AVENG

Providing a better life

2021

Audited consolidated annual financial statements

Creating value

CONTENTS

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

GENERAL INFORMATION

Country of incorporation and domicile	South Africa	
Directors	Mr Philip Hourquebie (Independent non-executive chairman)	
	Mr Sean Flanagan (Group chief executive officer)	
	Mr Adrian Macartney (Group finance director)	
	Ms May Hermanus (Lead independent director)	
	Ms Bridgette Modise	
	Mr Michael Kilbride	
	Mr Bradley Meyer*	Appointed as independent non-executive director with effect from 28 May 2021
Auditors	Ernst & Young Incorporated	
Company Secretary	Ms Edinah Mandizha	
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: Gregory Beevers CA(SA) under the supervision of: Adrian Macartney CA(SA), Group finance director	
Address of registered office	3rd Floor 10 The High Street Melrose Arch Johannesburg 2076	
Published	31 August 2021	

* Mr Bradley Meyer is Australian

AUDIT AND RISK COMMITTEE REPORT

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 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.

Mandatory audit firm rotation

The process to appoint a new external audit firm has been concluded in the current year. The audit and risk committee concluded a robust process, to evaluate the expertise and independence of potential auditors and specifically the limitations imposed by *section 90(2) of the Companies Act*.

The committee is pleased to advise that, following the introduction of Mandatory Audit Firm Rotation by the Independent Regulatory Board for Auditors, the Company has resolved to early adopt the policy and has conducted a formal tender process to appoint a new firm of external auditors. Pursuant to *paragraph 3.75 of the JSE Listings Requirements*, the Group audit and risk committee has recommended and the board has approved, the proposed appointment of KPMG Incorporated ("KPMG") as the external auditor of the Group with effect from the financial year ending 30 June 2022. The appointment is subject to approval by the shareholders of the Company at the next AGM.

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. Management will continue to review the function to ensure it is fit for purpose for the Group during the transition period.

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 preparation of 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 an assessment of the balance sheet following the restructure and early settlement of debt, 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.

Bridgette Modise
Chair of audit and risk committee
30 August 2021

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
30 August 2021

DIRECTORS' REPORT

The directors submit their report for the year ended 30 June 2021.

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 2021. 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.

Positioning for longer-term strategic goals

The Group reports much improved financial results for the year ended 30 June 2021 on the back of good operational performance from McConnell Dowell, Moolmans and Trident Steel.

Despite the significant uncertainty and additional volatility created by the health and economic crises experienced during the 2021 financial year, the Group continues to build resilience across the organisation and is buoyed by its key strategic levers of diversification, improving operational performance and the firm commitment of leadership and employees.

Management remains committed to the execution of its strategy, with the following objectives implemented:

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

The execution of the strategy continues to deliver positive results and we are confident that market opportunities and growth potential exists for McConnell Dowell and Moolmans. These core businesses have reported improved profitability and cash generation and are strategically well positioned to be sustainable in both the current COVID-19 environment and beyond. Diversification across customers, geographies, industry sectors and commodities provide risk mitigation in the current environment. However, the COVID-19 pandemic continues to bring a level of uncertainty and volatility across all geographies.

Recapitalisation and debt restructure

The recapitalisation and debt restructure was successfully completed in the year ended 30 June 2021 raising R492 million of new capital. This followed from the Fourth Amended and Restated Common Terms Agreement (CTA) entered into with the SA Banking Group on 11 February 2021. The debt restructure was executed on 19 March 2021 using proceeds of the rights offer. This resulted in the Group improving its net cash position by R1,1 billion from December 2020 including a R260 million cash injection of additional liquidity after settlement of debt. The restructured debt package has a maturity term of 3 years.

The first payments on CTA Term debt of R55 million were made on 30 June 2021, including R25 million early settled.

Details of the recapitalisation and debt restructure are set out in note 21: Stated Capital and note 22: *Borrowings and other liabilities* to the financial statements.

Overall trading performance

McConnell Dowell

McConnell Dowell has built a reputation as being a highly technically skilled tier-two contractor with engineering in its DNA. The business unit has increased its profitability and continues to focus on specialised projects in Australia, New Zealand & Pacific Islands and South East Asia. The business reported an impressive growth in its revenue and operating performance, achieving a revenue of AUD1,5 billion (30 June 2020: AU980 million) and operating earnings of AUD28 million (30 June 2020: AUD 13,0 million loss) for the full year ended 30 June 2021. McConnell Dowell restored its dividend for the first time in many years, by paying an interim dividend of AUD 5 million and declaring a final dividend of AUD 6,5 million.

Work in hand is AUD1,9 billion at 30 June 2021 (30 June 2020: AUD 1,8 billion). The value of preferred tender status increased from AUD1,4 billion to AUD1,7 billion after converting AUD900 million to work in hand. The business remains focused on pursuing opportunities in its areas of specialisation and in which it has a proven track record of success.

Moolmans

Moolmans has completed the second year of its turnaround plan. The initial objective of restoring profitability has been met and the focus now turns to growing and sustaining profitability. Moolmans recorded revenue of R4,0 billion (June 2020: R4,0 billion) and an improvement in operating earnings to R239 million (June 2020: R38 million).

Moolmans benefitted from the key functional and operational appointments made in the preceding year. Operational and functional discipline has improved, specifically project execution, plant and engineering and commercial management. A renewed focus on increasing the work in hand has resulted in the business tendering for contracts for existing clients and new projects for new clients in South Africa and the rest of Africa.

Work in hand increased to R5,4 billion from R4,9 billion at 30 June 2020.

DIRECTORS' REPORT

1. Review of activities continued

Overall trading performance continued

Non-core operations

As part of the strategic intent to position *Trident Steel* as a steel service centre business, the tube and merchanting divisions were exited during the latter part of the 2020 financial year with all necessary actions completed during the current year. Whilst this resulted in a reduction of revenue for the period to R3,2 billion (June 2020: R3,5 billion), Trident Steel has recorded a substantial increase in operating earnings to R247 million (June 2020: R13 million) before impairments. Operating free cash flow increased significantly from the comparative period due to increased profitability and the once-off sale of merchanting inventory. Negotiations continue with interested parties regarding the disposal of Trident Steel.

Aveng Construction: South Africa (formerly *Aveng Grinaker-LTA*) continued to wind-down and finalise the remaining contracts not sold as part of the disposals process. These contracts have all achieved practical completion. The division reported a net operating loss of R164 million (June 2020: R174 million).

Aveng Manufacturing recorded lower revenue of R1 billion (June 2020: R1,3 billion) following the disposal of various business units. The remaining business units were operationally profitable at R24 million (June 2020: loss of R54 million) despite the impact of unfavorable market conditions in the infrastructure sector. Aveng completed the sale of Duraset and certain factories within the Infraset business in the financial year. The Automation & Controls Solutions (ACS) business was sold during the year subject to the completion of conditions precedent. Negotiations continue in respect of the remaining Aveng Infraset assets, refer to note *50: Events after reporting period*.

Group

The Group reported a headline earnings of R751 million or 2,0 cents per share for the year ended 30 June 2021, compared to a headline loss of R950 million or a loss of 4,0 cents per share (restated following the rights offer) in the prior year. Revenue increased by 23% to R25,7 billion (2020: R20,9 billion). The net operating earnings significantly improved to R536 million from a loss of R532 million in June 2020.

The Group generated basic earnings attributable to equity holders of the parent of R990 million (2020: R1,1 billion loss) after taking into account an impairment charge of R267 million. Fair value adjustments on assets Held for Sale amounted to a R611 million gain. 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 R28 million gain on the disposal of subsidiaries and assets Held for Sale was recognised.

Capital expenditure

Capital expenditure for core operations of R819 million for the year (2020: R762 million) of which R810 million (2020: R759 million) related to the replacement investment in property, plant and equipment. Net book value of property, plant and equipment disposed of amounted to R325 million (2020: R151 million).

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

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely McConnell Dowell and the South African liquidity pool. McConnell Dowell's liquidity benefited from the deliberate action to settle legacy claims in the prior year, the receipt of advance payments and a growing order book. As a result, McConnell Dowell reports a strong cash balance with sufficient cash and liquidity to support the growing order book and the growth opportunities that its markets continue to present. The South African liquidity pool remains tightly managed and reflects significant improvement in the current year from operational performance, non-core asset sales and the recapitalisation and debt restructure.

The restructuring and recapitalisation transaction has allowed the Group to reset its capital structure, deleveraging the balance sheet by more than R1 billion, extending the Group's debt maturity profile to 3 years and simultaneously materially improving the Group's South African liquidity pool.

The Group's current assets of R6,5 billion exceeded its current liabilities of R6 billion at 30 June 2021.

Matters considered in the evaluation of going concern

- The focus on operational performance continues to reflect improvement in the reported results of the core businesses, with a resultant improvement in the underlying value and sustainability of both McConnell Dowell and Moolmans;
- Progress on the non-core asset disposal plan, including:
  - The receipt of proceeds of R120 million in the 2021 financial year, including, *Aveng Duraset, Aveng Infraset Pietermaritzburg, De Aar, Brakpan and Swaziland factories, Ground Engineering Limited (GEL) and various properties*;
  - The receipt of R10 million proceeds from the sale of the investment of REHM Construction Co Limited and REHM Grinaker Properties Co Limited post year end;
  - The conclusion of the sale of Aveng Automation & Control Systems (ACS); and
  - Ongoing negotiations for Trident Steel and the remaining Infraset factories;
- Updated budget and business plans for the post-year end period up to 30 June 2022 for the Group, incorporating the benefits realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved;

DIRECTORS' REPORT

1. **Review of activities** continued

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

Matters considered in the evaluation of going concern continued

- 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 SA Banking group, 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 the South African operations.

The budgets and forecasts indicate that the Group will have sufficient cash resources for the foreseeable future. Core businesses are performing in line with the plan and are therefore expected to generate sufficient cash to support ongoing operations and the repayment of long-term debt. In addition, the Group's remaining non-core businesses (particularly Trident Steel) are expected to generate sufficient cash from operations to contribute to available liquidity. The disposals of the remaining non-core assets are expected to be completed during the 2022 financial year and will contribute to the repayment of the debt and available liquidity.

In the 2021 financial year, the Group reported earnings for the period of R988 million, inclusive of R267 million of impairments, a once off gain of R486 million on the early settlement of the CTA debt at a discount. The Group's available cash resources were positively impacted and an operating free cash inflow of R1,5 billion was recorded. The Group continues to focus on improving operational performance, reducing overhead and improving working capital efficiencies.

The Group has cash of R2,5 billion (30 June 2020: R1,3 billion) at 30 June 2021, of which R412 million (30 June 2020: R429 million) is held in joint arrangements. Unutilised facilities amounted to R364 million (30 June 2020: R483 million).

The directors have considered all of the above to the date of approval of these financial statements, including detailed consideration of the current position of all core and non-core businesses, all business 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, and that sufficient liquidity will be available to support the ongoing operations of the Group and that the realisation of assets and the settlement of liabilities, including contingent liabilities and commitments, will occur in the ordinary course of business.

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

Unconsolidated structured entity

The Group has the following structured entity which is 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.

Events after the reporting period

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

Stated capital

The authorised and issued share capital of the Company changed materially following the implementation of the recapitalisation and debt restructure transaction described above. Details pertaining to the authorised and issued share capital of the Company at 30 June 2021 are contained in *note 21: Stated Capital* of the consolidated annual financial statements.

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. Sean Flanagan
- Mr. Michael Kilbride
- 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 appointment was made to the Board:

- Mr. Bradley Carl Meyer – appointed as an independent non-executive director effective 28 May 2021 and has been appointed to the audit and risk committee and the remuneration and nomination committee. Mr. Meyer will stand for re-election at the annual general meeting.

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

DIRECTORS' REPORT

2. Auditors

Ernst & Young Inc. continued in office as the external auditor of the Group.

Shareholders were advised that, following the introduction of Mandatory Audit Firm Rotation by the Independent Regulatory Board for Auditors, the Company has resolved to early adopt the policy and has conducted a formal evaluation process to appoint a new firm of external auditors. Pursuant to paragraph 3.75 of the JSE Listings Requirements, the Group audit and risk committee has recommended and the board has approved the proposed appointment of KPMG Inc. ("KPMG") as the external auditor of the Group with effect from the financial year ending 30 June 2022. The appointment is subject to approval, by the shareholders of the Company, at the next annual general meeting.

3. Shareholders

The following information is available on 31 August 2021 on the Group's website:

- Shareholders' diary.

4. 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 2021.

After due, careful and proper consideration, the directors acknowledge that 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 ethical behaviour driven by our purpose and values. Appropriate infrastructure, controls and systems are applied and managed within predetermined procedures and constraints.

The board has reviewed the Group's cash flow forecast for the year ending 30 June 2022 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 11 to 15.

Approval of consolidated annual financial statements

The consolidated annual financial statements of the Group for the year ended 30 June 2021 set out on pages 16 to 127, which have been prepared on the going concern basis, were approved by the board of directors on 30 August 2021 and were signed on its behalf by:

Sean Flanagan
Group Chief Executive Officer

Adrian Macartney
Group Finance Director

CHIEF EXECUTIVE OFFICER AND GROUP FINANCE DIRECTOR'S RESPONSIBILITY STATEMENT

In line with *paragraph 3.84(k)* of the *JSE Limited (JSE) Listings Requirements*, the chief executive officer and group finance director hereby confirm that:

- the annual financial statements set out on pages 16 to 127, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance for South Africa, 2016. Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls, and any fraud that involves directors and have taken the necessary remedial action.

Sean Flanagan	**Adrian Macartney**
Group Chief Executive Officer	*Group Finance Director*
30 August 2021	

INDEPENDENT AUDITORS' 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 company set out on pages 16 to 127, which comprise of the consolidated and separate statements of financial position as at 30 June 2021, and the consolidated and separate statements of comprehensive earnings, 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 2021, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) 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 in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 only to the consolidated financial statements whilst the second key audit matter relates to both the consolidated and separate financial statements.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

Assessment of key audit matters	How the matter was addressed in the audit
Accounting for contracts and the recoverability of uncertified claims and variations	

Included in the Group's revenue R25 709 million (2020: R20 878 million) is R17 502 million (2020: R12 143 million) which comprises revenue from long term contracts in the construction and engineering operating segments.
 	
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 significantly more contracts were awarded and entered into than in previous years, particularly in the Australian market. Contracts were also completed during the year, and the progress made on existing legacy contracts has changed from the prior year particularly on legacy contracts where legal processes were further advanced during the year, and dispute resolutions achieved. We were therefore required to reassess the contracts at year end. As a result, accounting for contracts was considered to be an ongoing key audit matter.
 	
Contract accounting was 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 financial statements.
 	
Included in the Group's receivable balance due from contract customers of R3 398 million (2020: R2 531 million) is R817 million (2020: R652 million) which comprises revenue not yet certified, amounts due from customers, and amounts that are currently subject to protracted legal or arbitration proceedings.
 	
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.
 	
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 considering the impact of COVID-19.
 	
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 on-going key audit matter.
	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 significant factors included high value contracts, significant loss-making contracts and contracts with significant claims. In this way our audit was focussed on assessing and evaluating the significant and complex contract positions.
	
	For each of the contracts selected, our procedures included the following, amongst others:
	• Discussed and assessed the status of selected contracts with management, finance, and project and engineering staff.
	• We performed audit procedures to test 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 appropriately 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 to test 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 inspected correspondence with customers concerning variation orders and claims and obtained third-party assessments from legal counsel contracted by the Group to assess whether the information was consistent with the estimates made by management.
	• 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.
	
	In response to the risks associated with the recoverability of uncertified claims and variations, our audit procedures included, amongst others:
	• Enquiries with internal and external legal counsel, financial staff and directors in respect of ongoing claims and proceedings.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

Assessment of key audit matters	How the matter was addressed in the audit
Accounting for contracts and the recoverability of uncertified claims and variations continued	
The following judgments 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. In the current year there were claims which were concluded and for which we were required to consider the correspondence and outcomes. In addition, progress was made on arbitration matters which required extensive discussion with both management and their external legal counsel and internal advisors and specific audit attention in assessing the correspondence and outcomes of the matters. Specific auditor attention was required to assess whether the judgements and considerations made by management, which are listed above, were appropriately and consistently applied. *Refer to pages 28 to 30 (accounting policy 2.12), page 40 to 41 (significant accounting judgements and estimates 3.1.11), page 81 (note 30: Revenue) and page 19 (Statement of changes in equity).*	• We performed procedures to test 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. • Met with external legal counsel and internal commercial advisors and assessed their estimates of likely outcomes to that recognised in the accounting records of the Group by the financial accountants. Furthermore, we obtained confirmations from the client's external legal counsel opining on the probable outcome of the claims and their best estimates of the quantum of the claims. • Inspected the minutes of relevant board meetings. • Evaluated the adequacy of the financial statement disclosures regarding these claims and legal proceedings. Assessed the assumptions, judgements and considerations used by management in determining which long outstanding claims will be written off to determine that a consistent approach was adopted and that the revised project positions are reasonable and fairly stated.
Debt restructure, revised Common Terms Agreement with the SA Lenders and right's issues	
The Group entered a debt restructuring plan with the SA Lenders and certain shareholders in the current financial reporting period. This plan resulted in the recapitalisation of Aveng Limited through: • agreement of the 4th amended, restated Common Terms Agreement on 11 February 2021, • two right's issues that were concluded during March 2021 and June 2021, • reduced debt levels, and • secured ongoing funding from the SA Lenders into the foreseeable future. These represented matters requiring significant attention during our audit as these corporate actions were interdependent, achieved over a number of months, and collectively reset the capital and debt structure of the Group. In addition, the events described above and in *note 21: Stated Capital* and *note 22: Borrowings and other liabilities* of the consolidated financial statements which were required to complete the debt restructure during the period were considered to be complex due to the interdependent corporate actions when considering the various aspects included in the plan and the period over which it was executed. Specific auditor attention was applied to the calculation of the gain on early redemption and to the reduction of debt due to the SA Lenders as well as subscription for equity through numerous iterative meetings to ensure that the transactions were appropriately accounted for and concluded. This also included the assessment of accounting papers with the assistance of our internal financial reporting specialists. The impact of above events on the annual financial statements was considered to be significant and the significant effort required to audit these transactions during the year was considered to be a key audit matter.	Our audit procedures included, amongst others: • Obtained the signed 4th amended and restated Common Terms Agreement dated 11 February 2021 from the SA Lenders indicating that they have agreed to the revised terms, including the total facilities and repayment dates; and early settlement of the iNguza noteholder which were agreed to the various facilities in the ledger; • Recalculated the R486 million gain on early redemption of debt flowing from the debt restructure and inspected that the transaction was appropriately recorded. • Obtained the bank statements to inspect whether they reflected the receipt of R492 million relating to the two right's issues; • Inspected the share register after the two right's issues were declared to inspect that the share register was updated; • With the support of our internal technical financial reporting team, we assessed the accounting complexities of the separate transactions in the restructure plan and whether the effect of the recording of the amended lending facilities on the Statement of Financial Position was appropriate; and • Assessed the disclosure of the total facilities in place at year end in accordance with the restructure plan.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the 128-page document titled "Aveng Limited Audited consolidated annual financial statements 2021", and the 66-page document titled "Aveng Limited summarised consolidated financial statements" for the year ended 30 June 2021, which includes the Audit and risk committee report, Certificate of the company secretary, Directors' report and the Chief Executive Officer and Chief Financial Officer's responsibility statement, as required by the Companies Act of South which we obtained prior to the date of this report, and the Integrated report, which is expected to be made available to us after that date. 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 identified above 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 on the other information obtained prior to the date of this auditor's report, 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 ISAs, 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.
- 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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

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

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 34 years.

Ernst & Young Inc.

Ernst & Young Inc

30 August 2021

Director: Allister Jon Carshagen

Chartered Accountant (SA)
Registered Auditor

102 Rivonia Road
Sandton

STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	2021 Rm	2020 Rm
ASSETS			
Non-current assets			
Goodwill arising on consolidation	10	**100**	100
Intangible assets	11	**11**	15
Property, plant and equipment	9	**2 800**	3 180
Equity-accounted investments	12	**30**	35
Infrastructure investments	13	**257**	259
Derivative instruments	15	**-**	1
Deferred taxation	14	**725**	813
Lease receivables	29	**38**	-
Long-term receivables		**-**	43
		3 961	4 446
Current assets			
Inventories	18	**211**	187
Derivative instruments	15	**-**	9
Amounts due from contract customers	16	**3 398**	2 531
Trade and other receivables	17	**327**	358
Taxation receivable	42	**37**	41
Lease receivables	29	**3**	-
Cash and bank balances	19	**2 519**	1 755
		6 495	4 881
Assets Held for Sale	20	**1 989**	2 309
TOTAL ASSETS		**12 445**	11 636
EQUITY AND LIABILITIES			
Equity			
Stated capital	21	**4 747**	3 874
Other reserves		**847**	1 102
Accumulated losses		**(2 153)**	(3 143)
Equity attributable to equity-holders of parent		**3 441**	1 833
Non-controlling interest		**7**	7
TOTAL EQUITY		**3 448**	1 840
Liabilities			
Non-current liabilities			
Deferred taxation	14	**152**	166
Borrowings and other liabilities	22	**856**	1 313
Payables other than contract-related	23	**94**	104
Employee-related payables	25	**338**	330
		1 440	1 913
Current liabilities			
Amounts due to contract customers	16	**1 657**	1 290
Borrowings and other liabilities	22	**542**	1 067
Payables other than contract-related	23	**66**	44
Employee-related payables	25	**276**	243
Trade and other payables	24	**3 441**	2 764
Bank overdrafts	19	**-**	424
		5 982	5 832
Liabilities Held for Sale	20	**1 575**	2 051
TOTAL LIABILITIES		**8 997**	9 796
TOTAL EQUITY AND LIABILITIES		**12 445**	11 636

STATEMENT OF COMPREHENSIVE EARNINGS

for the year ended 30 June 2021

	Note	2021 Rm	2020 Rm
Revenue	30	**25 709**	20 878
Continuing operations		**21 511**	14 185
Discontinued operations	6	**4 198**	6 693
Cost of sales	31	**(23 744)**	(19 907)
Continuing operations		**(19 979)**	(13 305)
Discontinued operations	6	**(3 765)**	(6 602)
Gross earnings		**1 965**	971
Other earnings	32	**268**	163
Continuing operations		**160**	37
Discontinued operations	6	**108**	126
Operating expenses	33	**(1 675)**	(1 647)
Continuing operations		**(1 405)**	(1 217)
Discontinued operations	6	**(270)**	(430)
Loss from equity-accounted investments*	12/6	**(22)**	(19)
Operating earnings / (loss)		**536**	(532)
Impairment loss on goodwill, intangible assets and property, plant & equipment	8/6	**(241)**	(147)
Impairment on equity-accounted investments	12	**-**	(21)
Impairment loss on long-term receivables		**(26)**	-
Gain on disposal of assets Held for Sale		**28**	24
Gain on disposal of subsidiaries	34	**-**	10
Gain on disposal of property, plant & equipment and intangible assets		**10**	61
Gain on early redemption of borrowings and other liabilities		**486**	-
Fair value adjustment on properties and disposal groups classified as Held for Sale	20/6	**611**	(13)
Earnings / (loss) before financing transactions		**1 404**	(618)
Interest earned on bank balances **		**19**	32
Other finance expenses	35/6	**(394)**	(461)
Earnings / (loss) before taxation		**1 029**	(1 047)
Taxation	36/6	**(41)**	(69)
Earnings / (loss) for the period		**988**	(1 116)
Earnings / (loss) from continuing operations		**312**	(825)
Earnings / (loss) from discontinued operations	6	**676**	(291)
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		**(265)**	318
Other comprehensive (loss) / earnings for the period, net of taxation		**(265)**	318
Total comprehensive earnings / (loss) for the period		**723**	(798)
Total comprehensive earnings / (loss) for the period attributable to:			
Equity-holders of the parent		**723**	(798)
Non-controlling interest		**-**	-
		723	(798)
Earnings / (loss) for the period attributable to:			
Equity-holders of the parent		**990**	(1 119)
Non-controlling interest		**(2)**	3
		988	(1 116)
Other comprehensive (loss) / earnings for the period, net of taxation			
Equity-holders of the parent		**(267)**	321
Non-controlling interest		**2**	(3)
		(265)	318

* *This amount represents the loss from continuing and discontinued operations.*

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

STATEMENT OF COMPREHENSIVE EARNINGS

CONTINUED

for the year ended 30 June 2021

	Note	2021 Rm	2020 Rm
Results per share (cents)			
From continuing and discontinued operations			
Earnings / (loss) - basic	37	**2,7**	(4,6)
Earnings / (loss) - diluted	37	**2,4**	(4,6)
From continuing operations			
Earnings / (loss) - basic	37	**0,8**	(3,4)
Earnings / (loss) - diluted	37	**0,8**	(3,4)
From discontinued operations			
Earnings / (loss) - basic	6/37	**1,8**	(1,2)
Earnings / (loss) - diluted	6/37	**1,7**	(1,2)
Number of shares (millions)*			
In issue	37	**64 741,7**	19 394,5
Weighted average	37	**36 959,9**	24 097,1
Diluted weighted average	37	**40 447,9**	24 097,1

The continuing and discontinued operations net operating earnings before interest, depreciation and amortisation for the Group, being net operating profit before interest, tax, depreciation and amortisation is R1 463 million. The net operating earnings before interest, tax, depreciation and amortisation for the Group in June 2020 was R362 million.

* As discussed in *note 21: Stated Capital,* the Group undertook a renounceable rights offer to raise up to R300 million, to qualifying shareholders. The rights offer consisted of 20 000 000 000 rights offer shares in the ratio of 103.12203 rights offer shares for every 100 Aveng Ordinary Shares held at the close of trade on Tuesday, 23 February 2021 and at a price of 1.5 cents per rights offer share. This included as many Class A Shares as required to be issued to the co-underwriters to secure their minimum required subscription per fund, in terms of the underwriting Agreement. The total number of rights offer shares subscribed for and excess allocations applied for was 25 262 843 702 Ordinary Shares and 725 472 919 Class A Shares.
Further to this, the Group undertook a follow-on renounceable rights offer to raise up to R100 million, to qualifying shareholders. The rights offer consisted of 6 666 666 668 rights offer shares in the ratio of 11.47941 rights offer shares for every 100 Aveng Ordinary Shares held at the close of trade on Friday, 21 May 2021 and at a price of 1.5 cents per rights offer share. The total number of rights offer shares subscribed for was 4 914 149 950 Ordinary Shares and 1 752 516 718 Class A Shares.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm	Total other reserves Rm	Accumulated losses Rm	Total attributable to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
Year ended 30 June 2020								
Balance at 1 July 2019 as previously reported	3 874	741	40	781	(2 208)	2 447	7	2 454
Adoption of *IFRS 16* accounting standard*	-	-	-	-	184	184	-	184
Balance at 1 July 2019	3 874	741	40	781	(2 024)	2 631	7	2 638
(Loss) / earnings for the period	-	-	-	-	(1 119)	(1 119)	3	(1 116)
Other comprehensive earnings for the period (net of taxation)	-	321	-	321	-	321	(3)	318
Total comprehensive loss for the period	-	321	-	321	(1 119)	(798)	-	(798)
Balance as at 30 June 2020	3 874	1 062	40	1 102	(3 143)	1 833	7	1 840
Year ended 30 June 2021								
Balance at 1 July 2020	**3 874**	**1 062**	**40**	**1 102**	**(3 143)**	**1 833**	**7**	**1 840**
Earnings / (loss) for the period	**-**	**-**	**-**	**-**	**990**	**990**	**(2)**	**988**
Other comprehensive loss for the period (net of taxation)	**-**	**(267)**	**-**	**(267)**	**-**	**(267)**	**2**	**(265)**
Total comprehensive earnings for the period	**-**	**(267)**	**-**	**(267)**	**990**	**723**	**-**	**723**
Equity settled share-based payment - shares granted	**-**	**-**	**20**	**20**	**-**	**20**	**-**	**20**
Equity settled share-based payment - shares vested	**8**	**-**	**(8)**	**(8)**	**-**	**-**	**-**	**-**
Share issue - Rights to qualifying shareholders (15 March 2021)**	**759**	**-**	**-**	**-**	**-**	**759**	**-**	**759**
Share issue - Class A shares (15 March 2021)	**11**	**-**	**-**	**-**	**-**	**11**	**-**	**11**
Share issue - Rights to qualifying shareholders (07 June 2021)**	**74**	**-**	**-**	**-**	**-**	**74**	**-**	**74**
Share issue - Class A shares (07 June 2021)	**21**	**-**	**-**	**-**	**-**	**21**	**-**	**21**
Total contributions and distributions recognised	**873**	**-**	**12**	**12**	**-**	**885**	**-**	**885**
Balance at 30 June 2021	**4 747**	**795**	**52**	**847**	**(2 153)**	**3 441**	**7**	**3 448**
Note	21		26					

* *The adoption of IFRS 16 has reduced the prior year accumulated losses opening balance by R184 million. Prior year balances have not been restated.*

** *Inclusive of R23 million transaction costs capitalised*

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Operating activities			
Cash retained / (utilised) from operations	38	**1 369**	(624)
Non-cash and other movements	39	**(649)**	110
Cash retained / (utilised) from operations after non-cash movements		**720**	(514)
Depreciation	9	**923**	885
Amortisation	11	**4**	9
Cash generated by operations		**1 647**	380
Changes in working capital:			
(Increase) / decrease in inventories		**(6)**	28
Increase in amounts due from contract customers		**(627)**	(57)
Decrease / (increase) in trade and other receivables		**43**	(85)
Increase in amounts due to contract customers		**367**	449
Increase / (decrease) in trade and other payables		**475**	(160)
Decrease / (increase) in derivative instruments		**10**	(11)
Increase in payables other than contract-related		**-**	12
Increase in employee-related payables		**(20)**	87
Increase in working capital held for sale		**386**	103
Total changes in working capital		**628**	366
Cash generated by operating activities		**2 275**	746
Finance expenses paid	40	**(345)**	(449)
Finance earnings received	41	**19**	32
Taxation paid	42	**(37)**	(50)
Cash inflow from operating activities		**1 912**	279
Acquisition of property, plant and equipment – expansion	9	**(9)**	(3)
Acquisition of property, plant and equipment – replacement	9	**(810)**	(759)
Proceeds on disposal of property, plant and equipment		**174**	143
Proceeds on disposal of assets Held for Sale		**90**	110
Proceeds on disposal of subsidiaries	34	**-**	116
Capital expenditure net of proceeds on disposal		**(555)**	(393)
Dividends received	32	**57**	25
Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale		**96**	84
Cash outflow from investing activities		**(402)**	(284)
Operating free cash inflow / (outflow)		**1 510**	(5)
Financing activities with equity-holders			
Proceeds from shares issued		**865**	-
Financing activities with debt-holders			
Repayment of external borrowings	43	**(870)**	(390)
Proceeds from external borrowings	43	**271**	115
Payment of capital portion of lease liabilities	43	**(262)**	(158)
Payment of capital portion of lease liabilities - Held for Sale		**(73)**	(57)
Cash outflow from financing activities		**(69)**	(490)
Net increase / (decrease) in cash and bank balances before foreign exchange movements		**1 441**	(495)
Foreign exchange movements on cash and bank balances		**(253)**	221
Cash and bank balances at the beginning of the period		**1 331**	1 605
Total cash and bank balances at the end of the period	19	**2 519**	1 331
Borrowings excluding bank overdrafts		**1 398**	2 380
Net cash / (debt) position		**1 121**	(1 049)

ACCOUNTING POLICIES

for the year ended 30 June 2021

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of preparation

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

The consolidated financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest million (Rm) except when otherwise indicated. The accounting policies adopted are consistent with those of the previous year as well as the Group's interim results as at 31 December 2020 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 financial statements in accordance with *International Financial Reporting Standards* (*IFRS*). Only amounts that have a relevant and material impact on the consolidated financial statements have been separately disclosed. The assessment of significant or material amounts is determined by taking into account the qualitative and quantitative factors attached to each transaction or balance that is assessed.

Statement of compliance

The consolidated financial statements of Aveng Limited and its subsidiaries have been prepared on a going concern basis in accordance with the IFRS as issued by the International Accounting Standards Board (IASB), *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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.1 Basis of consolidation continued

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.

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 interest 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 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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.1 Basis of consolidation continued

Equity-accounted investments continued

Joint arrangements *continued*

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 2021 for consolidation purposes. When it is impractical for the subsidiary, associate or joint arrangement to prepare additional financial statements as at 30 June 2021, 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 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.

2.2 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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

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 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, including right-of-use assets, 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. Right-of-use assets recognised under *IFRS 16* are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment. 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.

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

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

Item	Depreciation % / period
Owned Buildings	2%
Owned plant, equipment and vehicles	5% to 33%
Right-of-use assets	Shorter of lease period and asset's useful life

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.5 Intangible assets

Recognition and measurement

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

Intangible asset	
Trademarks and brand names	Trademarks and brand names with indefinite useful lives are not amortised. Internally developed trademark expenses are written off as and when incurred.
Computer software	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.
Know-how and customer lists	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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

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

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 Stated capital

Treasury shares

Treasury shares comprise of shares in Aveng Limited held by the Aveng Limited Share Purchase Trust and by Aveng Management Company Proprietary Limited, and shares in terms of the forfeitable share plan. The amount of consideration paid for the treasury shares is recognised as a deduction from equity and both issued capital and weighted average number of shares is reduced by the number of treasury shares. Dividends received on treasury shares are eliminated on consolidation. Earnings are not recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 and nominations committee. Shares and/or share options awarded to executives and senior employees are awarded over a period of two or three 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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.9 Share-based payments continued

Equity-settled transactions continued

Where an equity- settled award is cancelled, it is treated as if it had vested on the date of cancellation. Any expense not yet recognised for the award is immediately recognised. In the event that a new award is substituted for the cancelled award, and designated as a replacement award, the cancelled and new awards are treated as if they were a modification to the original award. The dilutive effect of outstanding options is included in the computation of diluted earnings per share.

Cash-settled transactions

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

Subsidiaries

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

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

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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.11 Employee benefits continued

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

2.12 Revenue from contracts with customers

Construction contracts

Revenue from construction contracts is recognised when the outcome of the construction contract can be measured reliably, by reference to satisfaction or 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 to, excluding discounts, rebates and Value Added Taxation (VAT).

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.12 Revenue from contracts with customers continued

Construction contracts continued

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.

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 to in exchange for those goods, recovery of the consideration is probable, the associated costs and possible return of goods that 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 to 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 to, 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 to, excluding discounts, rebates and VAT.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.12 Revenue from contracts with customers continued

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.

2.13 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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.16 Financial instruments

Financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

The Group's financial assets are classified as trade and other receivables, amounts due from contract customers, infrastructure investments and cash and bank balances.

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 Revenue from contracts with customers.*

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

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

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

Financial assets continued

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.

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

The 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*, 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 (i.e. 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).

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

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

Financial liabilities

Initial recognition and measurement

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

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

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

Amounts due to contract customers

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

Borrowings and other liabilities

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

Trade and other payables

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

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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

Financial liabilities continued

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

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

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

Deferred taxation

Deferred taxation is recognised in respect of all temporary differences at the reporting date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation base.

Deferred taxation is not recognised for:

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

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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.17 Tax continued

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 Value Added Tax except for:

- Where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.18 Leases

Group as a lessee

Determining the lease term

The Group has determined the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term includes any rent-free periods provided to the lessee by the lessor.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Separation of lease components

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the deprecation method as detailed in *note 2.4: Property, plant and equipment*.

Lease payments

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

2.18 Leases continued

Group as a lessee continued

Remeasurement

A lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment (refer to note 9: Property, plant and equipment) and a lease liability in borrowings and other liabilities (refer to note 22: Borrowings and other liabilities) in the statement of financial position.

Group as a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance or operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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 is recognised as revenue during the period in which it is earned.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Sub-leases

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The Group assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

COVID-19 related rent concessions

Where rent concessions granted by a lessee result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change, are due on or before 30 June 2021, and do not result in a substantive change to other terms and conditions in the lease, the Group elects to account for changes in lease payments from rent concessions in the same way it would account for the change if it were not a lease modification.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2021

2. ACCOUNTING POLICIES continued

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 the next 12 months.

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 of geographic area of operations; and
- Is a subsidiary acquired solely with a view to resell.

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 Statement of Comprehensive Earnings 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.

2.23 Investments in Group companies

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

A number of new standards and interpretations are effective from 1 July 2020. Management's assessment determined that the new standards and interpretations will not have a material effect on the Group's financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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.

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. 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.6 Provision for expected credit losses

Provision for expected credit losses – specific debtors

The Group estimates the level of allowance required for expected credit losses – specific debtors 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 expected credit losses (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 (i.e. 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 - 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 PD's to generate forward looking PD's for each segment identified above.

Each established segment in the Group uses judgement to adjust the average LGD's 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 to 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 (a payment term as determined from an analysis of historical data). This assumption is based on the fact that it is customary for the Group's customers to pay within 90 days and any amounts due from contact customers exceeding 90 days are at risk of becoming impaired. 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, forecasted 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 which the Group operates. The Group determined a clear relationship between the probability of defaults of external rating agencies and the annual GDP growth of geographies in which it operates. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

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;
– 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 forecasted 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.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.11 Revenue recognition

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 end 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.

3.1.12 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.

3.1.13 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.14 Leases

Judgements made in the application of the accounting policies for leases include:

- determining whether a contract contains a lease;
- calculating the discount rate;
- determining the lease term;
- application of exemptions for short-term leases and leases of low-value assets; and
- separation of lease components.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. In determining whether a contract is, or contains a lease, the Group considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In determining an appropriate discount rate, the Group considers on a lease-by-lease basis whether there is an interest rate implicit in the lease or, if that rate cannot be readily determined, the Group uses judgement in determining an incremental weighted average borrowing rate. In calculating the weighted average incremental borrowing rate, the Group uses a portfolio approach whereby a single discount rate is calculated per portfolio of leases with reasonably similar characteristics. The basis of the discount rate is determined using a cost of debt rate that the Group would pay to borrow funds over a similar term, and with similar security, to obtain an asset of similar value to the right-of-use asset in particular jurisdiction.

The Group considers the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term includes any rent-periods provided to the lessee by the lessor.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on reassessment of a contract that contains a lese component, the Group allocates the consideration in the contract to each lease component based on their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate the non-lease components but rather account for the lease and non-lease components as a single lease component.

3.1.15 Uncertainty over income tax treatments

In determining the taxable profit / (loss), tax bases, unused tax losses and tax rates, management assumes that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

In determining whether tax treatments should be considered independently or on a collective basis, the Group selects the approach that provides better predictions of the resolution of the uncertainty. The Group reassess the tax treatment if facts and circumstances change.

3.1.16 Impact of the COVID-19 on operations

At 30 June 2021, the impact and duration of the current COVID-19 pandemic and the related measures taken to control it, including the likelihood of a global recession, are not yet known. In preparing these financial statements, the short-term impact on items such as financial instruments, working capital, sales and provisions has been considered. The valuations of financial assets and liabilities carried at fair value reflect inputs known at the reporting date. In assessing the carrying value of its other non-current assets, the Group has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing and scale of the economic impact and recovery remain uncertain.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.17 Held for Sale – subsequent measurement criteria

In determining whether the non-core disposal groups continue to be classified as Held for Sale, management believes that the carrying amount of these disposal groups will be recovered through a sale transaction rather than through continuing use. Management uses judgement in determining whether the sale of CGUs remains highly probable.

In the preceding 12 months there have been numerous expressions of interest, and a number of non-binding offers for cash generating units (CGUs) within the disposal groups, however the Group did not receive reasonable offers to purchase all of the remaining CGUs. The delay in the finalisation of sales were due to events and circumstances beyond the control of management; including but not limited to the significant impact of COVID-19 on the ability to obtain the best value for the remaining assets, and the corresponding uncertainty within the market brought about during lockdown.

Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of has been revised during the year. The appropriate level of management remains committed to a plan to sell the CGUs and expect that the sales will be concluded within the next 12 months.

Through the use of these judgements, the Group concludes that the carrying amount of the remaining disposal groups classified as Held for Sale will be recovered principally through a sale transaction rather than continuing use. The Group will continue to reassess the classification should facts and circumstances change.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE

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

IFRS 3 Definition of a Business **(amendments)**

(effective 1 January 2020)

In October 2018, the IASB issued amendments to the definition of a business in *IFRS 3 Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The amendments had no impact on the consolidated financial statements of the Group.

IAS 1 and IAS 8 Definition of Material **(amendments)**

(effective 1 January 2020)

In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, *'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.*

The amendments to the definition of material does not have a significant impact on the Group's consolidated financial statements.

IFRS 9, IAS 39 **and** ***IFRS 7 Interest rate Benchmark Reform*** **(amendments)**

(effective 1 January 2020)

In May 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The Board completed its redeliberation process in August 2019. The Board has now published its first-phase amendments.

The Group does not have any hedges affected by IBOR reform. The amendments do not have any impact on the Group's consolidated financial statements.

IFRS 4 Extension of the temporary exemption from applying IFRS 9 **(amendment)**

(effective 1 January 2020)

Rather than having to implement *IFRS 9* in 2018, some companies are permitted to continue to *apply IAS 39 Financial Instruments: Recognition and Measurement*.

The standard is not applicable to the Group.

IFRS 16 COVID-19 related rent concessions **(amendment)**

(effective 1 January 2020)

In response to the COVID-19 coronavirus pandemic, the IASB issued amendments to *IFRS 16 Leases* to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The Group has adopted these amendments to contracts where lease concessions were provided as a direct consequence of COVID-19. The Group does not treat these concessions as lease modifications and has appropriately disclosed as such.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

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 2021. All other standards and interpretations that are not disclosed have been assessed and are not applicable to the Group.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform

(effective 1 January 2021)

In May 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The Board completed its redeliberation process in August 2019. The Board has now published its first-phase amendments.

The second phase of the project dealt with replacement issues (issues that might affect financial reporting when an existing interest rate benchmark is replaced).

The Group does not have any hedges affected by IBOR reform. The amendments are not expected to have any impact on the Group's consolidated financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets **(amendments)**

(effective 1 January 2022)

While *IAS 11* specified which costs were included as a cost of fulfilling a contract, *IAS 37* did not, which led to diversity in practice. The International Accounting Standards Board's amendments address this issue by clarifying those costs that comprise the costs of fulfilling a contract, which includes:

- The incremental costs
- An allocation of other direct costs

The Group is still in the process of determining the impact of the amendments to the accounting standard.

IFRS 17 Insurance contracts **(new standard)**

(effective 1 January 2023)

In May 2017, the IASB issued *IFRS 17 Insurance Contracts* (*IFRS 17*), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, *IFRS 17* will replace *IFRS 4 Insurance Contracts* (*IFRS* 4) that was issued in 2005. *IFRS 17* applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of *IFRS 17* is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in *IFRS 4*, which are largely based on grandfathering previous local accounting policies, *IFRS 17* provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of *IFRS 17* is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies *IFRS 9* and *IFRS 15* on or before the date it first applies *IFRS 17.*

This standard is not applicable to the Group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

***IAS 16 Property, Plant and Equipment* (amendments)**

(effective 1 January 2022)

Proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. *IAS 2 Inventories* should be applied in identifying and measuring these production costs.

The Group is still in the process of determining the impact of the amendments to the accounting standard.

I

***AS 1 Classification of liabilities as current or non-current* (amendments)**

(effective 1 January 2023)

To promote consistency in application and clarify the requirements on determining if a liability is current or non-current, the IASB has amended *IAS 1*.

Under existing *IAS 1* requirements, companies classify a liability as current when they do not have an *unconditional right* to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The Group is still in the process of determining the impact of the amendments to the accounting standard.

***IAS 8 Definition of an accounting estimate* (amendments)**

(effective 1 January 2023)

Clarifications regarding accounting estimates rather than accounting policies in order to reduce the diversity in practice. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying *IFRS 9 Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The Group is still in the process of determining the impact of the amendments to the accounting standard.

***IFRS 10* and *IAS 28* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)**

(optional amendment)

Resolves the conflict regarding how much of the gain on disposal the parent can recognise when control of a subsidiary is lost in a transaction with an associate or a joint venture.

The Group has assessed that the amendment to the standards does not have an impact on the Group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

5. GOING CONCERN AND LIQUIDITY

As detailed in *note 1: Presentation of Consolidated Financial Statements* and note 50: *Events after the reporting period* to the financial statements, 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.

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

Execution of plans

- Continued improvement in the operating performance and therefore underlying value and sustainability of both McConnell Dowell and Moolmans;
- Progress on the non-core asset disposal plan, including:
  - The receipt of proceeds of R120 million in the 2021 financial year, including, *Aveng Duraset, Aveng Infraset Pietermaritzburg, De Aar, Brakpan and Swaziland factories, Ground Engineering Limited (GEL) and various properties*;
  - The sale of Aveng Automation & Control Systems (ACS) concluded during the year that is subject to the satisfaction or waiver of conditions precedent subsequent to year end, ongoing negotiation for the sale of Trident Steel and the remaining Infraset factories;
- Updated budget and business plans for post-year end period up to 30 June 2022 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved;
- 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 SA Banking group, 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;
- A successful conclusion of the rights offer, where shareholders demonstrated a much higher than anticipated interest, resulting in the raising of R392 million of new capital;
- Early partial settlement of an external and note debt and a debt restructure in March 2021 reduced the external debt from R2,1 billion at December 2020 to R1,0 billion in June 2021;
- A successful follow-on rights offer raising R100 million in June 2021; and
- An additional early debt repayment of R55 million at 30 June 2021.

Having dealt decisively with unsustainable debt levels, the Group has been provided with a new platform to pursue growth opportunities around its core businesses, McConnell Dowell and Moolmans. This brings to a culmination the restructuring announced on 25 November 2020.

In the 2021 financial year, the Group reported a profit after tax of R988 million and an operating free cash inflow of R1,5 billion. The Group's available cash resources benefitted from this performance. The Group continues to focus on improving operational performance, improving overhead efficiency and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded or are in progress.

The Group has cash (net of bank overdraft facilities) of R2,5 billion (30 June 2020: R1,3 billion) at 30 June 2021, of which R412 million (30 June 2020: R429 million) is held in joint arrangements. Unutilised facilities amounted to R364 million (30 June 2020: R483 million).

COVID 19 pandemic

The Group's agile, resilient and diverse business model across customers, geographies, industry sectors and commodities continues to provide risk mitigation in the current circumstances. The Group proactively monitors and manages infection rates, restrictions and lockdowns to protect employees, operations and our financial and liquidity position.

As reported previously, it is expected that the commercial impact of COVID-19 related matters will continue to impact the business due to the uncertainties posed by the pandemic and the related response by governments and societies around the globe.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

5. GOING CONCERN AND LIQUIDITY

Liquidity, solvency and ongoing funding

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely McConnell Dowell and the South African liquidity pool. McConnell Dowell's liquidity benefited from the receipt of advance payments and a growing order book. As a result, McConnell Dowell reported a strong cash balance with sufficient cash and liquidity to support the growing order book and the growth opportunities that this market continues to present. Despite the continued lockdown regulations in South Africa, the South African operations produced an improvement in the liquidity position. The South African liquidity pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period. Following the completion of the rights offering, the recapitalisation and the planned settlement of debt, the position improved substantially.

Management updated the forecast for the 2022 financial year and the following year, as well as preparing 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. Notably, the preparation of budgets, plans and forecasts include consideration of the impact of the COVID-19 pandemic. This included management's responses to the effects thereof. Whilst management has taken action to address these effects, this pandemic continues to evolve and represents a risk to the achievement of these budgets, plans and forecasts. Management will continue to respond to the circumstances as these emerge. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the board.

Following the transformational balance sheet restructure transaction which extended the Group's debt maturity profile to 3 years, which simultaneously improved the Group's South African liquidity pool, the Group's current assets of R6,5 billion exceeded its current liabilities of R6,0 billion at 30 June 2021.

The forecasts indicate that the Group will have sufficient cash resources for the foreseeable future. The core businesses are performing in line with the plan and are therefore expected to generate sufficient cash to contribute to the repayment the long-term debt. In addition, the Group's remaining non-core businesses (particularly Trident Steel) are expected to generate sufficient cash from operations to contribute to available liquidity. The disposals of the remaining non-core assets are expected to be completed during the 2022 financial year and will contribute to the repayment of the debt and available liquidity.

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, 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 the 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.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

6. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

The Group structure comprises of McConnell Dowell and Moolmans forming the core businesses of the Group with Aveng Construction: South Africa (formerly Aveng Grinaker-LTA), Aveng Manufacturing and Trident Steel being deemed the non-core operating groups. As at 30 June 2021, management remained committed to its strategy to exit and dispose of the remaining non-core operating groups.

Extension of discontinued operations beyond 12 months

The extension of the classification of the remaining operations within non-core operating segments as discontinued operations beyond 12 months is supported by the ongoing commitment from the board to actively sell the Held for Sale assets in line with its strategy. Unforeseen challenges outside the control of management, including the negative effects of the COVID-19 pandemic on the disposal process, have delayed the execution of sales of the remaining assets. Except for the sale of ACS and REHM (refer to *note 50: Events after the reporting period*), the Group did not have binding offers to purchase the remaining assets. Despite the delays in the disposal of these assets, management believes that the sales remain highly probable and has embarked on renewed efforts to sell the assets by engaging external partners to assist in active programmes to locate buyers and complete the sale of these assets in line with the strategic review. At year end, these assets remain available for immediate sale in their present condition subject only to terms that are usual and customary for the sales of such assets. Management continues to actively market the assets at prices that are reasonable in relation to their current fair value, which leads management to conclude that it is highly probable that the sale of the remaining assets within the non-core operating segments will be concluded in the next 12 months.

As part of the extension to the period to complete the sales, the continued support by the board and plan by management to locate buyers indicate that it is highly unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Aveng Manufacturing and 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. Following the sale of businesses in the *Aveng Construction: South Africa and Rest of Africa* segment, the remaining contracts no longer meet the requirements in terms of *IFRS 5* and have not been presented as discontinued operations in the statement of comprehensive income. Management is following an orderly process in closing-out these contracts.

The Group's intention to dispose of the non-core operating groups triggered an initial impairment assessment on classification of Held for Sale. 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 entities by calculating the subsequent fair value less costs to sell as at 30 June 2021. The subsequent fair value measurement is detailed on the following page.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

6. DISCONTINUED OPERATIONS continued

The profit / (loss) from discontinued operations is analysed as follows:

	2021 Rm	2020 Rm
Revenue	**4 198**	6 693
Cost of Sales	**(3 765)**	(6 602)
Gross earnings	**433**	91
Other earnings	**108**	126
Operating expenses	**(270)**	(430)
Loss from equity-accounted investments	**(13)**	(2)
Operating earnings / (loss)	**258**	(215)
Impairment loss on goodwill, intangible assets and property, plant & equipment	**(102)**	-
Gain on disposal of property, plant & equipment	**13**	36
Fair value adjustments on properties and disposal groups classified as Held for Sale	**611**	(13)
Profit / (loss) before financing transactions	**780**	(192)
Net finance expenses	**(104)**	(110)
Profit / (loss) before taxation	**676**	(302)
Taxation	**-**	11
Profit / (loss) for the period	**676**	(291)
Attributable to:		
Equity-holders of the parent	**676**	(291)
Items by nature		
Capital expenditure	**26**	25
Net operating earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	**258**	(215)
Results per share (cents)		
Gain / (loss) - basic	**1,8**	(1,5)
Gain / (loss) - diluted	**1,7**	(1,5)
Net cash flows in relation to discontinued operations:		
Cash inflow / (outflow) from operating activities	**167**	(313)
Cash inflow from investing activities	**96**	108
Cash outflow from financing activities	**(73)**	(57)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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 Group's strategy as discussed in *note 20: Assets and liabilities classified as Held for Sale*, the *Manufacturing and Processing* reportable segment is presented and disclosed as discontinued operations*. The Construction and Engineering: Australasia and Asia, Mining, Construction and Engineering: South Africa and rest of Africa* 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

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

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, corporate held investments, including properties and consolidation eliminations.

7.1.4 Construction and Engineering: South Africa and rest of Africa

This segment includes Aveng Construction: South Africa (formerly Aveng Grinaker-LTA) and Aveng Capital Partners (ACP).

In the current year, the Group sold Aveng Construction: Ground Engineering (GEL), the remaining business unit within the segment. Following the sale of the businesses in the current and prior year, the segment includes only the assets and liabilities related to the close out of a limited number of historical contracts not sold as part of the Aveng Construction: South Africa disposal. These projects continue to be classified as part of the continuing operations within *Construction and Engineering: South Africa and Rest of Africa*.

7.2 Discontinued operations

7.2.1 Manufacturing and processing

This segment comprises Aveng Manufacturing and Trident Steel.

The revenues from this segment comprise the supply of products, services and solutions to the mining, construction, Oil & Gas, water, power, automotive OEM 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 and Aveng Infraset.

During the current year, Aveng Duraset and a number of Aveng Infraset factories and assets were sold. In the prior year Aveng Dynamic Fluid Control (DFC) was sold.

7.2.2 Investment in REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited

Equity accounted investments (REHM Construction co Limited and REHM Grinaker Properties Co Limited (REHM)) were classified as Held for Sale during the prior year. These investments form part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment. The carrying amount at 30 June 2021 amounted to Rnil (2020: R13 million) following a loss from equity-accounted investments in the current year of R13 million. The investment in REHM was sold subsequent to year end. Refer to *note 50: Events after the reporting period* for more information.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

7. SEGMENTAL REPORT continued

	Construction and Engineering: Australasia and Asia		Mining		Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Assets												
Goodwill arising on consolidation	**100**	100	**-**	-	**-**	-	**-**	-	**-**	-	**100**	100
Intangible assets	**-**	-	**11**	15	**-**	-	**-**	-	**-**	-	**11**	15
Property, plant and equipment	**709**	837	**2 074**	2 263	**-**	2	**-**	-	**17**	78	**2 800**	3 180
Equity-accounted investments	**3**	2	**4**	3	**-**	-	**-**	-	**23**	30	**30**	35
Infrastructure investments	**-**	-	**-**	-	**-**	117	**-**	-	**257**	142	**257**	259
Deferred taxation	**723**	804	**-**	-	**-**	-	**2**	-	**-**	9	**725**	813
Long-term receivables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	43	**-**	43
Lease receivables	**-**	-	**-**	-	**-**	-	**-**	-	**41**	-	**41**	-
Derivative instruments	**-**	-	**-**	10	**-**	-	**-**	-	**-**	-	**-**	10
Inventories	**14**	15	**197**	171	**-**	1	**-**	-	**-**	-	**211**	187
Amounts due from contract customers	**2 963**	2 084	**396**	369	**39**	78	**-**	-	**-**	-	**3 398**	2 531
Trade and other receivables	**200**	201	**91**	43	**-**	72	**-**	-	**36**	42	**327**	358
Taxation receivable / (payable)	**25**	39	**(6)**	(16)	**-**	-	**(3)**	1	**21**	17	**37**	41
Cash and bank balances	**1 853**	1 673	**241**	93	**24**	46	**285**	151	**116**	(208)	**2 519**	1 755
Assets Held for Sale	**-**	-	**-**	-	**-**	33	**1 989**	2 276	**-**	-	**1 989**	2 309
Total assets	**6 590**	5 755	**3 008**	2 951	**63**	349	**2 273**	2 428	**511**	153	**12 445**	11 636
Liabilities												
Deferred taxation	**144**	155	**238**	197	**-**	-	**-**	-	**(230)**	(186)	**152**	166
Borrowings and other liabilities	**287**	436	**183**	217	**-**	-	**-**	-	**928**	1 727	**1 398**	2 380
Payables other than contract related	**-**	-	**-**	-	**-**	-	**-**	-	**160**	148	**160**	148
Employee-related payables	**428**	387	**130**	118	**1**	11	**-**	-	**55**	57	**614**	573
Trade and other payables	**2 286**	1 697	**606**	454	**296**	349	**-**	-	**253**	264	**3 441**	2 764
Amounts due to contract customers	**1 558**	1 159	**94**	103	**5**	28	**-**	-	**-**	-	**1 657**	1 290
Bank overdraft	**-**	-	**-**	-	**-**	-	**-**	-	**-**	424	**-**	424
Liabilities Held for Sale	**-**	-	**-**	-	**-**	16	**1 575**	2 035	**-**	-	**1 575**	2 051
Total liabilities	**4 703**	3 834	**1 251**	1 089	**302**	404	**1 575**	2 035	**1 166**	2 434	**8 997**	9 796

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

7. SEGMENTAL REPORT continued

	Construction and Engineering: Australasia and Asia		Mining		Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Revenue	**16 911**	10 297	**4 009**	3 955	**591**	1 865	**4 198**	4 828	**-**	(67)	**25 709**	20 878
Construction contract revenue	**16 911**	10 297	**4 000**	3 943	**591**	1 862	**-**	-	**-**	(16)	**21 502**	16 086
Sale of goods	**-**	-	**1**	1	**-**	-	**4 124**	4 758	**-**	(52)	**4 125**	4 707
Other revenue	**-**	-	**8**	11	**-**	3	**28**	16	**-**	1	**36**	31
Transport revenue	**-**	-	**-**	-	**-**	-	**46**	54	**-**	-	**46**	54
Cost of sales	**(15 726)**	(9 704)	**(3 602)**	(3 741)	**(747)**	(2 007)	**(3 765)**	(4 595)	**96**	140	**(23 744)**	(19 907)
Gross earnings / (loss)	**1 185**	593	**407**	214	**(156)**	(142)	**433**	233	**96**	73	**1 965**	971
Other earnings	**42**	42	**12**	(31)	**49**	43	**108**	83	**57**	26	**268**	163
Operating expenses	**(912)**	(784)	**(180)**	(144)	**(38)**	(73)	**(270)**	(357)	**(275)**	(289)	**(1 675)**	(1 647)
Loss from equity-accounted investments	**(3)**	(13)	**-**	(1)	**(19)**	(2)	**-**	-	**-**	(3)	**(22)**	(19)
Net operating earnings / (loss)	**312**	(162)	**239**	38	**(164)**	(174)	**271**	(41)	**(122)**	(193)	**536**	(532)
Impairment loss on goodwill, intangible assets and property, plant and equipment	**-**	-	**(81)**	(132)	**-**	-	**(102)**	-	**(58)**	(15)	**(241)**	(147)
Impairment loss on equity-accounted investments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(21)	**-**	(21)
Impairment loss on long-term receivables	**-**	-	**-**	-	**-**	-	**-**	-	**(26)**	-	**(26)**	-
Gain / (loss) on disposal of property, plant & equipment	**-**	45	**-**	(5)	**-**	19	**13**	17	**(3)**	(15)	**10**	61
Gain on disposal of assets Held for Sale	**-**	-	**-**	-	**-**	-	**-**	-	**28**	24	**28**	24
Gain on disposal of subsidiaries	**-**	-	**-**	-	**-**	-	**-**	-	**-**	10	**-**	10
Gain on early redemption of borrowings	**-**	-	**-**	-	**-**	-	**-**	-	**486**	-	**486**	-
Fair value adjustments on properties and disposal groups classified as Held for Sale	**-**	-	**-**	-	**-**	-	**611**	(13)	**-**	-	**611**	(13)
Earnings / (loss) before financing transactions	**312**	(117)	**158**	(99)	**(164)**	(155)	**793**	(37)	**305**	(210)	**1 404**	(618)
Net finance income / (expenses)	**(34)**	(43)	**(24)**	(34)	**8**	1	**(104)**	(111)	**(221)**	(242)	**(375)**	(429)
Earnings / (loss) before taxation	**278**	(160)	**134**	(133)	**(156)**	(154)	**689**	(148)	**84**	(452)	**1 029**	(1 047)
Taxation	**(24)**	(36)	**(61)**	(5)	**-**	6	**-**	5	**44**	(39)	**(41)**	(69)
Earnings / (loss) for the period	**254**	(196)	**73**	(138)	**(156)**	(148)	**689**	(143)	**128**	(491)	**988**	(1 116)
Capital expenditure	**170**	148	**649**	609	**-**	-	**26**	25	**-**	5	**845**	787
Net operating earnings / (loss)	**312**	(162)	**239**	38	**(164)**	(174)	**271**	(41)	**(122)**	(193)	**536**	(532)
Depreciation	**304**	280	**611**	600	**3**	-	**-**	-	**5**	5	**923**	885
Amortisation	**-**		**4**	4	**-**	-	**-**	-	**-**	5	**4**	9
Net operating earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	**616**	118	**854**	642	**(161)**	(174)	**271**	(41)	**(117)**	(183)	**1 463**	362

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

7. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2021 Revenue Rm	2020 Revenue Rm	2021 Segment assets Rm	2020 Segment assets Rm	2021 Capital expenditure Rm	2020 Capital expenditure Rm
South Africa	**8 507**	10 019	**5 399**	6 485	**667**	638
Rest of Africa including Mauritius	**291**	509	**158**	201	**8**	1
Australia	**12 631**	6 129	**4 512**	3 632	**46**	-
New Zealand and Pacific	**2 350**	2 751	**1 215**	741	**40**	70
Southeast Asia	**1 930**	1 417	**1 122**	534	**84**	45
Other regions	**-**	53	**39**	43	**-**	33
	25 709	20 878	**12 445**	11 636	**845**	787

8. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2021. 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 CGU's, the Group performed a subsequent impairment assessment whereby the carrying values of the CGU's 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 CGU's 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 the note *6: Discontinued Operations,* the board made the decision in 2018 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 2021:

Manufacturing and Processing

- Trident Steel;
- Aveng Automation and Control Solutions (ACS); and
- Aveng Infraset (remaining assets).

Subsequent remeasurement of CGU's Held for Sale to Fair Value less costs of disposal

As at 30 June 2021, management determined the recoverable amounts of the CGUs within the *Manufacturing and Processing* segment to be fair value less cost of disposal.

In the current year, the Group had finalised the sale of the following CGUs:

Construction and Engineering: South Africa and rest of Africa

- Aveng Construction Ground Engineering Limited (GEL)

Manufacturing and Processing

- Aveng Duraset Westonaria
- Aveng Duraset Alrode
- Aveng Infraset Pietermaritzburg
- Aveng Infraset De Aar & Brakpan factories
- Aveng Infraset Swaziland factory

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

8. IMPAIRMENT continued

8.1 CGU's of the Group in the scope of IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations continued

Subsequent remeasurement of CGU's Held for Sale to Fair Value less costs of disposal continued

During the year, the Group completed the sale of Aveng Automotive & Control Solutions (ACS) business as a going concern for R70 million, adjusted for working capital, that is subject to the satisfaction or waiver of conditions precedent subsequent to year end. Refer to *note 50: Events after the reporting period*.

As at 30 June 2021, management calculated the recoverable amount of the CGU Held for Sale to be fair value less cost of disposal. As at 30 June 2021, a fair value adjustment of R611 million was recognised in the *Manufacturing and Processing* segment to reflect the CGU at fair value less cost of disposal.

The CGU fair values were all categorised as level 2 per the *IFRS 13 Fair Value Measurement* hierarchy based on the inputs used in the valuation techniques; directly observable market inputs (fair value less cost of disposal using an offer to purchase).

Other individual assets in the scope of *IFRS 5 – Assets Held for Sale and Discontinued Operations*

The Group performed an assessment on right-of-use land and buildings at Trident Steel, which is part of the *Manufacturing and Processing* reportable segment. As at 30 June 2021, the Group determined that an impairment of R102 million was required for Trident Steel relating to right-of-use land and buildings. The fair value of these assets falls within *Level 2* of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar rentals within the market.

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.

CGU's of the Group in the scope of *IAS 36 - Impairments*

The Group performed an impairment assessment on the Moolmans CGU at 30 June 2021. No impairment was required for this CGU at 30 June 2021. Moolmans falls under the Mining reportable segment.

Other individual assets in the scope of *IAS 36 - Impairments*

An impairment assessment was performed on:

- Property, plant & equipment at Moolmans, which is part of the *Mining* reportable segment. As at 30 June 2021, the Group determined that there was an additional impairment of R54 million (30 June 2020: R132 million) required for Moolmans relating to owned equipment and vehicles and an impairment of R27 million was required on right-of-use land and buildings within the scope of *IAS 36 – Impairments*. The recoverable amount of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within *Level 2* of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar assets within the market.
- Right-of-use land and buildings in the *Other and Eliminations* segment. An impairment of R58 million was required. The recoverable amount of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within *Level 2* of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar rentals within the market.
- Intangible assets accounted for in *Other and Eliminations* determined that no additional impairment (30 June 2020: R15 million) was required.

As disclosed in *note 12: Equity accounted investments* impairment charges of R10 million were recognised in the prior year on the Group's investment in REHM Grinaker Property Co Limited and REHM Grinaker Construction Co Limited as these investments were classified as Held for Sale at 30 June 2020. The recoverable amount of these investments was determined using level 2; directly observable market inputs (fair value less cost of disposal using an offer to purchase). An impairment amount of R11 million was recognised on the Steeledale accounts receivable loan at 30 June 2020 as the Group no longer considers this amount to be recoverable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

8. IMPAIRMENT continued

8.3 Assets in the scope of *IFRS 9 – Financial Instruments*

Other individual assets in the scope of *IFRS 9 – Financial Instruments*

- Long-term receivables accounted for in *Other and Eliminations* determined that an impairment of R26 million (30 June 2020: Rnil) was required. The long-term receivable was determined to be unrecoverable and as such was written down to a recoverable amount of Rnil. The recoverable amount of this asset falls within Level 3 of the hierarchy identified in *IFRS 13* and was calculated based on the expectation that no amount will be received from the counterparty.

8.4 Total impairment losses for the year

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

	2021		2020		
	Property, plant and equipment Rm	Long-term receivables Rm	Property, plant and equipment Rm	Intangible assets Rm	Equity-accounted investments Rm
CGUs in the scope of *IFRS 5*					
Trident Steel	102	-	-	-	-
Other individual assets in the scope of *IAS 36*					
Moolmans	81	-	132	-	-
Other and Eliminations	58	-	-	15	11
Aveng Capital Partners	-	-	-	-	10
Other individual assets in the scope of *IFRS 9*					
Other and Eliminations	-	26	-	-	-
	241	26	132	15	21

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises owned and leased assets that do not meet the definition of investment property.

	2021 Rm	2020 Rm
Owned property, plant & equipment	**2 463**	2 741
Right-of-use assets	**337**	439
	2 800	3 180

Reconciliation of property, plant and equipment

	Owned Land and buildings Rm	Right-of-use Land and buildings Rm	Owned equipment and vehicles Rm	Right-of-use plant, equipment and vehicles Rm	Total Rm
2021					
Cost					
Opening balance	65	433	8 530	298	9 326
Additions	-	41	819	202	1 062
Disposals	-	-	(1 880)	-	(1 880)
Derecognitions**		(23)		(284)	(307)
Classified as Held for Sale - transferred in	-	30	9	-	39
Foreign exchange movements	15	(36)	(315)	(21)	(357)
	80	445	7 163	195	7 883
Accumulated depreciation and impairment					
Opening balance	(14)	(88)	(5 840)	(204)	(6 146)
Depreciation*	(3)	(98)	(655)	(167)	(923)
Impairment	-	(85)	(54)	-	(139)
Disposals	-	-	1 555	-	1 555
Derecognitions**	-	17	-	282	299
Classified as Held for Sale - transferred in	-	-	(7)	-	(7)
Foreign exchange movements	(1)	14	239	26	278
	(18)	(240)	(4 762)	(63)	(5 083)
	62	205	2 401	132	2 800

* *Depreciation included in cost of sales amounted to R859 million and depreciation included in operating expenses amounted to R66 million. Refer to note 31: Cost of sales and note 33: Operating expenses.*

** *Lease arrangements expired in the year and right-of-use assets returned to the vendor.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment

	Owned Land and buildings Rm	Right-of-use Land and buildings Rm	Owned equipment and vehicles Rm	Right-of-use plant, equipment and vehicles Rm	Total Rm
2020					
Cost					
Opening balance*	94	-	8 280	13	8 387
Adoption of *IFRS 16 Leases* accounting standard**	-	296	-	261	557
Additions	1	91	761	7	860
Disposals	(14)	-	(628)	-	(642)
Transfers	-	-	(4)	-	(4)
Classified as Held for Sale - transferred in	-	-	25	-	25
Foreign exchange movements	(16)	46	96	17	143
	65	433	8 530	298	9 326
Accumulated depreciation and impairment					
Opening balance*	(30)	-	(5 533)	(10)	(5 573)
Depreciation***	(2)	(85)	(611)	(187)	(885)
Impairment	(2)	-	(130)	-	(132)
Disposals	-	-	491	-	491
Transfers	-	-	4	-	4
Classified as Held for Sale - transferred in	-	-	(23)	-	(23)
Foreign exchange movements	20	(3)	(38)	(7)	(28)
	(14)	(88)	(5 840)	(204)	(6 146)
	51	345	2 690	94	3 180

* *The opening balance represents* leased plant, equipment and vehicles *shown as assets recognised under finance leases in IAS 17. The Group classifies all leases, including these balances, as right-of-use assets under IFRS 16.*

** *The Group has adopted* IFRS 16 Leases *using the modified retrospective approach, with the effect of initially applying the standard recognised at the transition date (ie 1 July 2019). The adoption of* IFRS 16 *has impacted the property, plant and equipment through the recognition of right-of-use assets amounting to R557 million at 1 July 2019.*

*** *Depreciation included in cost of sales amounted to R606 million and depreciation included in operating expenses amounted to R61 million. Refer to note 31: Cost of sales and note 33: 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 2021

10. GOODWILL ARISING ON CONSOLIDATION

	Notes	2021 Rm	2020 Rm
Cost			
Opening balance		**1 122**	1 455
Disposals		**-**	(333)
		1 122	1 122
Accumulated impairment			
Opening balance		**(1 022)**	(1 355)
Disposals		**-**	333
		(1 022)	(1 022)
Carrying amount		**100**	100
Allocation of goodwill to CGUs			
The carrying amount of goodwill has been allocated to the following CGU:			
Construction and Engineering: Australia and Asia - McConnell Dowell		**100**	100

11. INTANGIBLE ASSETS

Reconciliation of intangible assets

	Notes	Computer software Rm	Total Rm
2021			
Cost			
Opening balance		**30**	**30**
		30	**30**
Accumulated amortisation and impairment			
Opening balance		**(15)**	**(15)**
Amortisation		**(4)**	**(4)**
		(19)	**(19)**
Carrying amount		**11**	**11**
2020			
Cost			
Opening balance		247	247
Disposals		(217)	(217)
		30	30
Accumulated amortisation and impairment			
Opening balance		(208)	(208)
Amortisation		(9)	(9)
Disposals		217	217
Impairments	8	(15)	(15)
		(15)	(15)
Carrying Amount		15	15

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

12. EQUITY-ACCOUNTED INVESTMENTS

		2021 Rm	2020 Rm
Opening balance			
Impairment of investment in REHM Grinaker Property Co Limited and REHM Grinaker		35	45
Construction Co Limited		-	(10)
Impairment of loans receivable from Steeledale Proprietary Limited		-	(11)
Disposal of equity-accounted investments - other		-	(2)
Share of loss after taxation and dividends - amount recorded in the statement of comprehensive earnings*		(9)	(17)
Foreign currency translation movement		4	13
		30	18
Classified as Held for Sale - transferred in**		-	30
Classified as Held for Sale - transferred out***		-	(13)
		30	35
Reconciliation of investments			
Investments (including loan balances)	**% holding**		
Oakleaf Investment Holdings 86 Proprietary Limited**	50	23	30
REHM Grinaker Property Co Limited***	43	-	7
REHM Grinaker Construction Co Limited***	43	-	6
Dutco McConnell Dowell Middle East Limited	49	3	2
Steeledale Proprietary Limited	30	-	-
Other****		4	3
		30	48
Classified as Held for Sale - transferred out		-	(13)
		30	35

* *This amount represents the share of loss after taxation and dividends for continuing operations. Refer to* note: 6. Discontinued Operations *for the share of loss after taxation and dividends for discontinued operations.*

** *The investment in Oakleaf Holdings 86 Proprietary Limited no longer met the classification requirements of Held for Sale and was transferred from Assets Held for Sale in the prior year. Refer to* note 20: Assets and liabilities classified as Held for Sale.

*** *The investment in REHM Grinaker Property Co Limited and REHM Grinaker Construction Co Limited met the classification requirements of Held for Sale and was transferred to Assets Held for Sale in the prior year. Refer to* note 20: Assets and liabilities classified as Held for Sale. Subsequent to year end, the disposal of the investment was concluded. Refer to 50: Events after the reporting period.

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

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:

	2021 Rm	2020 Rm
Aggregate carrying amount of associates	30	35
	30	35
The Group's share of results of operations of equity-accounted investments are summarised below:		
Associates		
Loss for the year - continuing operations	(9)	(17)
Loss for the year - discontinued operations	(13)	(2)
Total share of loss from equity-accounted investments	(22)	(19)
Impairment on equity-accounted investments		
Impairment loss on investments in associates	-	(10)
Impairment loss on loans receivable from associates	-	(11)
Total impairment on equity-accounted investments	-	(21)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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 R178 million (June 2020: R81 million).

13. INFRASTRUCTURE INVESTMENTS

	2021 Rm	2020 Rm
South African infrastructure investments		
Financial investments	**257**	259

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 were classified as Held for Sale in 2018. At 30 June 2020, these investments no longer met the classification requirements to be Held for Sale as the Group did not receive reasonable offers to purchase the assets in the current year. Even though the infrastructure investments do not meet the *IFRS 5* subsequent measurement criteria at 30 June 2021, management remains committed to dispose of these assets in line with the Group strategy and is in an active program to locate suitable buyers (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.

	2021 Rm	2020 Rm
Opening balance	**259**	142
Classified as Held for Sale-transferred in	**-**	117
Interest capitalised on loans	**2**	-
Loan repayment	**(4)**	-
	257	259
Balance at the end of the year comprises:		
Dimopoint Proprietary Limited (Dimopoint)	**142**	142
Imvelo Concession Company Proprietary Limited (Imvelo)	**56**	58
Firefly Investments 238 Proprietary Limited (Firefly)	**59**	59
	257	259

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

14. DEFERRED TAXATION

	2021 Rm	2020 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	**813**	622
Recognised in earnings or loss - current year	**(16)**	(16)
Recognised in earnings or loss - adjustment for prior year	**1**	27
Foreign currency translation movement and other	**(73)**	143
Reallocation from deferred taxation liability*	**-**	37
	725	813
Reconciliation of deferred taxation liability		
At the beginning of the year	**(166)**	(86)
Recognised in earnings or loss - current year	**15**	(55)
Recognised in earnings or loss - adjustment for prior year	**-**	38
Reallocation to deferred taxation asset*	**-**	(37)
Foreign currency translation movement and other	**(1)**	(26)
	(152)	(166)
Deferred taxation asset balance at the year end comprises		
Accelerated capital allowances	**95**	120
Provisions	**100**	93
Contracts	**28**	175
Other	**33**	(148)
Assessed losses carried forward	**469**	573
	725	813
Deferred taxation liability balance at the year end comprises		
Accelerated capital allowances	**(63)**	(87)
Provisions	**-**	1
Contracts	**-**	(80)
Other	**(89)**	-
	(152)	(166)

* *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 results include a number of legal statutory entities within a number of taxation jurisdictions.

As at June 2021 the Group had unused taxation losses of R15 644 million (2020: R15 812 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R1 620 million (2020: R1 631 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R14 024 million (2020: R14 181 million) due to the uncertainty of future taxable profits in the related legal entities.

Unused tax losses

The Group performed a five-year forecast for the financial years 2022 to 2026, which is the key evidence that supports the recognition of deferred taxation assets. The forecast specifically focused on Aveng Australia Holdings consolidated group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

15. DERIVATIVE INSTRUMENTS

	2021 Net fair value Rm	2020 Net fair value Rm
Non-current assets		
Derivatives designated as hedging instruments	-	1
	-	1
Current assets		
Derivative instruments at fair value through profit or loss	-	9
	-	9

Derivative instruments subject to enforceable netting agreements amounted to a net asset of Rnil (2020: Net asset of R

10 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

for the year ended 30 June 2021

16. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	2021 Rm	2020 Rm
Uncertified claims and variations (underclaims)*[1]	**817**	652
Contract contingencies	**(50)**	(290)
Progress billings received (including overclaims)[2]	**(1 656)**	(1 285)
Uncertified claims and variations less progress billings received	**(889)**	(923)
Contract receivables[3]	**2 582**	2 121
Provision for expected credit loss	**(1)**	(1)
Retention receivables[4]	**50**	49
	1 742	1 246
Amounts received in advance[5]	**(1)**	(5)
Net amounts due from contract customers	**1 741**	1 241
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations*[1]	**817**	652
Contract contingencies	**(50)**	(290)
Contract and retention receivables	**2 632**	2 170
Provision for expected credit losses	**(1)**	(1)
Amounts due from contract customers	**3 398**	2 531
Progress billings received	**(1 656)**	(1 285)
Amounts received in advance	**(1)**	(5)
Amounts due to contract customers	**(1 657)**	(1 290)
Net amounts due from contract customers	**1 741**	1 241

* *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 balances included in the table above relate only to continuing operations. 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.

The net amounts due from contract customers includes R266 million (2020: R297 million) which is subject to protracted legal proceedings.

Expected credit losses

Amounts due from contract customers

As at 30 June 2021, the Group has amounts due from contract customers of R1,7 billion (2020: R1,2 billion) which is net of the provision for expected credit loss of R1 million (2020: R1 million).

Trade receivables

As at 30 June 2021, the Group has trade receivables of R4 million (2020: R6 million). The provision for expected credit loss relating to trade receivables is less than R1 million (2020: R3 million).

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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:

	2021 Rm	2020 Rm
Provision for expected credit losses		
Opening Balance	**4**	1
Movement in the current year	**(3)**	*
Classified as Held for Sale - transferred in	**-**	3
	1	**4**
Attributable to:		
Amounts due from contract customers	**1**	1
Trade receivables	*****	3
	1	**4**

* *Amounts less than R1 million*

	2021 Rm	2020 Rm
Provision for expected credit losses - specific debtors		
Opening Balance	**26**	4
Movement in the current year	**(10)**	22
	16	**26**
Attributable to:		
Trade receivables	**16**	26
	16	**26**

17. TRADE AND OTHER RECEIVABLES

	2021 Rm	2020 Rm
Financial assets		
Trade receivables	**4**	6
Sundry receivables	**277**	358
Provision for expected credit losses - specific debtors	**(16)**	(26)
Provision for expected credit losses	*****	(3)
Non-financial assets		
Prepayments	**62**	23
	327	358

* *Amounts less than R1 million*

The balances included in the table above relate only to assets not Held for Sale. Refer to *note 20: Assets and Liabilities classified as Held for Sale* for disclosure of the disposal groups' 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 2021, the Group has trade and other receivables of R327 million (2020: R358 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 - allowances for Expected Credit Losses* for additional information.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

18. INVENTORIES

	2021 Rm	2020 Rm
Consumables	**261**	255
Allowance for obsolete inventory	**(50)**	(68)
	211	187
Reconciliation of movement in allowance for obsolete inventory		
Opening balance	**68**	65
Allowance created	**230**	186
Allowance released	**(248)**	(183)
	50	68
Inventories utilised in cost of sales during the year	**2 462**	1 049

The balances included in the table above relate only to continued operations. Refer to *note 20: Assets and Liabilities classified as Held for Sale* for disclosure of the disposal groups' inventories classified as Held for Sale.

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.

19. CASH AND BANK BALANCES

	2021 Rm	2020 Rm
Cash and bank balances	**2 519**	1 755
Less: Bank overdrafts	**-**	(424)
	2 519	1 331
Cash and bank balances at the end of the period include the following cash and bank balances that are restricted from immediate use by the general Group, and is only available for use by the respective joint operations:		
Cash held by Aveng Zimbabwe*	*****	1
Group share of cash held by joint operations	**412**	429

* *Included in bank balances are balances relating to Aveng Zimbabwe (Private) Limited of less than a R1 million (2020: R1 million) which is regarded as having limited transferability.*

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As disclosed in *note 6: Discontinued operations*, the outcome of the strategic review led 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. 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, exceeded 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 and current years.

Sales finalised in the current year

Construction and Engineering: South Africa and the rest of Africa

Aveng Construction Ground Engineering (GEL)

In June 2020, the Group entered into a binding sale of business agreement with Ground Engineering Proprietary Limited for the sale of GEL as a going concern for R5 million with an effective date of 1 July 2020.

Manufacturing and Processing

Aveng Duraset Alrode

In July 2020, the Group entered into a binding sale of business agreement with Carlmac Steel Proprietary Limited for the sale of Aveng Duraset Alrode as a going concern for R11 million with an effective date of 2 November 2020.

Aveng Duraset Westonaria

In September 2020, the Group entered into a binding sale of business agreement with Azkoyen Trading Proprietary Limited for the sale of Aveng Duraset Westonaria as a going concern for R8,5 million with an effective date of 2 November 2020.

Aveng Infraset Pietermaritzburg factory

In November 2020, the Group entered into a binding sale of business agreement with Rus Group Proprietary Limited for the sale of Infraset Pietermaritzburg factory as a going concern for R5 million with an effective date of 1 December 2020.

Aveng Infraset Swaziland factory

In February 2021, the Group entered into a binding sale of business agreement with Infracast Proprietary Limited for the sale of the Infraset Swaziland factory as a going concern for R11,6 million with an effective date of 3 May 2021.

Aveng Infraset Brakpan and De Aar factories

In April 2021, the Group entered into a binding sale of business agreement with Colossal Africa Infrastructure Proprietary Limited for the sale of Infraset Brakpan and De Aar as a going concern for R32,7 million with an effective date of 1 June 2021.

Sales not finalised in the current year

The Group has determined that unforeseen challenges (including the continued negative effects of COVID-19 on the sales process) outside the control of management have prevented the execution of the sales of the remaining assets. Due to the dynamic nature of these businesses and the complex environment in which they operate, these assets have not been sold by year end.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Sales not finalised in the current year continued

In the preceding 12 months there have been numerous expressions of interest, and a number of non-binding offers for cash generating units (CGUs) within the disposal groups, however the Group did not receive reasonable offers to purchase all of the remaining CGUs. The delay in the finalisation of sales were due to events and circumstances beyond the control of management; including but not limited to the significant impact of COVID-19 on the ability to obtain the best value for the remaining assets, and the corresponding uncertainty within the market brought about during the multiple lockdowns.

Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of has been revised during the year. The appropriate level of management remains committed to a plan to sell the CGUs and expect that the sales will be concluded within the next 12 months.

At year end, these assets remain available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets. Management continues to actively market the assets for sale at prices that are reasonable in relation to their current fair value which leads management to conclude that it is highly probable that the sale of the remaining assets within non-core operating segments will be concluded in the next twelve months.

As part of the extension to the period to complete the sales, the continued support by the board and plan by management to locate appropriate buyers indicates that it is highly unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets transferred into assets Held for Sale

Construction and Engineering: South Africa and the rest of Africa – Equity-accounted investments

Equity accounted investments (REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited) accounted for under the *Construction and Engineering: South Africa and rest of Africa* reportable segment were classified as Held for Sale during the prior year. The carrying amounts of some of these investments exceeded their fair values less cost of disposal prior to being classified as Held for Sale leading to the recognition of impairment losses (refer to note 8: *Impairments* for further details regarding the disclosures in terms of IFRS 13 Fair Value Measurement).

Sales finalised after the year end

Construction and Engineering: South Africa and the rest of Africa – Equity-accounted investments

Subsequent to year end, the Group completed the disposal of the investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

Manufacturing and Processing

Subsequent to the reporting date, the Group disposed of the Aveng Automotive & Control Solutions (ACS) business as a going concern for R70 million subject to a working capital adjustment.

Refer to *note 50: Events after reporting period for additional information*.

Subsequent measurement

As envisaged in paragraph 9 of *IFRS 5*; *Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).*

Whilst there have been a number of unforeseen challenges, including, but not limited to, the effects of COVID-19 on the strategy and ability of potential purchasers to raise financing, the extension of the classification of the remaining assets within non-core operating segments as Held for Sale is supported by managements continued commitment to the disposal plan previously announced. Management took necessary action to respond to the changes in circumstances and continues to market the assets and CGUs at prices that are reasonable. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of has been revised during the year. Management expects that the sales will be concluded within the next 12 months.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Subsequent measurement continued

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 2021 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.

In the case where the fair value less costs of disposal exceeds 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.*

As at 30 June 2021, management calculated the recoverable amount of the *Manufacturing and Processing* segment to be the fair value less cost of disposal. As at 30 June 2021, a fair value adjustment of R611 million was recognised in the *Manufacturing and Processing* segment to reflect the CGU at fair value less cost of disposal.

	2021 Rm	2020 Rm
Assets Held for Sale	**1 989**	2 309
Liabilities Held for Sale	**(1 575)**	(2 051)
	414	258
Movement during the year		
Opening Balance	**258**	407
Adoption of *IFRS 16* accounting standard:		
Non-current assets*	**-**	926
Non-current liabilities**	**-**	(926)
Movements in:		
Non-current assets	**(90)**	(85)
Current assets	**29**	(1 276)
Non-current Liabilities	**51**	265
Current Liabilities	**(413)**	965
Sale of Assets and Liabilities Held for Sale	**(35)**	(111)
Adjustment to fair value less cost of disposal***	**611**	(13)
Transferred from / to:		
Transfer to assets classified as Held for Sale	**-**	13
Transfer from assets classified as Held for Sale	**3**	93
Net assets Held for Sale	**414**	258

* *An amount of R926 million was included in the Held for Sale property, plant & equipment at 1 July 2019 as part of the adoption of* IFRS 16.
** *An amount of R926 million was included in the Held for Sale borrowings and other liabilities at 1 July 2019 as part of the adoption of* IFRS 16.
*** *No impact on other comprehensive earnings in the current year.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2021, 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 2021	Manufacturing and and Processing-Disposal group Rm	Total Rm
ASSETS		
Non-current assets		
Intangible assets	7	7
Property, plant and equipment	776	776
	783	783
Current assets		
Inventories	726	726
Amounts due from contract customers	5	5
Trade and other receivables	475	475
	1 206	1 206
TOTAL ASSETS	1 989	1 989
LIABILITIES		
Non-current liabilities		
Borrowings and other liabilities	553	553
Employee-related payables	5	5
	558	558
Current liabilities		
Amounts due to contract customers	4	4
Borrowings and other liabilities	120	120
Employee-related payables	33	33
Trade and other payables	833	833
Derivative instruments	1	1
Provision for unallocated fair value adjustments	26	26
	1 017	1 017
TOTAL LIABILITIES	1 575	1 575
Net assets Held for Sale	414	414

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2020, 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 2020	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	-	8	8
Property, plant and equipment	17	956	973
Equity-accounted investments	13	-	13
	30	964	994
Current assets			
Inventories	-	839	839
Derivative instruments	-	9	9
Amounts due from contract customers	2	6	8
Trade and other receivables	1	458	459
	3	1 312	1 315
TOTAL ASSETS	33	2 276	2 309
LIABILITIES			
Non-current liabilities			
Borrowings and other liabilities	-	694	694
Employee-related payables	1	7	8
	1	701	702
Current liabilities			
Amounts due to contract customers	-	7	7
Borrowings and other liabilities	-	131	131
Employee-related payables	2	52	54
Trade and other payables	-	461	461
Provision for unallocated fair value adjustments	13	683	696
	15	1 334	1 349
TOTAL LIABILITIES	16	2 035	2 051
Net assets Held for Sale	17	241	258

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

21. STATED CAPITAL

	2021 Rm	2020 Rm
Authorised		
180 882 034 263 ordinary shares (2020: 180 882 034 263 ordinary shares)	**9 044**	9 044
500 000 000 000 class A** shares (2020: no class A shares)	**5 000**	-
Issued		
62 263 682 419 ordinary shares (2020: 19 394 498 220 ordinary shares)	**4 710**	3 874
2 477 989 637 Class A shares (2020: no class A shares)	**37**	-
Stated capital	**4 747**	3 874
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
- Number of shares	**6 018 386**	6 018 386
- Market value (Rm)	*****	*
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	**3 500 186 838**	18 046 763
- Market value (Rm)	**52**	*

Reconciliation of number of shares issued	**Number of shares**	Number of shares
Opening balance	**19 394 498 220**	19 394 498 220
Share Issue - Rights to qualifying shareholders (15 March 2021)	**37 955 034 249**	-
Share Issue - Rights to qualifying shareholders (07 June 2021)	**4 914 149 950**	-
Share Issue - Class A shares (15 March 2021)	**725 472 919**	-
Share Issue - Class A shares(07 June 2021)	**1 752 516 718**	-
Closing balance	**64 741 672 056**	19 394 498 220
Less: treasury shares	**(3 506 993 908)**	(24 853 833)
Number of shares in issue less treasury shares	**61 234 678 148**	19 369 644 387

* *Amounts less than R1 million*

** *Aveng Class A Shares rank* pari passu *with Aveng Ordinary Shares (save for voting rights)*

Rights offer to qualifying shareholders (15 March 2021)

The Group undertook a fully co-underwritten renounceable rights offer to raise up to R300 million, to qualifying shareholders. The rights offer consisted of 20 000 000 000 rights offer shares in the ratio of 103.12203 rights offer shares for every 100 Aveng Ordinary Shares held at the close of trade on Tuesday, 23 February 2021 and at a price of 1.5 cents per rights offer share. This included as many Class A Shares as required to be issued to the co-underwriters to secure the minimum subscription in terms of the underwriting agreement. The total number of rights offer shares subscribed for and excess allocations applied for was 37 955 034 249 Ordinary Shares and 725 472 919 Class A Shares. On completion of the Rights Offer, the total number of Aveng shares in issue (including treasury shares) was 57 349 532 469 Ordinary Shares and 725 472 919 Class A Shares. An aggregate amount of R392 million was raised by the company.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

21. STATED CAPITAL continued

Follow-on rights offer to qualifying shareholders (7 June 2021)

The Group undertook a follow-on renounceable rights offer to raise up to R100 million, to qualifying shareholders. The rights offer consisted of 6 666 666 668 rights offer shares in the ratio of 11.47941 rights offer shares for every 100 Aveng Ordinary Shares and Class A shares held at the close of trade on Friday, 21 May 2021 and at a price of 1.5 cents per rights offer share. The total number of rights offer shares available was 6 666 666 668 shares and the number subscribed for was 4 574 843 251 Aveng Ordinary Shares and 1 393 374 057 Aveng Class A Shares, representing 90% of the available follow-on Rights Offer. The Underwriters took up the remaining 698 449 360 shares in terms of the Underwriting Agreement split between 339 306 699 Aveng Ordinary Shares and 359 142 661 Aveng Class A Shares.

An aggregate amount of R100 million was raised by the company as part of the follow-on rights issue. On completion of the follow-on Rights Offer, the total number of Aveng shares in issue (including treasury shares) is 62 263 682 419 Aveng Ordinary Shares and 2 477 989 637 Aveng Class A Shares

Top ten ordinary shareholders

	Number of shares	Holding
The top ten shareholders (including Class A shares) of the Group as at 30 June 2021 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	**13 890 545 216**	**21,5%**
Whitebox Advisors LLC (US)**	**9 266 152 112**	**14,3%**
ABSA Bank Ltd (ZA)**	**4 579 956 861**	**7,1%**
Steyn Capital Management (Pty) Ltd (ZA)**	**3 343 277 446**	**5,2%**
Standard Bank Issuer Services Settle Acc (ZA)**	**3 093 551 753**	**4,8%**
ATM Holding GmbH	**1 361 080 053**	**2,1%**
J.P. Morgan Securities Plc (UK)	**1 357 621 950**	**2,1%**
Personal Trust International (ZA)	**864 625 934**	**1,3%**
Investec (ZA)**	**792 450 520**	**1,2%**
Legae Peresec (ZA)**	**680 902 208**	**1,1%**
	39 230 164 053	**60,7%**
The top ten ordinary shareholders of the Group as at 30 June 2020 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	3 698 756 984	19,1%
Coronation Asset Management (Pty) Ltd (ZA)*	2 663 691 702	13,7%
ATM Holding GmbH (DE)*	1 359 584 404	7,0%
Allan Gray Pty Ltd (ZA)*	969 530 966	5,0%
SBG Securities (Pty) Ltd (ZA)*	894 428 635	4,6%
J.P. Morgan Securities Plc (UK)	750 005 542	3,9%
Ninety One Plc (ZA)*	634 076 028	3,3%
Personal Trust International (ZA)	629 530 200	3,3%
Investec Securities (Pty) Limited*	612 471 519	3,2%
Envisionit Stock Lending Solutions (ZA)**	582 586 898	3,0%
	12 794 662 878	66,1%

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

22. BORROWINGS AND OTHER LIABILITIES

	Notes	2021 Rm	2020 Rm
Borrowings and other liabilities comprise:			
Interest-bearing borrowings held at amortised cost	22.1	**879**	1 883
Lease Liabilities	22.2	**519**	497
Total borrowings and other liabilities		**1 398**	2 380

22.1 Borrowings held at amortised cost

	2021 Rm	2020 Rm
Borrowings held at amortised cost comprise:		
Credit and term facilities	**828**	1 708
Asset-backed financing arrangements	**51**	175
Total borrowings held at amortised cost	**879**	1 883
Payment profile		
- within one year	**388**	893
- between two and five years	**491**	990
	879	1 883
Interest rate structure		
Fixed and variable (interest rates)		
Fixed - long-term	**12**	422
Fixed - short-term	**31**	72
Variable - long-term	**479**	568
Variable - short-term	**357**	821
	879	1 883

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

22. BORROWINGS AND OTHER LIABILITIES continued

22.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	2021 Rm	2020 Rm
Credit and term facilities				
Restructured term facility*/**	Repayable September 2023	3M JIBAR + 4.78%	**628**	-
Restructured Super Senior Liquidity Facility*/**	Repayable June 2022	3M JIBAR + 3.98%	**200**	-
Term facility*	Settled March 2021	1M JIBAR + 5.02%	**-**	623
Revolving credit facility*	Settled March 2021	1M JIBAR + 4.89%	**-**	558
Revolving credit facility*	Settled March 2021	Fixed rate of 13.986%	**-**	316
Term facility*	Settled March 2021	1M JIBAR + 5.02%	**-**	195
Term loan facility denominated in ZAR	Settled April 2021	Fixed interest rate of 10,58%	**-**	16
Asset-backed financing arrangements				
Facilities denominated in AUD	Monthly instalments ending in March 2023	Fixed interest rate of 6,95%	**40**	73
Facilities denominated in AUD	Monthly instalments ending in February 2025	Fixed range of 2,99% to 7,60%	**4**	24
Facilities denominated in ZAR	Monthly instalments ending in November 2022	South African Prime	**6**	10
Facility denominated in ZAR	Monthly instalments ending in February 2022	Fixed interest rate of 8.00%	**1**	2
Hire purchase facility denominated in USD	Settled August 2020	Fixed interest rate of 6.70%	**-**	34
Facility of AUD12 million	Settled November 2020	Fixed interest rate of 4.60%	**-**	25
Hire purchase agreement denominated in ZAR	Settled April 2021	Fixed interest rate of 12.27%	**-**	4
Hire purchase agreement denominated in ZAR	Settled August 2020	South African prime plus 3.00%	**-**	3
Total interest-bearing borrowings			**879**	1 883

* *On 19 March 2021, Aveng announced the successful conclusion of its rights offer and debt restructure. As part of the rights offer and debt restructure, Aveng used R232 million of the proceeds from the rights offer to partially settle debt at a significant discount. Certain lenders subscribed for R396 million of new equity at 5 cents per share (compared to the rights offer price of 1,5 cents per share) in a specific issue of shares for cash and the proceeds thereof was used to settle debt.*
The settlement of the debt resulted in a gain of R486 million.

** *These loans follow the debt restructure in terms of the Fourth Amended and Restated Common Terms Agreement (CTA) and the signed implementation agreement entered into on 11 February 2021 with the different commercial banks.*

Unutilised borrowing facilities

At 30 June 2021, the Group had available R364 million (includes bank overdraft facilities of R205 million) (2020: R483 million (includes bank overdraft facilities of R181 million)) of unutilised borrowing facilities.

Asset-backed financing arrangements

Construction and Engineering: Australasia and Asia

The operating segment entered into asset-backed finance arrangements to fund the acquisition of various items of plant and machinery.

The total asset-backed finance facilities amounted to AUD 4 million (2020: AUD 10 million). The amount outstanding on these facilities as at year end was AUD 4 million (2020: AUD10 million) and is equivalent to R43 million (2020: R122 million). These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R78 million (2020: R123 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

22. BORROWINGS AND OTHER LIABILITIES continued

22.1 Borrowings held at amortised cost continued

Asset-backed financing arrangements continued

Mining

The operating segment entered into various asset-backed 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 November 2022. The total amount outstanding on these facilities amounted to R7 million (2020: R53 million). Equipment with a net carrying amount of R6 million (2020: R224 million) has been pledged as security for the facility.

The following is summarised financial information of the Group's asset-backed financing arrangements:

	2021 Rm	2020 Rm
Asset-backed financing arrangements are payable as follows:		
Minimum payments due		
- within one year	40	93
- in two to five years	15	94
Less: future finance charges	(4)	(12)
Present value of minimum payments	51	175

22.2 Lease liabilities

The table below represents only the lease liabilities not Held for Sale. Refer to *note 20: Assets and Liabilities classified as Held for Sale* for disclosure of the disposal groups' lease liabilities classified as Held for Sale.

	2021 Rm	2020 Rm
Opening balance	497	-
Adoption of IFRS 16	-	557
New leases	243	98
Lease instalments	(377)	(195)
Interest on lease liabilities	115	37
Classified as Held for Sale - transferred in*	69	-
Unrealised foreign exchange movements	(28)	-
Closing balance	519	497
Maturity analysis		
Lease liabilities are payable as follows:		
Minimum lease payments due		
- within one year	197	208
- in two to five years	353	287
- more than five years	80	106
Less: future finance charges	(111)	(104)
Present value of minimum lease payments	519	497
Non-current lease liabilities	365	323
Current lease liabilities	154	174

* Following the sale of assets in the Manufacturing and Processing segment in the current year, some lease liabilities were not sold. The lease liabilities no longer met the classification requirements of Held for Sale and were transferred from Assets Held for Sale in the current year.

Refer to *note 20: Assets and liabilities classified as Held for Sale*.

The total cash outflow related to leases for the year amounts to R563m. Refer to *note 31: Cost of Sales* and *note 33: Other expenses for* the expense recognised for short-term and low-value leases.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

23. PAYABLES OTHER THAN CONTRACT-RELATED

	Opening balance Rm	Unwinding of discount Rm	Total Rm
Reconciliation of payables other than contract-related			
2021			
Payables other than contract-related	**148**	**12**	**160**
2020			
Payables other than contract-related	136	12	148

	2021 Rm	2020 Rm
Current liabilities	**66**	44
Non-current liabilities	**94**	104
	160	148

24. TRADE AND OTHER PAYABLES

	2021 Rm	2020 Rm
Trade payables	**932**	786
Subcontractors	**191**	181
Accrued expenses	**1 958**	1 591
Other provisions	**360**	206
	3 441	2 764

The balances included in the table above relate only to continuing operations. Refer to *note 20: Assets and Liabilities classified as Held for Sale* for disclosure of the disposal groups' trade and other payables classified as Held for Sale.

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 at 9,19% per annum (2020: range of between 6.54% and 9.34% 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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.
The total employee related payables are disclosed as follows:

	2021 Rm	2020 Rm
Non-current	**338**	330
Current	**276**	243
Total employee-related payables	**614**	573

Reconciliation of employee-related payables

	Opening balance Rm	Recognised/ (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Classified as Held for Sale - transferred in Rm	Total Rm
2021						
IFRS 2 - Share-based payment obligation	**1**	**-**	**-**	**-**	**-**	**1**
Employee entitlements	**212**	**58**	**(16)**	**(1)**	**-**	**253**
Leave pay benefits	**360**	**42**	**(4)**	**(38)**	**-**	**360**
	573	**100**	**(20)**	**(39)**	**-**	**614**
2020						
IFRS 2 - Share-based payment obligation	2	-	(1)	-	-	1
Employee entitlements	262	(22)	(45)	6	11	212
Leave pay benefits	264	9	40	47	-	360
	528	(13)	(6)	53	11	573

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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*.

	2021 Rm	2020 Rm
Opening balance	**40**	40
Equity-settled share-based payment expense*	**20**	-
Equity-settled share-based payment vested	**(8)**	-
	52	40

* The equity-settled share-based payment expense recognised in the current year relates to the shares granted in the current year in accordance with the Management Incentive Plan 2021 (MIP) rules. The equity-settled share-based awards vest when certain retention and non-market performance conditions are met. At 30 June 2021, the Group expects that all participants will meet the retention and performance conditions as established in the MIP rules. Refer to *note 27: Share-based payments* for additional information on the performance and retention conditions.

27. SHARE-BASED PAYMENTS

Equity-settled share-based payment plan

Management Incentive Plan 2021

In terms of the Management Incentive Plan 2021 ("MIP"), senior executives of the Group, including executive directors and prescribed officers, were granted shares in the Group for no consideration. The specific issue of shares formed part of the Rights Offer transaction concluded on the 19 March 2021. The provision of shares will serve as a retention mechanism and an incentive mechanism over a three-year period.

As soon as was practically possible following the completion of the Rights Offer on 19 March 2021, a portion of the awards to Group Executives vested in line with the rules of the MIP. The remaining awards will be subject to the satisfaction of retention and / or performance conditions measured over the performance period ending 30 June 2022 and 30 June 2023 respectively. The performance awards that vest at 30 June 2022 are subject to re-testing at 30 June 2023 if the performance conditions are not met at 30 June 2022.

The fair value of the share options are estimated at the grant date taking into account the terms and conditions contained in the MIP rules as well as the rights associated with these shares to 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 second or third anniversary of the award date and/or if performance conditions are not met. On resignation, the employee will forfeit all unvested shares. On resignation, retirement, retrenchment or dismissal, all unvested awards of the participant will be forfeited immediately on the date on termination of the employment. Where the employment of the participant is terminated as a result of disability, transfer in terms of section 197 of LRA or death, all of a participant's unvested awards will vest on the date of termination of employment. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been or will be cash-settled.

The weighted average remaining contractual life for the share options outstanding at 30 June 2021 was 1,29 years.

The weighted average fair value of options outstanding at 30 June 2021 was 1,5 cents.

The movements during the year were as follows:

	2021 Number of shares	2020 Number of shares
Opening balance	**-**	-
Shares granted	**4 000 000 000**	-
Shares vested / exercised*	**(512 000 000)**	-
	3 488 000 000	-
Fair value of shares granted to participant (cents per share)	**1,5**	-
Total value of unvested shares to participants (Rm)	**52**	-

* *The shares were part of a specific rights issue in the name of the participants and are currently held in escrow accounts until vesting.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

28. POST-EMPLOYMENT BENEFITS

	2021 Number of Employees	2020 Number of Employees
Defined contribution plan		
Aveng Group and industry retirement plans	**3 348**	6 195
McConnell Dowell Corporation Limited plan	**2 154**	1 788
Number of covered employees	**5 502**	7 983
Number of employees not covered	**758**	1 999
Total number of employees	**6 260**	9 982
Cover Ratio	**87,9%**	80,0%
The Group's retirement expense (Rm)	**265**	229

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 (Momentum). In the event that Momentum is no longer able to perform in terms of the 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 the Annuity Purchase Agreement to be remote.

29. LEASE RECEIVABLE

The Group is an intermediate lessor in incidental situations. It subleased to an external party its lease to a right-of-use land and building (head lease) relating to a business that was sold. The sub-lease of right-of-use land and buildings is for 6 years and is classified as a finance lease. The sublease payments are fixed and matches the payments under the head lease.

Finance sublease receivable (net investment in a finance lease) amounts to R41 million as at 30 June 2021. The interest income recognised in the current period is disclosed in the table below.

Maturity profile of lease receivables

The maturity profile of the lease receivable is summarised below. These profiles represent the undiscounted cash flows that are expected to occur in the future.

	2021 Rm	2020 Rm
Future minimum lease payments in relation to non-cancellable finance subleases are receivable as follows:		
- less than one year	**8**	-
- one to five years	**37**	-
- beyond five years	**12**	-
Less: future finance income	**(16)**	-
Present value of minimum lease	**41**	-
Non-Current Asset	**38**	-
Current Asset	**3**	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

30. 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.

	Construction and Engineering: Australasia and Asia Rm	Mining Rm	Construction and Engineering: South Africa and the rest of Africa Rm	Manufacturing and Processing Rm	Other and Eliminations Rm	Total Rm
Year ended 30 June 2021						
Construction contract revenue	**16 911**	**4 000**	**591**	**-**	**-**	**21 502**
Sale of goods	**-**	**1**	**-**	**4 124**	**-**	**4 125**
Other revenue	**-**	**8**	**-**	**28**	**-**	**36**
Transport revenue	**-**	**-**	**-**	**46**	**-**	**46**
	16 911	**4 009**	**591**	**4 198**	**-**	**25 709**
Year ended 30 June 2020						
Construction contract revenue	10 297	3 943	1 862	-	(16)	16 086
Sale of goods	-	1	-	4 758	(52)	4 707
Other revenue	-	11	3	16	1	31
Transport revenue	-	-	-	54	-	54
	10 297	3 955	1 865	4 828	(67)	20 878

31. COST OF SALES

	2021 Rm	2020 Rm
Short-term and low value lease charges*	**173**	172
Earnings from contract-related property, plant and equipment	**(53)**	(28)
Depreciation of property, plant and equipment	**649**	606
Depreciation of right-of-use property, plant and equipment	**210**	218
Loss on derecognition of components included in property, plant and equipment	**169**	69
Employee cost	**3 585**	3 903
Employee benefits	**114**	91
Materials	**5 696**	5 153
Sub-contractors	**8 441**	6 113
Other	**4 760**	3 610
	23 744	19 907

* The Group recognised rent expense from short-term leases of R162 million (2020: R157 million), leases of low-value assets of R11 million (2020: R15 million) and no variable lease payments for the year ended 30 June 2021.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

32. OTHER EARNINGS

	2021 Rm	2020 Rm
Dividends received	**57**	25
Discount received*	**42**	62
Foreign exchange gains / (losses)**	**9**	(59)
Rent received	**40**	34
Other income	**120**	101
	268	163

* *Includes rent concessions of Rnil (2020: R14 million), granted by a lessor.*

** *Includes gains on forward exchange contracts.*

33. OPERATING EXPENSES

	2021 Rm	2020 Rm
Employee costs	**725**	836
Computer costs	**158**	164
Consulting fees	**131**	115
Short-term and low value lease charges*	**13**	55
Rationalisation and restructuring	**11**	14
Depreciation of property, plant and equipment	**8**	6
Depreciation of right-of-use property, plant and equipment	**58**	55
Amortisation of intangible assets	**4**	9
Share-based payment expense	**20**	-
Employee benefits	**43**	12
Auditors remuneration	**49**	57
Tender expenses	**144**	51
Insurance	**40**	32
Municipal Rates, Water, Electricity and Sanitation	**32**	35
Other	**239**	206
	1 675	1 647

* The Group recognised rent expense from short-term leases of R12 million (2020: R53 million), leases of low-value assets of R1 million (2020: R2 million) and no variable lease payments for the year ended 30 June 2021.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

34. DISPOSAL OF SUBSIDIARIES

***Manufacturing and Processing* disposal group**

On 30 September 2019, the Group concluded the sale of the following subsidiaries for R44 million cash:

- Vent-O-Mat Australia Proprietary Limited (Australia)
- Aveng Indústria E Comércio De Válvulas Do Brasil Limitada (Brazil)
- RF Valves Osakeyhtiö (Finland)
- RF Valves, Incorporated (USA)

All of the subsidiaries formed part of the *Manufacturing and Processing* disposal group. The subsidiaries were not considered an operating segment nor a separate major line of business or geographical area.

30 June 2020	Vent-O-Mat Australia Proprietary Limited Rm	Aveng Indústria E Comércio De Válvulas Do Brasil Limitada Rm	RF Valves Osakeyhtiö Rm	RF Valves Incorporated Rm
Net cash impact of sale				
Total Assets (excluding cash and bank balances)	25	3	20	97
Property, plant and equipment, net of accumulated depreciation and impairment losses	2	*	1	20
Inventories	17	3	13	44
Trade and other receivables, net of provisions	6	-	6	33
Cash and bank balances	-	-	-	-
Total liabilities	(24)	(4)	(13)	(59)
Trade and other payables	(13)	(4)	(4)	(12)
Lease liabilities	(2)	*	-	(15)
Provision for unallocated fair value adjustment	(9)	-	(9)	(32)
Net assets sold	1	(1)	7	38
Gain / (Loss) on disposal of subsidiary	7	1	1	(10)
Net proceeds received in cash	8	-	8	28
Total proceeds received in cash	8	-	8	28
Less: Transaction costs paid**	*	*	*	*

* *Amounts less than R1 million*

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

34. DISPOSAL OF SUBSIDIARIES continued

***Construction and Engineering: South Africa and rest of Africa* disposal group**

On 1 December 2019, the Group concluded the sale of the following subsidiaries for R72 million cash:

- Grinaker-LTA Proprietary Limited
- Grinaker-LTA (Botswana) Proprietary Limited
- Aveng Namibia Proprietary Limited

Grinaker-LTA Proprietary Limited owned 100% of Grinaker-LTA (Botswana) Proprietary Limited and Aveng Namibia Proprietary Limited. These were sold as part of the sale. All these subsidiaries formed part of *the Construction and Engineering: South Africa and the rest of Africa* disposal group. The subsidiaries were not considered an operating segment nor a major line of business or geographical area.

30 June 2020	Grinaker-LTA Proprietary Limited Rm	Grinaker-LTA (Botswana) Proprietary Limited Rm	Aveng Namibia Proprietary Limited Rm
Net cash impact of sale			
Total Assets (excluding cash and bank balances)	154	23	9
Property, plant and equipment, net of accumulated depreciation and impairment losses	12	-	3
Inventories	1	-	-
Taxation Receivable	-	4	-
Amounts due from contract customers	138	19	6
Trade and other receivables, net of provisions	3	-	*
Cash and bank balances	-	-	-
Total liabilities	(106)	(19)	-
Amounts due to contract customers	(13)	(12)	-
Trade and other payables	(73)	(6)	1
Employee-related payables	(20)	(1)	(1)
Net assets sold	48	4	9
Gain on disposal of subsidiary	9	-	2
Net proceeds received in cash	57	4	11
Total proceeds received in cash	57	4	11
Less: Transaction costs paid**	*	*	*

* *Amounts less than R1 million*

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

35. OTHER FINANCE EXPENSES

	2021 Rm	2020 Rm
Interest on other debt instruments	**211**	289
Commitment fees and other costs	**68**	42
Interest on lease liabilities	**115**	130
	394	461

36. TAXATION

Major components of the taxation expense

	2021 Rm	2020 Rm
Current taxation		
Local income taxation - current period	**-**	1
Local income taxation - recognised in the current taxation for prior periods	**(2)**	14
Foreign income taxation or withholding taxation - current period	**47**	49
Foreign income taxation or withholding taxation - recognised in the current taxation for prior periods	**(5)**	(4)
	40	60
Deferred taxation		
Deferred taxation - current period	**2**	71
Deferred taxation - arising from prior period adjustments	**(1)**	(62)
	1	9
	41	69

	2021 %	2020 %
Reconciliation of the taxation expense		
Effective taxation rate on earnings	**4,0**	(5,9)
Exempt income and other non-taxable income	**27,7**	(47,7)
Deferred taxation asset not recognised	**5,0**	38,6
Disallowable charges	**(8,1)**	48,9
Foreign tax rate differential and other	**0,7**	(4,3)
Prior year adjustment	**0,6**	(4,9)
Withholding taxation	**(1,9)**	3,3
	28,0	28,0

South African income taxation is calculated at 28% (2020: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

37. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2021		2020	
	Number of shares	Weighted average number of shares	Number of shares	Weighted average number of shares
Opening balance	**19 394 498 220**	**19 394 498 220**	19 394 498 220	19 394 498 220
Issue of shares - Rights offer (15 March 2021)	**37 955 034 249**	**15 596 036 981**	-	-
Issue of shares - Class A Shares (15 March 2021)	**725 472 919**	**298 102 813**	-	-
Issue of shares - Rights offer (7 June 2021)	**4 914 149 950**	**332 269 984**	-	-
Issue of shares - Class A Shares (7 June 2021)	**1 752 516 718**	**118 496 323**	-	-
	64 741 672 056	**35 739 404 321**	19 394 498 220	19 394 498 220
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
Aveng Management Company (Pty) Ltd	**(788 684)**	**(788 684)**	(788 684)	(788 684)
Equity-settled share-based payment plan	**(3 500 186 838)**	**(3 500 186 838)**	(18 046 763)	(18 046 763)
Total treasury shares	**(3 506 993 908)**	**(3 506 993 908)**	(24 853 833)	(24 853 833)
Rights issue - Bonus element (15 March 2021)*		**3 313 124 926**		3 313 124 926
Rights issue - Bonus element (7 June 2021)**		**1 414 367 482**		1 414 367 482
Weighted average number of shares	**61 234 678 148**	**36 959 902 821**	19 369 644 387	24 097 136 795
Add: Shares issuable in terms of the equity-settled share-based payment plan	**3 488 000 000**	**3 488 000 000**	-	-
Diluted weighted average number of shares	**64 722 678 148**	**40 447 902 821**	19 369 644 387	24 097 136 795
Note	21		21	

* *This item is in relation to the bonus element of the rights issue that was issued on 15 March 2021. The bonus element resulted due to the exercise price being less than the fair value of the share on 15 March 2021.*

** *This item is in relation to the bonus element of the rights issue that was issued on 7 June 2021. The bonus element resulted due to the exercise price being less than the fair value of the share on 7 June 2021.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

37. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

	2021		2020	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline loss				
Earnings / (loss) for the period attributable to equity holders of parent		**990**		(1 119)
Impairment of intangible assets	**-**	**-**	15	15
Impairment of property, plant and equipment	**139**	**139**	132	132
Impairment of property, plant and equipment - Held for Sale	**102**	**102**	-	-
Impairment of equity accounted investments	**-**	**-**	21	21
Gain on disposal of assets Held for Sale	**(28)**	**(28)**	(24)	(24)
Gain on disposal of subsidiaries	**-**	**-**	(10)	(10)
Gain on disposal of property, plant and equipment	**(10)**	**(10)**	(61)	(47)
Loss on derecognition of components	**169**	**169**	69	69
Fair value adjustment on properties and disposal groups classified as Held for Sale	**(611)**	**(611)**	13	13
Headline earnings / (loss)		**751**		(950)
Diluted Headline earnings / (loss)		**751**		(950)
HEPS from continuing & discontinued operations				
Headline earnings / (loss) per share - basic (cents)		**2,0**		(4,0)
Headline earnings / (loss) per share - diluted		**1,9**		(4,0)
Issued shares		**64 741,7**		19 394,5
Weighted average shares		**36 959,9**		24 097,1
Diluted shares		**40 447,9**		24 097,1

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

38. CASH RETAINED / (UTILISED) FROM OPERATIONS

	Notes	2021 Rm	2020 Rm
Profit / (loss) before taxation from continuing operations		**353**	(745)
Profit / (loss) before taxation from discontinued operations		**676**	(302)
Profit / (loss) before taxation		**1 029**	(1 047)
Finance earnings		**(19)**	(32)
Finance expenses		**394**	461
Dividend earnings		**(57)**	(25)
Share of loss from equity-accounted investment		**22**	19
		1 369	(624)

39. NON-CASH AND OTHER MOVEMENTS

	Notes	2021 Rm	2020 Rm
Equity-settled share-based payment expense		**20**	-
Impairment loss on goodwill, property, plant & equipment and intangible assets		**241**	147
Impairment loss on long-term receivables		**26**	-
Derecognition of components included in Property, Plant & Equipment		**169**	69
Fair value adjustment on properties and disposal groups classified as Held for Sale		**(611)**	13
Gain on sale of assets Held for Sale		**(28)**	(24)
Gain on sale of subsidiaries		**-**	(10)
Gain on disposal of property, plant & equipment		**(10)**	(61)
Gain on early settlement of borrowings and other liabilities		**(486)**	-
Movements in foreign currency translation		**66**	(212)
Non-cash working capital movement		**(4)**	-
Unrealised foreign exchange losses on borrowings and other liabilities		**(32)**	(5)
Impairment loss on equity-accounted investments		**-**	21
Claims write-down		**-**	227
Realised foreign exchange gain		**-**	(12)
Increase in long-term receivables		**-**	(43)
		(649)	110

40. FINANCE EXPENSES PAID

	Notes	2021 Rm	2020 Rm
Amount charged to the statement of comprehensive earnings	35	**(394)**	(461)
Finance expenses capitalised		**17**	18
Movement in finance expenses unpaid		**32**	(6)
		(345)	(449)

41. FINANCE EARNINGS RECEIVED

	Notes	2021 Rm	2020 Rm
Amount charged to the statement of comprehensive earnings		**19**	32
		19	32

42. TAXATION PAID

	Notes	2021 Rm	2020 Rm
Amounts overpaid at the beginning of the period		**41**	43
Amounts charged to the statement of comprehensive earnings - normal tax	36	**(40)**	(60)
Amounts overpaid at the end of the period		**(37)**	(41)
Amounts relating to foreign currency translation movement		**(1)**	8
		(37)	(50)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening balance Rm	Net cash flow movement Rm	Unrealised foreign exchange (gains) / losses Rm	Lease liabilities non-cash movements* Rm	Other non-cash movements Rm	Closing balance Rm
2021						
Interest bearing loans and borrowings held at amortised cost	**1 883**	**(599)**	**(4)**	**-**	**(401)**	**879**
Lease liabilities	**497**	**(262)**	**(28)**	**312**	**-**	**519**
	2 380	**(861)**	**(32)**	**312**	**(401)**	**1 398**
Note			39			
Current liabilities						**542**
Non-current liabilities						**856**
						1 398

	Opening balance Rm	Adoption of *IFRS 16* Rm	Net cash flow movement Rm	Unrealised foreign exchange (gains) / losses Rm	Lease liabilities non-cash movements* Rm	Other non-cash movements Rm	Closing balance Rm
2020							
Interest bearing loans and borrowings held at amortised cost	2 145	-	(275)	(5)	-	18	1 883
Lease liabilities	-	557	(158)	-	98	-	497
	2 145	557	(433)	(5)	98	18	2 380
Current liabilities							1 067
Non-current liabilities							1 313
							2 380

* *The lease liabilities non-cash movements relates to new lease liabilities of R243 million (30 June 2020; R98 million) entered into in the current year and transfers from Held for Sale of R69 million. This is considered a non-cash movement as a corresponding increase was noted in the right-of-use assets.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

44. COMMITMENTS

	2021 Rm	2020 Rm
Authorised capital expenditure		
- Contracted	**45**	53
- Authorised, but not contracted	**-**	3
Total capital expenditure	**45**	56

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

45. CONTINGENT LIABILITIES AND ASSETS

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

	2021	2020
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**554**	1 018
Parent company guarantees (ZARm)	**82**	30
	636	1 048
Australasia and Asia		
Guarantees and bonds (AUDm)	**352**	290
Parent company guarantees (AUDm)	**14**	22
	366	312

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. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are probable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

46. DIRECTORS' EMOLUMENTS AND INTERESTS

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

Executive directors	Year	Salary[1] R'000	Retirement fund[2] R'000	Statutory termination payments[3] R'000	Short-term incentive (STI)[4] R'000	Cash settled CSP[5] R'000	Total[6] R'000
EK Diack[7]	**2021**	**-**	**-**	**-**	**-**	**-**	**-**
	2020	6 047	-	425	-	-	6 472
SJ Flanagan	**2021**	**8 353**	**-**	**-**	**7 487**	**-**	**15 840**
	2020	7 412	-	-	-	-	7 412
AH Macartney	**2021**	**5 353**	**270**	**-**	**5 040**	**-**	**10 663**
	2020	4 798	192	-	-	1	4 991

1 *Salary for South African Directors is total fixed earnings inclusive of contributions towards medical aid, admin & risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the Total Guaranteed Package (TGP). In the prior year, operations were in full lockdown in the month of April and the principle of "no work, no pay" was applied.*

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

3 *Statutory termination payments include leave pay and notice pay.*

4 *STI awards were approved by the Remuneration and Nominations Committee on 17 August 2021 and accrued for the year ended 30 June 2021.*

5 *Vested Cash-Settled Conditional Share Plan (CSP) Awards (FY16 Award) relating to the final tranche of Bonus Shares.*

6 *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™.*

7 *EK Diack stepped down as Executive Chairman with effect from 30 April 2020.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

46. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Management incentive plan

	Date from which exercisable	Date on which expires	Number entitled to at 1 July 2020	Number granted during the year	Number redeemed or taken up or forfeited during the year	Number entitled to at 30 June 2021
SJ Flanagan	March 2021	March 2021	-	240 000 000	(240 000 000)	**-**
	June 2022	June 2023	-	480 000 000	-	**480 000 000**
	June 2023	June 2023	-	480 000 000	-	**480 000 000**
AH Macartney	March 2021	March 2021	-	240 000 000	(240 000 000)	**-**
	June 2022	June 2023	-	480 000 000	-	**480 000 000**
	June 2023	June 2023		480 000 000	-	**480 000 000**
L Tweedie	March 2021	March 2021	-	32 000 000	(32 000 000)	**-**
	June 2022	June 2023	-	64 000 000	-	**64 000 000**
	June 2023	June 2023		64 000 000	-	**64 000 000**
J Govender	June 2022	June 2023	-	160 000 000	-	**160 000 000**
	June 2023	June 2023		160 000 000	-	**160 000 000**
R Engelbrecht	June 2022	June 2023	-	80 000 000	-	**80 000 000**
	June 2023	June 2023		80 000 000	-	**80 000 000**
SC Cummins (Aus)	June 2022	June 2023	-	320 000 000	-	**320 000 000**
	June 2023	June 2023		320 000 000	-	**320 000 000**
D Morrison (Aus)	June 2022	June 2023	-	160 000 000	-	**160 000 000**
	June 2023	June 2023		160 000 000	-	**160 000 000**
			-	4 000 000 000	(512 000 000)	**3 488 000 000**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

46. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Non-executive directors

	Directors' fees R'000	Lead independent directors fees R'000	Chairperson fees R'000	Committee fees R'000	Other fees[1] R'000	Total R'000
2021						
MA Hermanus	90	477	446	527	105	1 645
MJ Kilbride	430	-	287	824	101	1 642
B Modise[2]	430	-	304	427	47	1 208
B Meyer[3]	115	-	-	66	-	181
EK Diack[4]	-	-	-	-	119	119
	1 065	477	1 037	1 844	372	4 795
PA Hourquebie (£)[5,6]	91	-	-	17	11	119
2020						
MA Hermanus	84	428	321	251	-	1 084
MJ Kilbride	389	-	166	460	-	1 015
B Modise[2]	309	-	-	154	-	463
EK Diack[4]	83	-	181	14	-	278
	865	428	668	879	-	2 840
PA Hourquebie (£)[5,6]	83	-	-	13	-	96

1 *In 2021, the board members received an additional special fee.*

2 *B Modise was appointed as a non-executive director effective from 1 November 2019 and was appointed as Chair of the audit and risk committee and a member of the Investment Committee effective 17 June 2020.*

3 *B Meyer was appointed as a non-executive director effective from 28 May 2021 and has been appointed to the audit and risk committee and the remuneration and nominations committee.*

4 *EK Diack stepped down as executive chairman with effect from 30 April 2020 and continued as a non-executive chairman until he retired from the board on 12 June 2020.*

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

6 *PA Hourquebie was appointed as non-executive chairman on 17 June 2020*

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 minimum of two non-executive director remuneration surveys, as well as extracts and benchmarking data from annual reports of at least five 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.

In light of the appointment of a UK-based non-executive director onto the Aveng board as well as two board committees, a detailed, benchmarking exercise comprising of UK based directors serving on JSE listed companies was undertaken to determine a composite fee payable to him. In addition, a per meeting fee was also determined.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

46. DIRECTORS' EMOLUMENTS AND INTEREST continued

Interest of directors of the Company in share capital

	Ordinary shares 2021	Ordinary shares 2020
Executive directors		
SJ Flanagan	377 752 920	-
AH Macartney	378 846 918	-
Non-executive directors		
MJ Kilbride	294 369	129 999
	756 894 207	129 999

Long Term Incentive Plan (LTIP)

	Date from which exercisable	Number entitled to at 1 July 2020	Number granted during the year	Number redeemed or taken up during the year	Number forfeited during the year	Number entitled to at 30 June 2021
AH Macartney	Dec 2020	1 323 142		(483 131)	(840 011)	-
		1 323 142	-	(483 131)	(840 011)	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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	Short-term incentive (STI)[3] R'000	Total[8] R'000
L Tweedie[4]	**2021**	**3 445**	**196**	**1 946**	**5 587**
	2020	3 335	156	-	3 491
JN Govender	**2021**	**4 824**	**266**	**3 245**	**8 335**
	2020	4 311	210	-	4 521
RV Engelbrecht[5]	**2021**	**4 128**	**180**	**2 200**	**6 508**
	2020	3 650	128	-	3 778
S Cummins (Aus)[6]	**2021**	**1 130**	**168**	**973**	**2 271**
	2020	1 048	151	-	1 199
D Morrison (Aus)[7]	**2021**	**657**	**96**	**365**	**1 118**
	2020	608	87	-	695

1 Salary for South African Prescribed Officers is total fixed earnings inclusive of contributions towards medical aid, admin & risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the Total Guaranteed Package (TGP). In the month of April 2020, operations were in full lockdown and the principle of "no work, no pay" was applied. Salary reductions were also applied at McConnell Dowell in the last quarter of the prior financial year.

2 Retirement fund contributions are funded from the Prescribed Officers' TGP.

3 *STI awards were approved by the remuneration and nominations committee on 17 August 2021 and accrued for the year ended 30 June 2021*.

4 L Tweedie has been included as a Prescribed Officer in the current year due to the participation in the Management Incentive Plan ("MIP") as announced on SENS on 25 November 2020.

5 RV Engelbrecht has been included as a Prescribed Officer in the current year due to the participation in the Management Incentive Plan ("MIP") as announced on SENS on 25 November 2020.

6 S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.

7 D Morrison earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance. D Morrison has been included as a Prescribed Officer in the current year due to the participation in the Management Incentive Plan ("MIP") as announced on SENS on 25 November 2020.

8 The Total reflected includes all cash payments made to the Prescribed Officer 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™.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

47. RISK MANAGEMENT

The Group is exposed to capital, liquidity, interest rate, credit, foreign exchange, foreign currency and borrowing 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 of 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:

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 2021 and 30 June 2020.

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 R3,4 billion (2020: R1,8 billion).

The ROIC ratio as at 30 June 2021 and 2020 was as follows:

	2021 Rm	2020 Rm
Net operating earnings/ (loss) less adjusted tax	**600**	(481)
Invested capital	**6 442**	6 700
ROIC ratio (%)	**9,4**	(7,2)

A positive ROIC ratio was noted in the current year as a result of an improvement in the net operating profit as compared to an operating loss in 2020. Following the balance sheet restructure and rights issue in the current year, the capital risk management has decreased to being a medium risk.

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.

Credit and term facilities

Following the balance sheet restructure concluded on the 19 March 2021, the Group had restructured its debt package into a Restructured Super Senior Liquidity Facility of R200 million and a Restructured Term Facility with a balance of R628 million at year end. The maturity analysis for derivative and non-derivative financial liabilities has been included (refer to note *47.7: Borrowing capacity*).

Cash and bank balances & overdrafts

At 30 June 2021, the Group had net cash of R1 billion (30 June 2020: Net debt position of R1 billion) available; with further overdraft facilities of R205 million undrawn.

The Group has assessed the liquidity risk as medium (previously high) and remains confident that available cash resources, facilities and operating cash flows will be sufficient to meet its funding requirements.

Of relevance to this note is the information in *note 22: Borrowings and other liabilities relating to* the funding from SA Banking group and the amendments to the debt repayment terms, covenants and extension of borrowing facilities in the current year. The maturity analysis for derivative and non-derivative financial liabilities has been included (refer to note *47.7*: *Borrowing capacity)*.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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-backed finance which are repayable at a fixed interest rate in quarterly instalments.

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

	2021 Rm	2020 Rm
Total variable borrowings	**836**	1 389
Effect on earnings after taxation - plus 50 basis points increase	**(3)**	(5)
Effect on earnings after taxation - minus 50 basis points increase	**3**	5

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 (an appropriate payment term as determined from an analysis of historical data). The Group’s 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 expected credit losses – specific debtors. These include amounts relating to financial assets that are written-off but are still subject to enforcement activity.

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 ‘*probability of default/loss given default/ exposure at default’ (*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 (i.e. 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

47. RISK MANAGEMENT continued

47.4 Credit risk

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

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 not increased significantly.

Over the past 2 financial years the impairment and/or write-off of trade receivables and amounts due from contract customers in the ordinary course of business from continuing operations (other than long-standing legacy claims) has been minimal despite a revenue of between R14,2 billon and R20,9 billion and a trade and contract receivables balance of between R2,9 billion and R3,7 billion.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. In the current or previous year, the Group has not identified any significant trade receivables or amounts due from contract customers balances that have indicators of material write-downs due to the receivables having no reasonable expectation of recovery.

Impact of COVID-19

The assessment of recoverability of amounts due from contract customers and trade receivables at 30 June 2021 has considered the impacts of COVID-19 and no material recoverability issues have been identified.

47.4.1 Trade and other receivables

Ageing analysis of trade receivables

	<90 days Rm	90 days past due** Rm	Total Rm
2021			
Trade receivables	**3**	**1**	**4**
Sundry receivables	**276**	**1**	**277**
Provision for expected credit losses - specific debtors	**(16)**	**-**	**(16)**
Provision for expected credit losses	*****	**-**	*****
Net book value	**263**	**2**	**265**
2020			
Trade receivables	6	-	6
Sundry receivables	358	-	358
Provision for expected credit losses - specific debtors	(26)	-	(26)
Provision for expected credit losses	(3)	-	(3)
Net book value	335	-	335

** Amounts less than R1 million*

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

The prior year's disclosure has been amended to better reflect the age categories in line with the probability of default.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

47. RISK MANAGEMENT continued

47.4 Credit risk continued

47.4.1 Trade and other receivables continued

Trade and other receivables impaired

As at 30 June 2021, trade receivables with a nominal value of R16 million (2020: R29 million) (expected credit losses - 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:

	2021 Rm	2020 Rm
Trade and other receivables	**281**	364
Provision for contract receivables - specific debtors	**(16)**	(26)
Provision for expected credit losses	*****	(3)
	265	335
Reconciliation of provision for expected credit losses - specific debtors		
Opening balance	**26**	2
Raised during the year	**27**	36
Utilised	**(37)**	(12)
	16	26
Reconciliation of allowance for credit losses		
Opening balance	**3**	*
Raised during the year	*****	3
Utilised	**(3)**	-
	*****	3

* *Amounts less than R1 million*

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:

	<90 days Rm	90 days past due* Rm	Total Rm
2021			
Contract and retention receivables	**2 623**	**9**	**2 632**
Provision for expected credit losses	**-**	**(1)**	**(1)**
Net book value	**2 623**	**8**	**2 631**
2020			
Contract and retention receivables	2 058	112	2 170
Provision for contract receivables	-	(1)	(1)
Net book value	2 058	111	2 169

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

47. RISK MANAGEMENT continued

47.4 Credit risk continued

47.4.2 Amounts due from/ (to) contract customers continued

Analysis of past due accounts

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

	2021 Rm	2020 Rm
Provision for expected credit losses		
Opening balance	**1**	1
Raised during the year	*****	*
Utilised	*****	*
	1	1

* *Amounts less than R1 million.*

The amounts due from / (to) contract customers consist of:

	2021 Rm	2020 Rm
Uncertified claims and variations	**817**	**652**
Contract contingencies	**(50)**	**(290)**
Contract receivables	**2 582**	**2 121**
Provision for expected credit losses	**(1)**	**(1)**
Retention receivables	**50**	**49**
	3 398	**2 531**

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 credit worthiness and payment record of the contracting party has been established. A builder's lien may be waived in lieu of a bank guarantee in accordance with the Group's commercial risk framework. The builder's lien in respect of claims is not waived and remains in effect until such time as the Group's claim has been satisfied or the Group has been provided with appropriate alternative security in respect of its claim.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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)
2021					
Australian Dollar (AUD)	**10,71**	**11,25**	**10,17**	**(34)**	**34**
United States Dollar (USD)	**14,27**	**14,98**	**13,56**	**2**	**(2)**
Euro (EUR)	**16,93**	**17,78**	**16,08**	*****	*****
Effect on earnings before taxation**				**(32)**	**32**
2020					
Australian Dollar (AUD)	11,96	12,56	11,36	(13)	13
United States Dollar (USD)	17,37	18,24	16,50	*	*
Euro (EUR)	19,51	20,49	18,53	*	*
Effect on earnings before taxation**				(13)	13

* *Amounts less than R1 million.*

** *Represents the changes in the fair value of foreign denominated trade and other payables, trade and other receivables and amounts due from / (to) contract customers at year end.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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:

2021	Notes	Rand equivalent amount (Rm) ZAR Rm	AUD* Rm	USD Rm	Other Rm	Total Rm
Monetary assets as per the statement of financial position						
Non-current assets						
Lease receivables	29	38	-	-	-	38
Current assets						
Amounts due from contract customers	16	401	2 964	31	2	3 398
Lease receivables	29	3	-	-	-	3
Trade and other receivables	17	101	200	10	16	327
Cash and bank balances	19	629	1 853	21	16	2 519
Monetary assets classified as Held for Sale						
Amounts due from contract customers	20	5	-	-	-	5
Trade and other receivables	20	473	-	-	2	475
		1 650	5 017	62	36	6 765
Monetary liabilities as per the statement of financial position						
Non-current liabilities						
Borrowings and other liabilities	22	696	160	-	-	856
Payables other than contract-related	23	94	-	-	-	94
Employee-related payables	25	43	294	1	-	338
Current liabilities						
Amounts due to contract customers	16	98	1 558	-	1	1 657
Borrowings and other liabilities	22	415	127	-	-	542
Payables other than contract-related	23	66	-	-	-	66
Employee-related payables	25	128	134	14	-	276
Trade and other payables	24	1 131	2 286	9	15	3 441
Monetary liabilities classified as Held for Sale						
Borrowings and other liabilities	20	673	-	-	-	673
Employee-related payables	20	38	-	-	-	38
Trade and other payables	20	823	-	-	9	832
Amounts due to contract customers	20	4	-	-	-	4
		4 209	4 559	24	25	8 817
Net Exposure		(2 559)	458	38	11	(2 052)

* *This amount includes exposure to NZD and other currencies*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

47. RISK MANAGEMENT continued

47.6 Foreign currency risk continued

	Notes	Rand equivalent amount (Rm) ZAR Rm	AUD* Rm	USD Rm	Other Rm	Total Rm
2020						
Monetary assets as per the statement of financial position						
Non-current assets						
Derivative instruments	15	1	-	-	-	1
Long-term receivables		43	-	-	-	43
Current assets						
Derivative instruments	15	9	-	-	-	9
Amounts due from contract customers	16	385	2 095	41	10	2 531
Trade and other receivables	17	130	200	6	22	358
Cash and bank balances	19	45	1 673	16	21	1 755
Monetary assets classified as Held for Sale						
Amounts due from contract customers	20	8	-	-	-	8
Trade and other receivables	20	457	-	-	2	459
		1 078	3 968	63	55	5 164
Monetary liabilities as per the statement of financial position						
Non-current liabilities						
Borrowings and other liabilities	22	1 049	264	-	-	1 313
Payables other than contract-related	23	104	-	-	-	104
Employee-related payables	25	46	283	1	-	330
Current liabilities						
Amounts due to contract customers	16	131	1 159	-	-	1 290
Borrowings and other liabilities	22	895	172	-	-	1 067
Payables other than contract-related	23	44	-	-	-	44
Employee-related payables	25	128	104	11	-	243
Trade and other payables	24	1 041	1 688	11	24	2 764
Bank overdrafts	19	424	-	-	-	424
Monetary liabilities classified as Held for Sale						
Borrowings and other liabilities	20	825	-	-	-	825
Employee-related payables	20	62	-	-	-	62
Trade and other payables	20	442	-	-	19	461
Amounts due to contract customers	20	7	-	-	-	7
		5 198	3 670	23	43	8 934
Net Exposure		(4 120)	298	40	12	(3 770)

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

47. RISK MANAGEMENT continued

47.7 Borrowing capacity

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

	2021 Rm	2020 Rm
The Group had the following undrawn facilities:		
Total borrowing facilities	**1 038**	2 185
Overdraft facilities	**205**	605
Current utilisation	**(878)**	(2 307)
Borrowing facilities available	**365**	483

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	More than five years Rm	Total Rm
2021				
Non-derivative financial liabilities				
Interest bearing borrowings	**388**	**491**	**-**	**879**
Lease liabilities	**154**	**365**	**-**	**519**
Amounts due to contract customers	**1 657**	**-**	**-**	**1 657**
Trade and other payables	**3 441**	**-**	**-**	**3 441**
	5 640	**856**	**-**	**6 496**
2020				
Non-derivative financial liabilities				
Interest bearing borrowings	1 062	1 013	-	2 075
Lease liabilities	208	287	106	601
Amounts due to contract customers	1 290	-	-	1 290
Trade and other payables	2 764	-	-	2 764
	5 324	1 300	106	6 730

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

48. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments
- 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.

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 14.82% 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 4.9% and 1.9% (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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

48. FAIR VALUE OF ASSETS AND LIABILITIES continued

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 unobservabl inputs Level 3 Rm
2021					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	**257**	**257**	**-**	**-**	**257**
Forward exchange contracts (FECs) (Held for Sale)	**1**	**1**	**-**	**1**	**-**
2020					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	259	259	-	-	259
Forward exchange contracts (FECs)	10	10	-	10	-
Forward exchange contracts (FECs) (Held for Sale)	9	9	-	9	-

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.

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%**	**(4)**	**4**
- Imvelo Concessions Company Proprietary Limited	**17,0%**	**0,5%**	**(2)**	**2**
- Firefly Investments 238 Proprietary Limited	**14,8%**	**0,5%**	**(2)**	**2**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2021

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.

	Amounts subject to enforceable netting arrangements									
	Effects of netting on statement of financial position			Related amounts not set-off						
	Gross amounts	Amounts set off	Net amounts reported on statement of financial position	Offsetting financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements	Total as per statement of financial position**	Current	Non-current
30 June 2021										
Derivative instruments - Held for Sale	**(1)**	**-**	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**	**(1)**	**-**
Cash and bank*	**2 519**	**-**	**2 519**	**-**	**-**	**2 519**	**2 519**	**2 519**	**2 519**	**-**
Total Assets	**2 518**	**-**	**2 518**	**-**	**-**	**2 518**	**2 519**	**2 518**	**2 518**	**-**
30 June 2020										
Derivative instruments	10	-	10	-	-	10	-	10	9	1
Derivative instruments - Held for Sale	9	-	9	-	-	9	-	9	9	-
Cash and bank*	1 755	-	1 755	-	-	1 755	1 755	1 755	1 755	-
Bank overdrafts*	(1 041)	617	(424)	-	-	(424)	(424)	(424)	(424)	-
Total Assets	733	617	1 350	-	-	1 350	1 331	1 350	1 349	1

* *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.*

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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 Investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited

During the year, the Group entered into a sale of the investment of REHM Construction Co Limited and REHM Grinaker Properties Co Limited. Subsequent to year end, the remaining conditions within the contract were satisfied and the cash was received. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

50.2 Sale of Aveng Automotive Controls & Solutions (ACS)

During the year, the Group completed the sale of Aveng Automotive & Control Solutions (ACS) business as a going concern for R70 million, adjusted for working capital, that is subject to the satisfaction or waiver of conditions precedent subsequent to year end. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

50.3 Trident Steel customs dispute

In 2019, SARS issued a letter of demand to the Group for a portion of customs duty relating to "the value determination". The Group disagreed with the letter of demand and referred the matter to the SARS Customs and Excise National Appeals Committee (CENAC). Subsequent to year end, CENAC ruled in favour of the Group and confirmation was received that the letter of demand had been completely withdrawn. The matter is therefore now finalised.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

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.

The Group did not receive any dividends from equity-accounted investments in the current year.

The Group received R57 million (2020: R25 million) from infrastructure investments in the current year.

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.

	2021 Rm	2020 Rm
Associates and joint ventures		
Trade and other receivables – associates and joint ventures	**19**	11
Trade and other payables – associates and joint ventures	**(1)**	(1)
	18	10
Parent company guarantees (ZARm)	**1 639**	604
Parent company guarantees (AUDm)	**1 857**	1 823

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.

	2021 Rm	2020 Rm
Interest received from related parties	**-**	(3)
Management fees received from related parties	**-**	(1)
Rent received from related parties	**-**	(3)
	-	(7)

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 2021

52. STRUCTURED ENTITY

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 entity

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 the entity has been aggregated according to the purpose for which the entity was established.

2021	Structured investment vehicles Rm	Total Rm
Assets		
Investment in subsidiaries	*	*
Cash and bank balances	*	*
	*	*
Maximum exposure to loss**	*	*
2020		
Assets		
Investment in subsidiaries	*	*
Cash and bank balances	*	*
	*	*
Maximum exposure to loss**	*	*

* *Amounts less than R1 million*

** *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 entity

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

52.3 Sponsored entities

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

53. GROUP OPERATING ENTITIES

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities		
Andersen & Hurley Instruments (SA) Proprietary Limited	South Africa	**100**
AP Housing Proprietary Limited	South Africa	**100**
Aveng (Africa) Lesotho Proprietary Limited	Lesotho	**100**
Aveng Africa Proprietary Limited	South Africa	**100**
Aveng Australia Holdings Proprietary Limited	Australia	**100**
Aveng Construcciones Chile Limitada	Chile	**100**
Aveng Construction and Development Proprietary Limited	South Africa	**100**
Aveng Engineering and Mining Services Proprietary Limited	South Africa	**100**
Aveng Engineering and Mining Services Limited	Lesotho	**100**
Aveng Intellectual Properties Proprietary Limited	South Africa	**100**
Aveng International Construction Limited	Mauritius	**100**
Aveng Management Company Proprietary Limited	South Africa	**100**
Aveng Mining DRC Société à Responsabilité Limitée	Democratic Republic of Congo	**100**
Aveng Moolmans Holdings Proprietary Limited	South Africa	**100**
Aveng Moolmans Burkina Faso SA	Burkina Faso	**100**
Aveng Moolmans Intellectual Properties Proprietary Limited	South Africa	**100**
Aveng Moolmans Mauritius Limited	Mauritius	**100**
Aveng Moolmans Proprietary Limited	South Africa	**100**
Aveng Mozambique Limitada	Mozambique	**100**
Aveng Properties Proprietary Limited	South Africa	**100**
Aveng Proprietary Limited	Malawi	**100**
Aveng Rail Australia Proprietary Limited	Australia	**100**
Aveng Swazi Proprietary Limited	Swaziland	**100**
Aveng Tanzania Limited	Tanzania	**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**
Built Environs Queensland Proprietary Limited	Australia	**100**
Built Environs WA Proprietary Limited	Australia	**100**
Consorcio Aveng-Mas Errazuriz Société Anonyme	Chile	**60**
E+PC Engineering & Projects Company (Zambia) Limited	Zambia	**100**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

53. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities continued		
E+PC Engineering & Projects Company Australia Proprietary Limited	Australia	**100**
Fort Concrete Central (Private) Limited	Zimbabwe	**100**
Fort Concrete Holdings (Private) Limited	Zimbabwe	**100**
Fort Concrete Koala (Private) Limited	Zimbabwe	**100**
Grinaker-LTA Construction (Private) Limited	Zimbabwe	**100**
Grinaker-LTA Construction (Zambia) Limited	Zambia	**100**
Aveng Engineering and Mining Services Limited	Lesotho	**100**
Grinaker-LTA Zimbabwe (Private) Limited	Zimbabwe	**100**
Hylekite Proprietary Limited	Australia	**100**
IHIH (Private) Limited	Zimbabwe	**100**
Ikhule Construction Incubator Proprietary Limited	South Africa	**100**
Infraset Zambia Limited	Zambia	**100**
Karibib Mining and Construction Company (Namibia) Proprietary Limited	Namibia	**100**
Koala Park Estates (Private) Limited	Zimbabwe	**100**
LTA Construction Kenya Limited	Kenya	**100**
LTA Construction Tanzania Limited	Tanzania	**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 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	**49**
McConnell Dowell Corporation (NZ) Limited	Australia	**100**
McConnell Dowell Corporation Limited	Australia	**100**
McConnell Dowell Holdings Proprietary Limited	Australia	**100**
McConnell Dowell International Limited	Hong Kong, China	**100**
McConnell Dowell NC Société à Responsabilité Limitée	New Caledonia	**100**
McConnell Dowell (Offshore) Limited	Cook Islands	**100**
McConnell Dowell PDS Sendirian Berhad	Brunei	**100**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

53. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities continued		
McConnell Dowell Philippines Incorporated	Philippines	100
McConnell Dowell Proprietary Limited	Australia	100
McConnell Dowell Saudi Arabia Limited	Saudi Arabia	39
McConnell Dowell South East 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 International Holdings Limited	Mauritius	100
Moolmans Mining Guinea S.A	Guinea	100
Moolmans Mining Tanzania Limited	Tanzania	100
Moolmans Plant South Africa Proprietary Limited	South Africa	100
Moolmans South Africa Proprietary Limited	South Africa	100
Newco (Private) Limited	Zimbabwe	100
NFI Holdings Limited	Thailand	49
Perseroan Terbatas McConnell Dowell Indonesia	Indonesia	94
Perseroan Terbatas McConnell Dowell Service	Indonesia	2
Toll Highway Development Company Proprietary Limited	South Africa	100
Trident Steel Intellectual Properties Proprietary Limited	South Africa	100
Tweed River Entrance Sand Bypassing Company Proprietary Limited	Australia	100
Umkomazi River Portfolio Proprietary Limited	South Africa	100
Associates, Joint ventures and Infrastructure Investments		
AEF Mining Services Proprietary Limited	South Africa	30
Dimopoint Proprietary Limited	South Africa	30
Dutco McConnel Dowell Middle East Limited Liability Company*	United Arab Emirates	49
Dutco McConnell Dowell Fabrication Limited Liability Company	Qatar	50
Dutco McConnell Dowell Qatar Limited Liability Company	Qatar	50
Firefly Investments 238 Proprietary Limited	South Africa	45
Grinaker-LTA Fair Construction SARL	Rwanda	50
Imvelo Concession Company Proprietary Limited	South Africa	30
Lesedi Tracks Proprietary Limited	South Africa	25
McConnell Dowell Gulf Limited	United Arab Emirates	50
McConnell Dowell Abu Dhabi LLC	United Arab Emirates	50
MLVJ Pty Ltd	Australia	50
Northern Toll Road Construction Limited	South Africa	24

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

53. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %
Associates, Joint ventures and Infrastructure Investments continued		
Oakleaf Investment Holdings 86 Proprietary Limited*	South Africa	50
REHM Grinaker Construction Co Limited	Mauritius	43
Steeledale Proprietary Limited	South Africa	30
* *The following associates and joint ventures have a reporting period (31 December) which is different to that of the Group.*		
Joint Operations		
McConnell Dowell / ABI ADP (Adelaide Desalination)	Australia	50
McConnell Dowell / Decmil Australia (Mordialloc Bypass)	Australia	60
McConnell Dowell / Diona JV - SA Water Frameworks Project	Australia	50
McConnell Dowell / Downer JV – EDI (Russley Rd)	New Zealand	50
McConnell Dowell / Downer JV – Downer (formerly) Hawkins (Connectus CRL)	New Zealand	50
McConnell Dowell / Downer JV – CSM2	New Zealand	50
McConnell Dowell / Downer JV – (Wynyard Edge Alliance)	New Zealand	50
McConnell Dowell / Fletchers / Obayashi Corporation – Waterview	New Zealand	23
McConnell Dowell / GE Betz/ United Group Infratructure (WSRW)	Australia	20
McConnell Dowell / Heb JV – (Pukekohe Treatment Plant)	New Zealand	50
McConnell Dowell / ITP SA JV (Exxon CRISP Project)	Singapore	50
McConnell Dowell / John Holland McConnell Dowell JV – JRL 108 (LTA)	Singapore	50
McConnell Dowell / Kaden (Submarine Pipelines)	Hong Kong	50
McConnell Dowell / Lend Lease (MLJV Ltd) – Melbourne Airport RDP Project	Australia	50
McConnell Dowell / Marina Technologies and Construction – MBS South Crystal Pavilion	Singapore	65
McConnell Dowell / Martinus Rail JV (Murray Basin)	Australia	80
McConnell Dowell / Obayashi JV (Warragamba Dam)	Australia	60
McConnell Dowell / OHL JV – K2K Road project	Australia	50
McConnell Dowell / SYS (SPJ)	Malaysia	65
McConnell Dowell PP Pesero TBK JV – Palembang City Sewerage Project	Indonesia	50
Northern Toll Roads Joint Venture	South Africa	50

CONTENTS

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

SEPARATE STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	2021 Rm	2020 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	1	**4 293**	2 726
Amounts owing by subsidiaries	2	**1 565**	1 043
		5 858	3 769
Current assets			
Amounts owing by subsidiaries	2	**-**	1 432
Other receivables		**2**	2
Taxation receivable		**1**	1
Cash and bank balances	3	**590**	309
		593	1 744
TOTAL ASSETS		**6 451**	5 513
EQUITY AND LIABLITIES			
Equity			
Stated capital	4	**5 078**	4 205
Other Reserves		**(379)**	(391)
Retained earnings		**161**	116
		4 860	3 930
LIABILITIES			
Non-current liabilities			
Amounts owing to subsidiaries	2	**1 495**	-
		1 495	-
Current liabilities			
Amounts owing to subsidiaries	2	**78**	1 570
Trade and other payables	5	**18**	13
		96	1 583
TOTAL LIABILITIES		**1 591**	1 583
TOTAL EQUITY AND LIABILITIES		**6 451**	5 513

SEPARATE STATEMENT OF COMPREHENSIVE EARNINGS

for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Operating expenses		**(39)**	(10)
Net operating loss	6	**(39)**	(10)
Impairment loss on de-recognition of investments / receivables		**-**	(4)
Other income		**-**	1
Loss before financing transactions		**(39)**	(13)
Finance earnings	7	**85**	210
Other finance expenses	8	**(1)**	-
Earnings before taxation		**45**	197
Taxation	9	**-**	(1)
Earnings for the period		**45**	196
Total comprehensive earnings for the period		**45**	196
Results per share (cents)			
Earnings - basic	10	**0,12**	0,81
Earnings - diluted	10	**0,11**	0,81
Number of shares (millions)			
In issue	10	**64 741,7**	19 394,5
Weighted Average	10	**36 959,8**	24 097,1
Diluted weighted average	10	**40 447,8**	24 097,1

* *Net of taxation*

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Stated Capital* Rm	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	Other reserves Rm	Total other reserves Rm	Retained earnings Rm	Total equity Rm
Year ended 30 June 2020							
Balance at 1 July 2019	4 205	40	(54)	(377)	(391)	(80)	3 734
Earnings for the year	-	-	-	-	-	196	196
Total comprehensive loss for the period	-	-	-	-	-	196	196
Balance at 30 June 2020	4 205	40	(54)	(377)	(391)	116	3 930
Year ended 30 June 2021							
Balance at 1 July 2020	**4 205**	**40**	**(54)**	**(377)**	**(391)**	**116**	**3 930**
Earnings for the year	**-**	**-**	**-**	**-**	**-**	**45**	**45**
Total comprehensive earnings for the period	**-**	**-**	**-**	**-**	**-**	**45**	**45**
Equity settled share-based payment - shares granted	**-**	**20**	**-**	**-**	**20**	**-**	**20**
Equity settled share-based payment - shares vested	**8**	**(8)**	**-**	**-**	**(8)**	**-**	**-**
Share issue - Rights to qualifying shareholders (15 March 2021)*	**759**	**-**	**-**	**-**	**-**	**-**	**759**
Share issue- Class A shares (15 March 2021)	**11**	**-**	**-**	**-**	**-**	**-**	**11**
Share issue - Rights to qualifying shareholders (7 June 2021)*	**74**	**-**	**-**	**-**	**-**	**-**	**74**
Share issue- Class A shares (7 June 2021)	**21**	**-**	**-**	**-**	**-**	**-**	**21**
Total contributions and distributions to owners of company recognised directly in equity	**873**	**12**	**-**	**-**	**12**	**-**	**885**
Balance at 30 June 2021	**5 078**	**52**	**(54)**	**(377)**	**(379)**	**161**	**4 860**
Note	4	11					

* *Inclusive of R23 million transaction costs capitalised.*

SEPARATE STATEMENT OF CASH FLOWS

as at 30 June 2021

	Notes	2021 Rm	2020 Rm
Operating activities			
Cash utilised from operations	13	**(39)**	(13)
Non-cash and other movements	15	**(52)**	(187)
Cash utilised by operations		**(91)**	(200)
Changes in working capital:			
Decrease in other receivables		**-**	2
Increase in trade and other payables		**5**	2
Total changes in working capital		**5**	4
Cash utilised by operating activities		**(86)**	(196)
Finance expenses paid	16	**(2)**	-
Finance earnings received	17	**85**	210
Taxation paid	14	**-**	(2)
Cash (outflow) / inflow from operating activities		**(3)**	12
Operating free cash (outflow) / inflow		**(3)**	12
Financing activities with equity-holders			
Proceeds from shares issued		**865**	-
Financing activities with debt-holders			
Proceeds from subsidiaries		**53**	-
Transfers to subsidiaries		**(634)**	(210)
Cash inflow/ (outflow) from financing activities		**284**	(210)
Net increase / (decrease) in cash and bank balances		**281**	(198)
Cash and bank balances at beginning of the period		**309**	507
Total cash and bank balances at the end of the period	3	**590**	309
Net cash position		**590**	309

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

1. INVESTMENTS IN SUBSIDIARIES

Name of company	Country	% holding 2021	2021 Rm	2020 Rm
Aveng Australia Holdings Proprietary Limited	Australia	100	**1 510**	216
Capital contribution to Aveng Australia Holdings Proprietary Limited (bifurcation of loan)**	Australia	100	**368**	717
Aveng Africa Proprietary Limited	South Africa	100	**2 415**	1 793
Aveng Properties Proprietary Limited	South Africa	100	*****	*
Aveng Management Company Proprietary Limited	South Africa	100	*****	*
			4 293	2 726
Reconciliation of investments in subsidiaries				
Opening balance			**2 726**	2 726
Capital contribution to Aveng Australia Holdings Proprietary Limited**			**942**	-
Capital contribution to Aveng Africa Proprietary Limited***			**620**	-
IFRS 2 Share-based payment - granting of instruments to subsidiary			**5**	-
			4 293	2 726

* *Amounts are less than R1 million.*

** *On 10 December 2020, the directors agreed to a capitalisation of the loan between the Company and Aveng Australia Holdings Proprietary Limited which took place following the interest waiver and remeasurement in terms of IFRS 9. Consequently, R942 million has been transferred to the investment.*

*** *On 11 September 2020, the directors agreed to the capitalisation of an amount of R620 million owing by the subsidiary to Aveng Limited. Aveng Limited will still hold all the issued ordinary shares in Aveng Africa.*

All of the entities listed above are consolidated into the Group structure.
The carrying amount of the subsidiaries are shown net of impairment losses.

2. AMOUNTS OWING BY / (TO) SUBSIDARIES

	2021 Rm	2020 Rm
Reconciliation of amounts owing by subsidiaries		
Opening balance	**2 475**	2 147
Current year movement	**(910)**	328
Balance at the end of the year	**1 565**	2 475
Reconciliation of amounts owing to subsidiaries		
Opening Balance	**(1 570)**	(1 639)
Current year movement	**(3)**	69
Balance at the end of the year	**(1 573)**	(1 570)
Non-interest bearing to subsidiaries	**1 565**	2 475
Non-interest bearing from subsidiaries	**(1 573)**	(1 570)
Net amounts owing by subsidiaries	**(8)**	905
Non-current assets	**1 565**	1 043
Current assets	**-**	1 432
Non-current liabilities	**(1 495)**	-
Current liabilities	**(78)**	(1 570)
Net amounts owing by subsidiaries	**(8)**	905

The total expected credit loss on amounts owing by subsidiaries amounted to R220 million (2020: R388 million), all of which relates to the loan to Aveng Management Company Proprietary Limited (2020: R220 million). In the prior year, R220 million relates to the loan of Aveng Management Company Proprietary Limited and R168 million relates to the loan to Aveng Australia Holdings Proprietary Limited. Refer to *note 19: Related parties*.

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

		2021 Rm	2020 Rm
3.	**CASH AND BANK BALANCES**		
	Cash and bank balances*	**590**	309
		590	309
	* *The cash balance at year end is part of the committed inter-group support and guarantee structure implemented through Aveng Africa (Pty) Ltd*		
4.	**STATED CAPITAL**		
	Authorised		
	180 882 034 263 ordinary shares (2020: 180 882 034 263 ordinary shares)	**9 044**	9 044
	500 000 000 000 class A** shares (2020: no class A shares)	**5 000**	-
	Issued		
	62 263 682 419 ordinary shares (2020: 19 394 498 220 ordinary shares)	**5 041**	4 205
	2 477 989 637 Class A shares (2020: no class A shares)	**37**	-
	Stated capital	**5 078**	4 205
	Shares held in terms of equity-settled share-based payment plan		
	- Number of shares	**3 500 186 838**	18 046 763
	- Market value (Rm)	**52**	*
	Reconciliation of number of shares issued	**Number of shares**	**Number of shares**
	Opening balance	**19 394 498 220**	19 394 498 220
	Share Issue - Rights to qualifying shareholders (15 March 2021)	**37 955 034 249**	-
	Share Issue - Rights to qualifying shareholders (07 June 2021)	**4 914 149 950**	-
	Share Issue - Class A shares (15 March 2021)	**725 472 919**	-
	Share Issue - Class A shares (07 June 2021)	**1 752 516 718**	-
	Closing balance	**64 741 672 056**	19 394 498 220
	Less: Treasury shares held in terms of the equity-settled share-based payment plan	**(3 500 186 838)**	(18 046 763)
	Number of shares in issue excluding treasury shares	**61 241 485 218**	19 376 451 457
	* *Amount less than R1 million.*		
	** *Aveng Class A Shares rank pari passu with Aveng Ordinary Shares (save for voting rights)*		
5.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**2**	-
	Shareholders for dividends	**6**	6
	Accrued expenses	**10**	6
	Interest payable	**-**	1
		18	13

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

		2021 Rm	2020 Rm
6.	**NET OPERATING LOSS**		
	Net operating loss for the year is stated after accounting for the following:		
	Auditors' remuneration - fees	**(11)**	(3)
	Director's fees	**(7)**	(5)
	Consulting Fees	**(1)**	2
	Travel and entertainment expenses	**-**	(1)
	Corporate Memberships	**(5)**	(1)
	Public company costs	**(1)**	(2)
	IFRS 2 share-based payment expense	**(15)**	-
7.	**FINANCE EARNINGS***		
	Notional interest earned from subsidiaries	**72**	191
	Interest received on bank balances**	**13**	19
		85	210
	* *All finance income was calculated using an effective interest rate.*		
	** *Interest earned on positive bank balances throughout the year.*		
8.	**OTHER FINANCE EXPENSES**		
	Interest incurred on amounts owing by subsidiaries	**1**	*
		1	-
	* *Amounts less than R1 million.*		
9.	**TAXATION**		
	Major components of the taxation income		
	Current taxation		
	Local income taxation - current period	**-**	1
		-	1
	Reconciliation between applicable taxation rate and effective taxation rate:		
	Applicable taxation rate	**28,0**	28,0
	Exempt income	**(45,5)**	(27,0)
	Deferred tax asset not recognised	**17,5**	(0,5)
	Disallowable charges	**-**	0,1
	Effective taxation rate for the year	**-**	0,6

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

10. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2021 Number of shares	2021 Weighted average number of shares	2020 Number of shares	2020 Weighted average number of shares
Opening balance	**19 394 498 220**	**19 394 498 220**	19 394 498 220	19 394 498 220
Issue of shares - Rights offer (15 March 2021)	**37 955 034 249**	**15 596 036 981**	-	-
Issue of shares - Rights offer (7 June 2021)	**4 914 149 950**	**332 269 984**	-	-
Issue of shares - Class A Shares (15 March 2021)	**725 472 919**	**298 102 813**	-	-
Issue of shares - Class A Shares (7 June 2021)	**1 752 516 718**	**118 496 323**	-	-
	64 741 672 056	**35 739 404 321**	19 394 498 220	19 394 498 220
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
Aveng Management Company (Pty) Ltd	**(788 684)**	**(788 684)**	(788 684)	(788 684)
Equity-settled share-based payment plan	**(3 500 186 838)**	**(3 500 186 838)**	(18 046 763)	(18 046 763)
Total treasury shares	**(3 506 993 908)**	**(3 506 993 908)**	(24 853 833)	(24 853 833)
Rights issue - Bonus element (15 March 2021)*		**3 313 124 926**		3 313 124 926
Rights issue - Bonus element (7 June 2021)**		**1 414 367 482**		1 414 367 482
Weighted average number of shares	**61 234 678 148**	**36 959 902 821**	19 369 644 387	24 097 136 795
Add: Shares issuable in terms of the equity-settled share-based payment plan	**3 488 000 000**	**3 488 000 000**	-	-
Diluted weighted average number of shares	**64 722 678 148**	**40 447 902 821**	19 369 644 387	24 097 136 795
Note		4	4	

	2021 Rm	2020 Rm
Determination of diluted earnings		
Earnings for the period attributable to equity-holders of the parent)	**45**	196
Diluted earnings for the period attributable to equity-holders of the parent)*	**45**	196
Earnings per share - basic (cents)	**0,12**	0,81
Earnings per share - diluted (cents)	**0,11**	0,81

* *This item is in relation to the bonus element of the rights issue that was issued on 15 March 2021. The bonus element resulted due to the exercise price being less than the fair value of the share on 15 March 2021.*

** *This item is in relation to the bonus element of the rights issue that was issued on 7 June 2021. The bonus element resulted due to the exercise price being less than the fair value of the share on 7 June 2021.*

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

11. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

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.

	2021 Rm	2020 Rm
Opening balance	**40**	40
Equity-settled share-based payment expense*	**20**	-
Equity-settled share-based payment vested	**(8)**	-
	52	40

* The equity-settled share-based payment expense recognised in the current year relates to the shares granted in the current year in accordance with the Management Incentive Plan 2021 (MIP) rules. The equity-settled share-based awards vest when certain retention and non-market performance conditions are met. At 30 June 2021, the Group expects that all participants will meet the retention and performance conditions as established in the MIP rules. Refer to *note 27: Share-based payments* for additional information on the performance and retention conditions.

12. EQUITY-SETTLED SHARE-BASED PAYMENT

Equity-settled share-based payment plan

Management Incentive Plan

In terms of the Management Incentive Plan (“MIP”), senior executives of the Group, including executive directors and prescribed officers, are granted shares in the Group for no consideration. The provision of shares will serve as a retention mechanism and an incentive mechanism over a three-year period.

At 19 March 2021, as soon as was practically possible following the completion of the Rights Offer, a portion of the awards to Group Executives vested in line with the rules of the MIP. The remaining awards will be subject to the satisfaction of retention and / or performance conditions measured over the performance period ending 30 June 2022 and 30 June 2023 respectively. The performance awards that vest at 30 June 2022 are subject to re-testing at 30 June 2023 if the performance conditions are not met at 30 June 2022.

The fair value of the share options is estimated at the grant date taking into account the terms and conditions contained in the MIP rules as well as the rights associated with these shares to 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 second or third anniversary of the award date and/or if performance conditions are not met. On resignation, the employee will forfeit all unvested shares. On resignation, retirement, retrenchment or dismissal, all unvested awards of the participant will be forfeited immediately on the date on termination of the employment. Where the employment of the participant is terminated as a result of death, all of a participant’s unvested awards will vest on the date of termination of employment. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been or will be cash-settled.

	Number of shares 2021	Number of shares 2020
The movements during the year were as follows:		
Shares granted	**4 000 000 000**	-
Shares vested	**(512 000 000)**	-
	3 488 000 000	-
Average share price (R)	**0,015**	-
Total value of forfeitable shares issued during the year to employees (Rm)	**8**	-
% issued to date	**13%**	-
Available for future allocation (number of shares)	**3 488 000 000**	-

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

		Note	2021 Rm	2020 Rm
13.	**CASH UTILISED FROM OPERATIONS**			
	Profit before taxation		**45**	197
	Adjustments for:			
	Finance earnings	7	**(85)**	(210)
	Finance and transaction expenses	8	**1**	-
			(39)	(13)
14.	**TAXATION PAID**			
	Amounts unpaid at the beginning of the period		**1**	-
	Amounts charged to the statement of comprehensive earnings - normal tax	9	**-**	(1)
	Amounts unpaid at the end of period		**(1)**	(1)
			-	(2)
15.	**NON-CASH AND OTHER MOVEMENTS**			
	Notional interest (Bifurcation of intercompany loan)		**(72)**	(191)
	IFRS 2 Share-based payment - granting of instruments to participants		**15**	-
	IFRS 2 Share-based payment - granting of instruments to participants - subsidiary employees		**5**	-
	Intercompany loan receivable written off		**-**	4
			(52)	(187)
16.	**FINANCE AND TRANSACTION EXPENSES PAID**			
	Amounts charged to the statement of comprehensive earnings		**1**	-
	Movement in accrued finance expenses		**1**	-
			2	-
17.	**FINANCE EARNINGS RECEIVED**			
	Interest received		**85**	210
			85	210
18.	**CONTINGENT LIABILITIES**			
	Contingent liabilities at reporting date, not otherwise provided for in the financial statements, arising from:			
	Parent Company guarantees issued in:			
	- Australasia and Asia (AUDm)		**14**	22

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

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

19. 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.

	2021 Rm	2020 Rm
Related party balances		
Net indebtedness due (to) / by subsidiaries		
Aveng Africa Proprietary Limited	**(52)**	(64)
Aveng Intellectual Properties Proprietary Limited	**(1)**	(1)
Aveng Australia Holdings Proprietary Limited*	**119**	1 044
Aveng Limited Share Purchase Trust	**(74)**	(74)
	(8)	905
Related party transactions		
Finance earnings		
Aveng Australia Holdings Proprietary Limited	**72**	191
	72	191

* On 10 December 2020, the directors agreed to a capitalisation of the loan between the Company and Aveng Australia Holdings Proprietary Limited which took place following the interest waiver and remeasurement in terms of IFRS 9. Consequently, R942 million has been transferred to the investment.

20. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2021

There are no changes in liabilities arising from financing activities in the current year.

2020

There are no changes in liabilities arising from financing activities in the current year.

21. RISK MANAGEMENT

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

The Company actively monitors the following risks:

21.1 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 2020 and 30 June 2021.

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 R4,9 billion (2020: R3,9 billion).

21.2 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.

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

21. RISK MANAGEMENT continued

21.3 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 (Pty) Ltd. 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 2021, the Company managed the interest rate risk through both fixed and variable, long and short-term instruments.

21.4 Credit risk

The Company's only material exposure to credit risk is in its cash balances (refer to *note 3*: Cash and bank balances) and amounts due from subsidiaries (refer to *note 2: 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 2021-year end. There was no impairment in the current year or prior year.

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.

21.5 Borrowing capacity

The Company's borrowings capacity is unlimited in terms of the Company's memorandum of incorporation.
The Company does not have any undrawn facilities.

21.6 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 liabilities	Less than one year Rm	One to five years Rm	Beyond five years Rm	Total Rm
2021				
Non-derivative financial liabilities				
Amounts owing to subsidiaries	**78**	**1 495**	**-**	**1 573**
Trade and other payables	**18**	**-**	**-**	**18**
	96	**1 495**	**-**	**1 591**
2020				
Non-derivative financial liabilities				
Amounts owing to subsidiaries	1 570	-	-	1 570
Trade and other payables	13	-	-	13
	1 583	-	-	1 583

22. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the consolidated annual financial statements of Aveng Limited (Refer to *note 50: Events after the reporting period* in consolidated statements) which significantly affects the financial position of the Company as at 30 June 2021 or the results of its operations or cash flow for the year then ended.

AVENG
Providing a better life

www.aveng.co.za