)	*	2
Reconciliation of number of shares issued	Number of shares	Number of shares
Number of shares in issue	416 670 931	416 670 931
Issue of shares – Rights issue	4 931 854 395	–
Issue of shares – Settlement of convertible bonds	14 045 972 894	–
Closing balance	19 394 498 220	416 670 931
Less: Treasury shares held in terms of the equity-settled share-based payment plan	(18 046 763)	(13 046 763)
Number of shares in issue less treasury shares	19 376 451 457	403 624 168

* Amount less than R 1 million.

6. BORROWINGS AND OTHER LIABILITIES

	2019 Rm	2018 Rm
Held at amortised cost		
Interest-bearing borrowings	–	2 749
Non-current liabilities		
At amortised cost	–	2 484
Current liabilities		
At amortised cost	–	265
Interest rate structure		
Fixed and variable (interest rates)		
Fixed – long term	–	1 784
Fixed – short term	–	145
Variable – long term	–	700
Variable – short term	–	120
	–	2 749

Notes to the separate annual financial statements continued

for the year ended 30 June 2019

6. BORROWINGS AND OTHER LIABILITIES continued

Description	Terms	Rate of interest	2019 Rm	2018 Rm
Convertible bond of R2 billion	Early redemption September 2018	Coupon of 7,25%	-	1 929
Revolving credit facility*	Refer to N1	JIBAR plus 3,00% to 5,75%	-	700
Super senior liquidity facility*	Refer to N1	South African Prime plus 2,50% to 5,50%	-	120
Total interest-bearing borrowings			-	2 749

* These loans are in terms of the second amended and restated common terms agreement (CTA) with the different commercial banks.
N1 All rights and obligations of the Company under the Existing Facilities Agreements were ceded and delegated to Aveng (Africa) Proprietary Limited through a flow of funds and Implementation Agreement with effect from the bank restructure date, on or about 25 September 2018. The transfer and re-designation of the facilities took place on a cashless basis and recorded as amounts owing to subsidiaries.

Convertible bonds

	Convertible bond liability Rm	Convertible bond equity reserve Rm	Total Rm
2019			
Opening balance	1 929	268	2 197
Interest determined with the effective interest rate**	63	-	63
Carrying amount before early conversion	1 992	268	2 260
Buyback of convertible bond ***	(690)	-	(690)
Buyback of convertible bond through share issue***	(1 404)	-	(1 404)
Transfer to retained earnings	-	(268)	(268)
Profit on redemption of convertible bond	102	-	102
Closing balance	-	-	-
Accrual of coupon interest for convertible bond	63	-	63
Unwinding of liability owing to:			
- Transaction costs capitalised	2	-	2
- Effect of fair value adjustment of derivative liability	2	-	2
- Effect of fair value of conversion option	23	-	23
2018			
Opening balance	1 823	268	2 091
Coupon bi-annual payment	(145)	-	(145)
Interest determined with the effective interest rate**	251	-	251
Closing balance	1 929	268	2 197
Accrual of coupon interest for convertible bond	145	-	145
Unwinding of liability owing to:			
- Transaction costs capitalised	9	-	9
- Effect of fair value adjustment of derivative liability	8	-	8
- Effect of fair value of conversion option	89	-	89

** Interest on convertible bond.

*** Early redemption of convertible bond.

In terms of the strategic review, the debt levels within the Group were considered to be unsustainable, in particular the convertible bonds which created significant constraints on the Group's liquidity position. The Group redeemed the existing convertible bond on 25 September 2018 through the execution of the following:

- ▶ On 4 July 2018, the bondholders agreed to the capitalisation of the interest on the bonds and voted to accept the terms of the early bond redemption on 30 August 2018.
- ▶ On 10 September 2018, the Group's shareholders passed the required resolutions giving effect to the specific issue of shares at R0,10 per share, equivalent to the rights offer price, to settle the convertible bonds.
- ▶ On 17 September 2018, a specific buyback of R690 million of the existing convertible bonds at 70% of the principal amount (a 30% discount) was completed.
- ▶ The buyback was funded by a new debt instrument of R460 million (raised in Aveng (Africa)), the terms of which will rank pari passu with the bank debt (excluding super senior facilities) under the second amended and restated common terms agreement, and an additional R25 million in cash.
- ▶ The remaining R1,4 billion bonds were settled through the specific issue of ordinary shares at R0,10 per share on 25 September 2018.

7. TRADE AND OTHER PAYABLES

	2019 Rm	2018 Rm
Trade payables	1	6
Shareholders for dividends	5	5
Accrued expenses	5	13
	11	24
8. NET OPERATING LOSS		
Net operating loss for the year is stated after accounting for the following:		
Auditors' remuneration – fees	(3)	(3)
Director's fees	(14)	(11)
Legal fees	(4)	(8)
Consulting fees	(22)	(6)
Intercompany loan receivable written off	–	(17)
Impairment on intercompany loan	–	(168)
9. FINANCE EARNINGS*		
Interest received on amounts owing by subsidiaries	73	276
Notional interest earned from subsidiaries	79	–
Interest received on bank balances**	25	3
	177	279
<p>* All finance income was calculated using an effective interest rate. ** Interest earned on positive bank balances throughout the year.</p>		
10. OTHER FINANCE EXPENSES		
Interest on borrowings	29	102
Transaction costs	13	10
	42	112

Notes to the separate annual financial statements continued

for the year ended 30 June 2019

11. TAXATION

	2019 Rm	2018 Rm
Major components of the taxation income		
Current		
Local income taxation – recognised in current taxation for prior periods	–	(2)
	–	(2)
Deferred		
Deferred taxation – current period	(10)	(31)
	(10)	(31)
	(10)	(33)
Reconciliation between applicable taxation rate and effective taxation rate:		
Applicable taxation rate	28,0	28,0
Prior period adjustments	–	0,1
Exempt income	89,0	–
Deferred tax asset not recognised	(1,4)	–
Disallowable charges	(105)	(27,2)
Effective taxation rate for the year	10,6	0,9

12. LOSS PER SHARE

	2019 Number of shares	2019 Weighted average number of shares	2018 Number of shares	2018 Weighted average number of shares
Opening balance	416 670 931	416 670 931	416 670 931	416 670 931
Issue of shares – Rights issue	4 931 854 395	4 763 669 189	–	–
Issue of shares – Settlement of convertible bonds	14 045 972 894	10 698 028 670	–	–
	19 394 498 220	15 878 368 790	416 670 931	416 670 931
<i>Less: Treasury shares</i>				
Aveng Limited Share Purchase Trust	(6 018 386)	(6 018 386)	(6 018 386)	(6 018 386)
Aveng Management Company Proprietary Limited	(788 684)	(788 684)	(788 684)	(4 634 228)
Equity-settled share-based payment plan	(18 046 763)	(18 019 366)	(13 046 763)	(9 201 219)
Total treasury shares	(24 853 833)	(24 826 436)	(19 853 833)	(19 853 833)
Rights issue – bonus element*	–	141 939 095	141 939 095	141 939 095
Weighted average number of shares	19 369 644 387	15 995 481 449	538 756 193	538 756 193
<i>Add: Contingently issuable shares in terms of the equity-settled share-based payment plan</i>	–	–	13 046 763	9 201 219
Diluted weighted average number of shares in issue**	19 369 644 387	15 995 481 449	551 802 956	547 957 412

Refer to note

5

5

12. LOSS PER SHARE continued

	2019 Rm	2018 Rm
Determination of diluted loss		
Loss for the period attributable to equity holders of the parent	(83)	(3 463)
Diluted loss for the period attributable to equity holders of the parent*	(83)	(3 463)
Loss per share – basic (cents)	(0,5)	(642,8)
Loss per share – diluted (cents)	(0,5)	(632,0)

* This item is in relation to the bonus element of the rights issue that was closed on 29 June 2018. The bonus element resulted due to the exercise price being less than the fair value of the share on 29 June 2018.

** The convertible bonds were anti-dilutive for the year ended 30 June 2019 and 2018 and have therefore not been included in the calculation of diluted number of shares.

13. EQUITY-SETTLED SHARE-BASED PAYMENT

The Company has a forfeitable share plan in place under which certain senior executives have been granted shares in the Company. A description of the plan as well as the terms and conditions relating to awards made are disclosed in the remuneration report.

	2019 Rm	2018 Rm
Opening balance	39	31
Equity-settled share-based payment	1	8
	40	39

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 attached to awards made to date. Vesting of the awards will be subject to the satisfaction of the conditions measured over the 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.

This scheme was replaced by the Aveng Long Term Incentive Plan (LTIP) approved at the AGM in October 2015.

	Number of shares 2019	Number of shares 2018
The movements during the year were as follows:		
Opening balance	2 265 200	4 730 181
Shares forfeited*	(2 265 200)	(2 464 981)
	–	2 265 200

* In light of the performance condition not being satisfied forfeitable shares reported here under were automatically forfeited in terms of the scheme rules and the endorsement of the remuneration and nomination committee.

Notes to the separate annual financial statements continued

for the year ended 30 June 2019

14. CASH UTILISED FROM OPERATIONS

	Note	2019 Rm	2018 Rm
Loss before taxation		(93)	(3 496)
Adjustments for:			
Finance earnings		(177)	(279)
Finance and transaction expenses		105	363
		(165)	(3 412)

15. TAXATION PAID

Amounts unpaid at the beginning of the period		-	(2)
Amounts charged to the statement of comprehensive earnings – normal tax	11	-	2
Amounts unpaid at the end of period		-	-
		-	-

16. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening balance Rm	Net cash flow movement Rm	Unrealised foreign exchange (gains) / losses Rm	Classified as Held for Sale – transferred out Rm	Other non-cash movements Rm	Closing balance Rm
2019						
Interest-bearing loans and borrowings (including finance lease liabilities excluding the convertible bond liability)	820	-	-	-	(820)	-
Convertible bond liability*	1 929	(2 031)	-	-	102	-
	2 749	(2 031)	-	-	(718)	-
2018						
Interest-bearing loans and borrowings (including finance lease liabilities excluding the convertible bond liability)	-	820	-	-	-	820
Convertible bond liability*	1 823	-	-	-	106	1 929
	1 823	820	-	-	106	2 749
Current portion of total borrowings and other liabilities	-	-	-	-	-	265
Non-current portion of total borrowings and other liabilities	-	-	-	-	-	2 484
	-	-	-	-	-	2 749

* Refer to note 6: Borrowings and other liabilities – Convertible bonds for the detail disclosure of items relating to the convertible bond liability.

17. NON-CASH AND OTHER MOVEMENTS

	Note	2019 Rm	2018 Rm
Profit on redemption of convertible bond		(102)	–
Cession and delegation of intercompany loan to Aveng (Africa) Proprietary Limited	16	(820)	–
Notional interest received (Bifurcation of intercompany loan)		(79)	–
Funding fee expense		207	–
Interest waiver on intercompany receivable		(377)	–
Deferred tax on convertible bond		20	–
Loans and investments write offs		–	3 367
Intercompany loan payable written off		–	(2)
Intercompany loan receivable written off		12	17
		(1 139)	3 382
18. FINANCE AND TRANSACTION EXPENSES PAID			
Amounts charged to the statement of comprehensive earnings		(105)	(363)
Movement in accrued finance expenses		63	254
		(42)	(109)
19. FINANCE EARNINGS RECEIVED			
Interest received		177	279
Movement in accrued finance earnings		(152)	(276)
		25	3

20. CONTINGENT LIABILITIES

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

	2019	2018
Parent company guarantees issued in:		
– Australasia and Asia (AUDm)	44	337

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.

21. 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.

	2019 Rm	2018 Rm
Related party balances		
Net indebtedness due by / (to) subsidiaries		
Aveng (Africa) Proprietary Limited	(270)	1 573
Grinaker Intellectual Property Proprietary Limited	(1)	(1)
Aveng Australia Holdings*	852	1 815
Aveng Limited Share Purchase Trust	(73)	(72)
	508	3 315
Related party transactions		
Finance earnings		
Aveng (Africa) Proprietary Limited	20	80
Aveng Australia Holdings	–	196
	20	276

* On 1 October 2018 a bifurcation of the loan between the Company and Aveng Australia Holdings Proprietary Limited took place following the interest waiver and remeasurement in terms of IFRS 9. Consequently, R717 million has been transferred to the investment. The legally enforceable loan agreement between the two parties remains unchanged and still represents the full loan value of R1,7 billion.

Notes to the separate annual financial statements continued

for the year ended 30 June 2019

22. 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 2018 and 30 June 2019.

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 R3 734 million (2018: R2 308 million).

Liquidity risk

The Company has assessed the liquidity risk as high. The Company remains confident that available cash resources, facilities and operating cash flows will be sufficient to meet its funding requirements. There have been no breaches or defaults on any payables or borrowings during the period.

Interest rate risk

The Company does not have exposure to interest rate risk as all external debt has been ceded and delegated to Aveng (Africa) Proprietary Limited. 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 2019, the Company managed the interest rate risk through both fixed and variable, long and short-term instruments.

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 owing by / (to) subsidiaries*). The maximum exposure to credit risk is set out in the cash and bank balance notes. There was no collateral held on the above balances as at the 2019 year end. There was no impairment in the current year. An impairment of R3,4 billion in the 2018 year end was provided for.

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.

22. RISK MANAGEMENT continued**Borrowing capacity**

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

	2019 Rm	2018 Rm
The Company had the following undrawn facilities:		
Total borrowing facilities (includes bank overdraft facility of Rnil) (2018: R700 million)	-	2 749
Current utilisation	-	(2 749)
Borrowing facilities available	-	-

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
2019				
Non-derivative financial liabilities				
Amounts owing to subsidiaries	77	-	-	77
Trade and other payables	11	-	-	11
	88	-	-	88
2018				
Non-derivative financial liabilities				
Interest-bearing borrowings	265	2 484	-	2 749
Amounts owing to subsidiaries	73	-	-	73
Trade and other payables	24	-	-	24
Bank overdraft	215	-	-	215
	577	2 484	-	3 061

23. 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 consolidated annual financial statements of Aveng Limited (Refer to *note 50* in consolidated statements) which significantly affects the financial position of the Company as at 30 June 2019 or the results of its operations or cash flow for the year then ended.



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