AVENG
Providing a better life

2022

Audited consolidated and separate annual financial statements
for the year ended
30 June 2022

CONTENTS

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

GENERAL INFORMATION

Country of incorporation and domicile	South Africa	
Directors	Mr Philip Hourquebie (Independent non-executive chairman)	
	Mr Sean Flanagan (Group chief executive officer)	
	Mr Adrian Macartney (Group finance director and chief financial officer)	
	Ms May Hermanus (Lead independent director)	
	Ms Bridgette Modise	
	Mr Bradley Meyer*	
	Mr Michael Kilbride	
	Mr Bernard Swanepoel	Appointed as independent non-executive director with effect from 20 October 2021
Auditors	KPMG 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 and chief financial officer	
Address of registered office	3rd Floor 10 The High Street Melrose Arch Johannesburg 2076	
Published	22 August 2022	

* Mr Bradley Meyer is Australian

AUDIT COMMITTEE REPORT

Performance of duties

The audit committee has been constituted in accordance with applicable legislation and regulations. The audit committee members are all independent non-executive directors of Aveng Limited. Four scheduled audit committee meetings were held during the year, at which the members fulfilled their functions as prescribed by the Companies Act 71 of 2008 (as amended) of South Africa. The audit committee confirms that it is satisfied with the independence of its external auditor, KPMG Incorporated.

Appointment of KPMG Incorporated

The audit committee recommended, and the Board 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 was approved by the shareholders of the Company at the AGM on 10 November 2021.

Evaluation of the finance director

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

Evaluation of the financial reporting procedures

In accordance with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, the audit committee is required to ensure that the Group has established appropriate financial reporting procedures and that those procedures are operating. In respect of this requirement and for the year under review, the audit committee is satisfied that the Group's established financial reporting procedures are operating appropriately.

Statement on internal financial controls

Based on information from and discussions with management and the Group internal audit function, the audit committee confirms that it has no reason to believe that there were any material breakdowns in the design or operating effectiveness of internal financial controls during 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.

The audit committee has interrogated the key assumptions used in determining the cash flow forecasts used in the going concern assessment, including the current status of the non-core assets disposal plan, the operating cash flows of both core and non-core businesses and other initiatives already embarked on by the Group. The audit committee was satisfied that the assumptions are supportable. The audit 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 processes provide the basis for identifying, evaluating, mitigating and monitoring potential risks throughout the Group. Management is primarily responsible for implementing and executing appropriate controls to mitigate risks and ensure that the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements. The internal audit function reviews the effectiveness of the overall internal control environment and makes recommendations to management and the audit committee on any deficiencies in design and operational effectiveness of the internal financial controls. The Board has concluded, based on the recommendations of the audit committee and their own understanding, that there is no reason to believe that there were any material internal financial control shortcomings during the current financial year that have not been addressed or are in the process of being addressed.

Bridgette Modise
Chair of audit committee
22 August 2022

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
22 August 2022

DIRECTORS' REPORT

The directors submit their report for the year ended 30 June 2022.

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 2022. 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, Aveng Moolmans Holdings Proprietary Limited and Aveng Australia Holdings Proprietary Limited.

Positioning for longer-term strategic goals

Aveng's future growth strategy is premised on *McConnell Dowell* and *Moolmans* forming the core businesses around which we are building a sustainable, growing international infrastructure, resources and contract mining group who operate in selected markets. The Group has five main levers for growth:

- Balance sheet optimisation;
- Capitalisation on McConnell Dowell's specialist capabilities;
- Moolmans renewal through plant optimisation and fleet renewal;
- Investing in our people and systems; and
- Implementation of our ESG framework.

Aveng grew its continuing operations revenue and improved its operational performance in its businesses, enhancing gross margins, operating earnings and cash generation. This was achieved against the backdrop of a challenging business environment. Earnings before non-recurring items remains robust with McConnell Dowell, Moolmans and Trident Steel all profitable.

Non-core asset disposals are nearing completion with the only significant asset to be disposed of being Trident Steel.

The execution of the strategy continued to deliver positive results and we are confident that market opportunities and growth potential exists for McConnell Dowell and Moolmans. These core businesses remain profitable, cash generative and strategically well positioned to remain sustainable. Diversification across customers, geographies, industry sectors and commodities provide risk mitigation in the current environment. These businesses offer long term sustainable earnings and generate sufficient cash flows.

Group financial results

Overall trading performance

McConnell Dowell

McConnell Dowell has built a reputation as a highly technically skilled, engineering led contractor. The business has continued its profitable growth trajectory and continues to focus on specialised projects in Australia, New Zealand & Pacific Islands and Southeast Asia. The business achieved 17% growth in revenue to AUD1,7 billion, the highest in six years. Earnings before non-recurring items (operating earnings) increased by 23% to AUD34,5 million due to strong work in hand, particularly in Australia, and disciplined, consistent project performance. Earnings for the year increased by 36% from AUD23,1 million to AUD31,2 million.

Work in hand increased by 33% to AUD2,5 billion at 30 June 2022, which supports 79% of budgeted revenue for FY23. Subsequent to year-end, Aveng announced the award of the Bridgewater Bridge contract for AUD600 million and as at the date of this report, 91% of budgeted revenue for FY23 has been secured. Refer to *note 49: Events after the reporting period.* The business remains focused on pursuing opportunities in its areas of specialisation with a proven track record of success.

McConnell Dowell settled and received payment of R282 million (AUD25 million) for a long-outstanding claim in Australia. The resolution of the claim resulted in additional liquidity that is retained in McConnell Dowell in support of growth.

Moolmans

Moolmans, is a tier-one contract mining business operating in Africa with a primary focus on open cast mining. Moolmans continued to focus on the quality of its contracts and enhancing project execution during the year. Moolmans reported revenue of R3,3 billion compared to R4,0 billion in the prior year. The decrease in revenue is due to the termination or completion of four projects during the year. The decrease in revenue was partially offset by extensions and expansions on other existing contracts. Gross margin improved from 10,2% to 12,2% on lower revenue.

DIRECTORS' REPORT CONTINUED

Review of activities continued
Group financial results continued
Overall trading performance continued
Moolmans continued

Earnings before non-recurring items (operating earnings) declined by 13% to R207 million compared to the R239 million of the prior year which included a R33 million gain from the sale of contract assets realised on the completion of a contract.

Moolmans work in hand decreased to R3,1 billion (2021: R5,4 billion) due mainly to the deliberate termination of the Gamsberg contract, offset by a R1 billion contract extension for an existing client. Subsequent to year end, a new contract was secured at Klipspruit that increased work in hand. As at the date of this report, tenders in current preferred status amounted to R11,4 billion and following the award of the R576 million new Klipspruit contract post year-end, 78% of budgeted revenue for FY23 have been secured. Refer to *note 49: Events after the reporting period.*

Fleet renewal remains a priority that requires investment in heavy mining equipment (HME) for both existing and new contracts. The analysis of the optimal age profile of HME has been completed and a disposal plan activated for sub-optimal equipment. Plans are underway to maximise the economic life of the existing fleet. Moolmans have confirmed a strategy with the Board for the acquisition of new equipment and negotiations are underway with OEMs and financiers to secure new equipment and related finance for new contracts.

Non-core operations
Trident Steel
Trident Steel continued to deliver strong results as a steel service centre business, primarily focused on the automotive sector. Despite a challenging operating environment that included the KwaZulu-Natal riots in July 2021, industrial action in the steel industry, the damages incurred by the KwaZulu-Natal floods in April 2022 and the ongoing global shortage of semi-conductors that impacted its OEM clients, Trident Steel reported improvements in revenues, gross profit, EBITDA and safety performance.

Revenue grew by 4% to R3,3 billion (2021: R3,2 billion) after being positively impacted by higher global steel prices, partially offset by lower sales volumes on the back of various business disruptions and the closure of the merchanting business in 2021. EBITDA increased by 22% to R301 million (2021: R247 million).

Earnings before non-recurring items (operating earnings) of R220 million was 11% lower due to the reclassification of Trident Steel as a continuing operation in the 2022 financial year and includes depreciation and amortisation of R81 million. The comparative period did not include a charge for depreciation and amortisation due to the classification as Held for Sale under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5).

Subsequent to year end, the Group entered into a new Trade Finance Facility of R450 million with two South African banks. The facility enables business growth at Trident Steel and supports the additional working capital required, matures on 1 October 2023 and will be secured by first ranking security over the inventory and accounts receivable of Trident Steel. This facility was approved in terms of the existing Common Terms Agreement.

Aveng Construction: South Africa
The Project Management Office (PMO) continues to wind-down and finalise the remaining contracts not sold as part of the disposals process. The close out of the remaining contracts contributed to a loss before non-recurring items of R67 million (June 2021: R164 million). All contracts have been completed and are in defects liability period.

Aveng Manufacturing
Aveng Manufacturing recorded lower revenue of R355 million (June 2021: R1,0 billion) following the disposal of the remaining business units and factories. The business units were operationally loss-making at R5 million (June 2021: profit of R24 million). Aveng completed the sale of Automation Control and Solution (ACS), as well as the sale of the remaining South African Infraset factory. Subsequent to year end, the Group entered into a sale for the remaining Infraset factories in Zambia and Mozambique, along with the related legal entities, as going concerns. The disposals do not require separate disclosure in terms of the JSE Listings Requirements and are subject to regulatory approvals. These are the final disposals of manufacturing businesses in the segment. *Refer to note 49: Events after reporting period*.

Group
Revenue increased to R26,2 billion (2021: R25,7 billion). The earnings before non-recurring items improved to R576 million from R536 million in June 2021. The Group reported a second consecutive year of profitability with headline earnings of R308 million or 252 cents per share (2021: R751 million or 1 016 cents per share (restated)). Earnings attributable to equity holders of the parent amounted to R130 million or 106 cents per share (2021: R990 million or 1 337 cents per shares (restated)). Reported earnings for the year are R130 million (2021: R988 million) whereas normalised earnings increased from R66 million in the prior year to R204 million. The prior year included R1,1 billion of non-recurring gains (including a once off R486 million gain on the early redemption of borrowings and a R611 million fair value gain on Trident Steel).

DIRECTORS' REPORT CONTINUED

Review of activities continued

Group financial results continued

Overall trading performance continued

Group continued

The Group generated basic earnings attributable to equity holders of the parent of R130 million (2021: R990 million). The prior year included significant non-recurring items that included a once off R486 million gain on the early redemption of borrowings and a R611 million fair value gain on Trident Steel, previously classified as Held for Sale under *IFRS 5*. Refer to *note 8: Impairments* and *note 20: Assets and liabilities classified as Held for Sale*.

Normalised earnings

In evaluating Company performance, the Board excludes non-recurring items. Such non-recurring items are either income or expenses that do not occur regularly as part of the normal activities of the Group and arise as a result of the capital restructure of the Group, IFRS 5 adjustments and adjustments in respect of non-core assets. Normalised earnings are adjusted for the effects of non-recurring items and include:

- impairment loss on right-of use assets and intangible assets;
- impairment loss or reversal of impairment of long-term receivables;
- gains or losses on disposal of non-core assets and PPE;
- fair value adjustments; and
- early redemption of borrowings.

Normalised measures are used by management to assess the underlying sustainable performance of the Group and do not replace the measures determined in accordance with IFRS as an indicator of the Group's performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

Normalised earnings of R204 million (June 2021: R66 million) were recorded.

Normalised earnings per share was 167 cents (June 2021: 89 cents per share (adjusted retrospectively for the number of shares in issue after two rights offers and the share consolidation; and restated for change in classification of Trident Steel as a continuing operation)).

Classification of Trident Steel as continuing operations

While the strategy to dispose of Trident Steel remains unchanged, Aveng is required to continue to consider the application *of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). Following a technical evaluation, the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met at 30 June 2022. Consequently, Trident Steel has been reclassified as a continuing operation. The reclassification required the recognition of prior periods depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million in the current year. This compares to a fair value gain of R611 million in the previous year. These amounts have been included in the reported earnings. The reclassification and related non-cash charges and gains did not impact the trading activities or cash flow of Trident Steel. Refer to *note 20: Assets and liabilities classified as Held for Sale*.

Gain on the disposal of non-core assets

R143 million was received from the disposal of non-core assets during the year. A R22 million loss on the disposal of subsidiaries and assets Held for Sale was recognised.

- Full details of the financial position and performance and changes therein for the Group are set out in the consolidated financial statements on pages 19 to 124.

Capital expenditure

The Group incurred replacement capital expenditure of R834 million for the year (2021: R810 million) with no expansionary capital expenditure (2021: R9 million). The majority of the amount was spent as follows:

- R187 million at McConnell Dowell, relating to specific projects across the business units; and
- R622 million at Moolmans, primarily investment in components on existing fleet.

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 group pool. McConnell Dowell's liquidity benefited from the receipt of advance payments, the receipt of a long-outstanding claim previously subject to legal proceedings 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. The South African liquidity group pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period. The Group continued to reduce external debt, having repaid R398 million in the financial year.

DIRECTORS' REPORT CONTINUED

Review of activities continued

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

In addition to existing term facilities and overdraft facilities, the Group arranged an additional Trade Finance Facility of R450 million subsequent to year end. The facility enables business growth at Trident Steel and supports the additional working capital required. Refer Note 49: *Events after the reporting period.*

Management updated the forecast for the 2023 financial year and the following year and prepared cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared 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, which remains endemic. This included management's responses to the effects thereof. 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.

The Group's current assets of R8,3 billion exceeded its current liabilities of R7,1 billion at 30 June 2022.

The Company's current assets of R257 million exceeded its current liabilities of R93 million at 30 June 2022.

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, it is highly unlikely that the process to dispose of the Group's remaining non-core businesses (particularly Trident Steel) will be withdrawn. The disposals are expected to generate cash to repay the remaining external debt and improve available liquidity.

The Group has cash of R2,6 billion (30 June 2021: R2,5 billion) at 30 June 2022, of which R605 million (30 June 2021: R412 million) is held in joint arrangements. Unutilised facilities amounted to R205 million (30 June 2021: R364 million).

The directors have considered all of the above, including detailed consideration of the current position of all core and non-core businesses, all business plans and forecasts, including all available information, 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 of the disclosures included above, refer to *note 5: Going concern and note 49: Events after the reporting period* in the financial statements.

Events after the reporting period

In addition to the items discussed above, refer to *note 49: Events after the reporting period*.

Stated capital

The Group implemented a successful share consolidation on 8 December 2021, with every 500 shares consolidated into 1 share. This resulted in a reduction of the number of shares authorised and in issue, which in turn increased the share price commensurately. The consolidation was necessary to reduce the administrative burden associated with the large number of shares in issue, recalibrate supply and demand dynamics, improve liquidity and relevance of the share and reduce price volatility. The number of shares, earnings per share and headline earnings per share in the prior period have been restated to reflect the share consolidation.

Details pertaining to the authorised and issued share capital of the Company at 30 June 2022 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. Adrian Macartney
- 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. Bernard Swanepoel – appointed as an independent non-executive director effective 20 October 2021

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 CONTINUED

Directors continued

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

Auditor

Pursuant to paragraph 3.75 of the JSE Listings Requirements, the Audit 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 was approved by the shareholders of the Company at the AGM on 10 November 2021.

Shareholders

The following information will be available on 23 August 2022 on the Group's website:

- Shareholders' diary.

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 2022.

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 that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board has reviewed the Group's cash flow forecast for the year ended 30 June 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 12 to 18.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of the Group for the year ended 30 June 2022 set out on pages 19 to 124, which have been prepared on the going concern basis, were approved by the Board of directors on 22 August 2022 and were signed on its behalf by:

Sean Flanagan	**Adrian Macartney**
Group Chief Executive Officer	*Group Finance Director*
Authorised Director	Authorised Director

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'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 19 to 124, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, 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;
- 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 as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remediated the deficiencies; and
- we are not aware of any fraud involving the directors.

Sean Flanagan
Group Chief Executive Officer

Adrian Macartney
Group Finance Director

22 August 2022

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 rand denominated (R) financial statements of Aveng Limited (the Group and Company) set out on pages 19 to 124, which comprise the consolidated and separate statements of financial position as at 30 June 2022, 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, accounting policies and notes to the consolidated and separate annual financial statements.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Aveng Limited as at 30 June 2022, 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 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 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.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

<table>
<tr><th colspan="2">Estimation uncertainty involved in accounting for revenue from contracts with customers
Refer to accounting policy note 2.12, significant accounting judgements and estimates note 3.1.4 and note 31 to the consolidated annual financial statements</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The construction, engineering and mining segments of the Group, are characterised by contract risk with significant judgements involved in the assessment of the anticipated final contract outcomes.

Management uses a high degree of estimation and judgement in their assessment of the revenue recognition resulting from:
• the contract stage of completion;
• the completeness and accuracy of forecast revenue and costs to complete;
• contract variations and claims; and
• the ability to deliver contracts within the requirements of each contract.

The measurement of contract revenue and costs includes uncertainty that will depend on the outcome of future events. Changes in any of the significant judgements may result in a material variance in the amount of profit or loss recognised from individual contracts.

The estimates and judgements made by the directors in respect of contract revenue and contract costs can have a material impact on the consolidated financial statements and accordingly the estimation uncertainty involved in accounting for revenue from contracts with customers is considered a key audit matter in the audit of the consolidated financial statements.</td><td>We performed the following procedures to address this key audit matter:
We selected a sample of contracts based on value and various risk factors including:
• significant lossmaking contracts;
• contracts with significant claims; and
• contracts with uncertain outcomes.
For the contracts selected, our procedures included the following:
• Discussed and evaluated the status of selected contracts with senior management, finance and project and engineering staff to consider the risks and judgements applied by management.
• For selected major contracts we performed site visits to gain and confirm our understanding of the contracts including the status and progress.
• We evaluated whether:
o the expected revenue used in the percentage of completion calculation reconciled to signed contracts and variation orders;
o the appropriate costs were included in work in progress; and
o variation orders and claims were appropriately recognised when determining the valuation of work-in-progress and the resulting financial impact on the contracts.
• We recalculated the revenue per contract based on the input method. We agreed the adjustments between certified progress revenue and revenue recognised to the amounts due to/from contract customers.
For revenue recognised for variable considerations, including claims and variation orders:
• We inspected supporting documents to verify that the revenue was recognised only when the requirements of IFRS 15 Revenue from Contracts with Customers and the Group's accounting policy have been met, namely when it is highly probable that no significant reversal of revenue will take place in a subsequent period;</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

Estimation uncertainty involved in accounting for revenue from contracts with customers continued **Refer to accounting policy note 2.12, significant accounting judgements and estimates note 3.1.4 and note 31 to the consolidated annual financial statements** continued	
Key audit matter	**How the matter was addressed in our audit**
	• 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; and • We undertook inquiries with internal and external legal counsel, financial staff and directors in respect of ongoing claims and proceedings on contractual disputes to determine the probability of an unfavourable outcome.

Impairment of equipment **Refer to accounting policy note 2.6 and significant accounting judgements and estimates note 3.1.3 and notes 8.3 and 9 to the consolidated annual financial statements**	
Key audit matter	**How the matter was addressed in our audit**
The portfolio of owned equipment for existing and future contracts includes equipment that is underutilised, obsolete, damaged or underperforming which are indicators of impairment for the Group's Moolmans cash-generating unit (CGU) within the mining segment requiring management to perform an impairment assessment in accordance with IAS 36, Impairment of assets (IAS 36). Management have engaged an expert evaluator in the determination of fair value less costs of disposal for underutilised, obsolete, physically damaged and underperforming equipment. Impairment losses of R106 million were recognised in profit or loss. Impairment exists when the carrying amount of a CGU exceeds its recoverable amount.	We performed the following procedures to address this key audit matter: • Our team included senior audit team members, including our own engineering and valuation specialists who understand the Group's business, industry and the economic environment in which it operates, we together with our specialists: • Critically evaluated the appropriateness of management's impairment models applied based on the requirements of IAS 36. • Challenged management regarding the appropriateness of the current mix, condition and use of equipment on current and future planned contracts, based on the site visits detailed below, and our understanding of the business and industry knowledge obtained. • Undertaking site visits of the major operations to physically inspect the equipment being used, standing idle for repairs and discussing with site managers the current and planned utilisation of the equipment. • Evaluated the competence, capabilities and objectivity of management's expert involved in the calculation of fair value less costs of disposal of individual assets, by verifying their qualifications and experience through on-line verification checks.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

<table>
<tr><td colspan="2">Impairment of equipment continued
Refer to accounting policy note 3.1.3 and note 8.3 to the consolidated annual financial statements</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The calculation of the fair value less costs of disposal of individual assets requires judgement in assessing the prices of similar assets within the market in terms of 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.

Furthermore, a value-in-use calculation for the Mining CGU was performed by management. The calculation was based on the discounted cash flow model, which as part of the impairment assessment requires the determination and application of the following key assumptions:
• future cash flow projections, derived from future budgets;
• discount rates; and
• growth rates.

Given the judgement involved in the impairment assessment, impairment of equipment has been identified as a key audit matter in the consolidated financial statements.</td><td>• Evaluated the competence, capabilities and objectivity of management's expert involved in the calculation of fair value less costs of disposal of individual assets, by verifying their qualifications and experience through on-line verification checks.
• Challenged the assumptions used by management in their value-in-use calculations by:
o assessing the reasonableness of future cash flow projections with reference to historical trends, current year performance and our knowledge of the business and the industry;
o assessing the reasonableness of the discount rates applied, by independently calculating the rate and comparing it to the rate used by management;
o assessing the reasonableness of the long-term growth rates in relation to external market data, and;
o assessing the reasonableness of the key assumptions and the related sensitivity analyses by comparing it to our own sensitivity analyses performed using independent inputs.

We also considered the adequacy and appropriateness of the Group's disclosures in respect of impairment of equipment, in accordance with IAS 36.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

Covenant compliance, additional temporary Trade Finance Facility (TFF) with South African banks in terms of the existing Common Terms Agreement (CTA) Refer to note 5 and note 49 to the consolidated annual financial statements (relates to both the Group and Company)	
Key audit matter	**How the matter was addressed in our audit**
The Group and Company continue to actively manage the liquidity and cash flow of two distinct liquidity pools, namely McConnell Dowell and the South African liquidity pool. The South African liquidity pool remains tightly managed given the challenges experienced arising mainly from the delay in the sale of the Trident Steel business and the requirements for short term liquidity. The Group and Company have entered into a new trade finance facilities to support growth plans and future projects. The Group and Company have stringent debt covenants which need to be complied with. There is judgement involved in forecasting liquidity requirements covering a minimum of 12 months from the date of these financial statements. Furthermore because of the effort required from the audit team to evaluate managements judgement, this has been identified as a key audit matter for the consolidated and separate financial statements.	We performed the following procedures to address this key audit matter: Our team included senior audit team members, including valuation specialists who understand the Group's business, industry and the economic environment in which it operates. We together with the specialists: • Critically evaluated management's going concern assessment, focusing on the short term liquidity requirements and whether the assessment includes all relevant information that has come to our attention during the audit; • Evaluating the progress on financing facilities secured and the related impact on the going concern assessment through inspection of the consent and amendment request approved by all South African bankers in terms of the existing CTA; • Evaluating whether management's future operations and cash flow assumptions are considered realistic, achievable and consistent with the external and/or internal environment through inspection of the project pipeline and latest secured contracts; • Evaluating the latest forecast cash balances covering a minimum of 12 months from the date of these financial statements which were prepared by management to ensure sufficient headroom is available to meet short term liquidity levels including complying with debt covenants in the consent and amendment request approved by all South African bankers in terms of the existing CTA . • Evaluated and stress tested managements assumptions for covering a minimum of 12 months from the date of these financial statements and assessed the reasonableness of the key assumptions and the related sensitivity analyses performed by management by performing our own sensitivity analyses. • Challenged the assumptions used by management in their forecast cash flows by assessing the reasonableness of future cash flow projections with reference to historical trends, current year performance and our knowledge of the business and the industry. We also considered the adequacy and appropriateness of the Group and Company's disclosures in respect of going concern in the financial statements in accordance with IAS 1 Presentation of financial statements.

Other matter

The consolidated and separate financial statements of the Group and Company as at and for the year ended 30 June 2021, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 31 August 2021.

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 the document titled "*Aveng Limited consolidated and separate annual financial statements for the year ended 30 June 2022*", which includes the Directors' Report, the Audit Committee Report, the Certificate of the Company Secretary as required by the Companies Act of South Africa, the financial statement amounts denominated in the Australian Dollar (AUD) and the assurance report thereon, which we obtained prior to the date of this report, and the 2022 Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and 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 and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed 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's 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/or the 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's 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

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

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

- 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's 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 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 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.

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 KPMG Inc. has been the auditor of Aveng Limited for one year.

KPMG Inc.
Registered Auditor

F. von Eckardstein

Per FHC von Eckardstein
Chartered Accountant (SA)
Registered Auditor
Director
22 August 2022

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

2021* AUDm	2022* AUDm		Notes	2022 Rm	2021 Rm
		ASSETS			
		Non-current assets			
9,3	**8,9**	Goodwill arising on consolidation	11	**100**	100
1,0	**0,1**	Intangible assets	12	**1**	11
230,0	**220,0**	Property, plant and equipment**	9	**2 479**	2 463
31,5	**53,8**	Right-of-use assets**	10	**606**	337
2,8	**0,5**	Equity-accounted investments	13	**6**	30
24,0	**12,6**	Infrastructure investments	14	**142**	257
67,7	**65,5**	Deferred taxation	15	**738**	725
3,5	**6,5**	Lease receivables	30	**73**	38
-	**0,8**	Other non-current assets		**9**	-
369,8	**368,7**			**4 154**	3 961
		Current assets			
19,7	**91,2**	Inventories	18	**1 028**	211
317,2	**321,8**	Contract assets	16	**3 626**	3 398
30,5	**74,3**	Trade and other receivables	17	**837**	327
3,5	**5,3**	Taxation receivable	42	**60**	37
0,3	**0,8**	Lease receivables	30	**9**	3
235,1	**232,2**	Cash and bank balances	19	**2 617**	2 519
606,3	**725,6**			**8 177**	6 495
185,7	**12,8**	Assets Held for Sale	20	**144**	1 989
1 161,8	**1 107,1**	**TOTAL ASSETS**		**12 475**	12 445
		EQUITY AND LIABILITIES			
		EQUITY			
443,1	**421,3**	Stated capital	21	**4 747**	4 747
79,1	**87,8**	Other reserves		**989**	847
(201,0)	**(179,5)**	Accumulated losses		**(2 023)**	(2 153)
321,2	**329,6**	Equity attributable to equity-holders of parent		**3 713**	3 441
0,7	**0,6**	Non-controlling interest		**7**	7
321,9	**330,2**	**TOTAL EQUITY**		**3 720**	3 448
		LIABILITIES			
		Non-current liabilities			
14,2	**10,7**	Deferred taxation	15	**121**	152
45,8	**20,3**	External borrowings and other liabilities	22	**229**	491
34,1	**68,6**	Lease liabilities	23	**773**	365
8,8	**8,3**	Provisions	25	**94**	94
31,6	**33,5**	Employee-related payables	26	**377**	338
134,5	**141,4**			**1 594**	1 440
		Current liabilities			
154,7	**150,8**	Contract liabilities	16	**1 699**	1 657
36,2	**22,4**	External borrowings and other liabilities	22	**252**	388
14,4	**23,6**	Lease liabilities	23	**266**	154
25,8	**28,2**	Employee-related payables	26	**318**	276
287,5	**368,2**	Trade and other payables	24	**4 149**	3 081
39,8	**40,0**	Provisions***	25	**451**	426
-	**0,9**	Taxation payable	42	**10**	-
558,4	**634,1**			**7 145**	5 982
147,0	**1,4**	Liabilities Held for Sale	20	**16**	1 575
839,9	**776,9**	**TOTAL LIABILITIES**		**8 755**	8 997
1 161,8	**1 107,1**	**TOTAL EQUITY AND LIABILITIES**		**12 475**	12 445

* Supplementary non-IFRS information. Converted at a closing exchange rate of R11,27/AUD 1 (2021 - R10,71/ AUD 1). The statement of financial position has been translated from Rand to Australian Dollar to assist in the interpretation of the financial performance in a universally measured currency. This constitutes pro forma financial information in terms of the JSE Listings Requirements and should be read in conjunction with *note 1: Presentation of consolidated and separate financial statements.*

** Right-of-use assets which were previously presented as part of Property, plant and equipment have been moved into a separate note and presented separately on the Statement of Financial Position.

*** Provisions which were previously presented as part of Trade and other payables have been moved into a separate note and presented separately on the Statement of Financial Position.

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS

for the year ended 30 June 2022

2021 AUDm*	2022 AUDm*		Note	2022 Rm	(Re-presented)[1] 2021 Rm
2 418,0	**2 356,9**	**Revenue**	31	**26 178**	25 709
2 321,0	**2 324,9**	Continuing operations		**25 823**	24 674
97,0	**32,0**	Discontinued operations	6	**355**	1 035
(2 233,0)	**(2 166,7)**	**Cost of sales**	32	**(24 066)**	(23 744)
(2 147,7)	**(2 137,2)**	Continuing operations		**(23 738)**	(22 837)
(85,3)	**(29,5)**	Discontinued operations	6	**(328)**	(907)
185,0	**190,2**	**Gross earnings**		**2 112**	1 965
25,2	**12,6**	**Other earnings**	33	**140**	268
24,9	**12,0**	Continuing operations		**133**	265
0,3	**0,6**	Discontinued operations	6	**7**	3
(157,6)	**(150,4)**	**Operating expenses**	34	**(1 671)**	(1 675)
(147,6)	**(147,0)**	Continuing operations		**(1 633)**	(1 569)
(10,0)	**(3,4)**	Discontinued operations	6	**(38)**	(106)
(2,1)	**(0,5)**	Loss from equity-accounted investments	13/6	**(5)**	(22)
50,5	**51,9**	**Earnings before non-recurring items**		**576**	536
81,7	**(16,2)**	**Non-recurring items**	35	**(180)**	868
81,1	**(14,9)**	Continuing operations		**(165)**	862
0,6	**(1,3)**	Discontinued operations	6	**(15)**	6
132,2	**35,7**	**Earnings before financing transactions**		**396**	1 404
1,8	**1,8**	Finance earnings		**20**	19
(37,1)	**(23,1)**	Finance expenses	36/6	**(257)**	(394)
96,9	**14,4**	**Earnings before taxation**		**159**	1 029
(3,8)	**(2,6)**	Taxation	37/6	**(29)**	(41)
93,1	**11,8**	**Earnings for the year**		**130**	988
92,6	**14,0**	**Earnings from continuing operations**		**155**	983
0,5	**(2,2)**	**(Loss) / earnings from discontinued operations**	6	**(25)**	5

1 Refer to *note 6: Discontinued operations* for the reclassification of Trident Steel from discontinued operations to continuing operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at an average exchange rate of R11,11/AUD 1 (2021 – R10,63/ AUD 1). The statement of comprehensive income has been translated from Rand to Australian Dollars to assist in the interpretation of the financial performance in a universally measured currency. This constitutes *pro forma* financial information in terms of the JSE Listings Requirements and should be read in conjunction with *note 1: Presentation of consolidated and separate financial statements.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS CONTINUED

for the year ended 30 June 2022

2021 AUDm*	2022 AUDm*		Note	2022 Rm	(Re-presented)[1] 2021 Rm
		Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation)			
(24,9)	**9,6**	Exchange differences on translating foreign operations		**107**	(265)
(24,9)	**9,6**	**Other comprehensive earnings / (loss) for the year, net of taxation**		**107**	(265)
		Total comprehensive earnings for the year attributable to:			
68,2	**21,4**	Equity-holders of the parent		**237**	723
-	**-**	Non-controlling interest		**-**	-
68,2	**21,4**			**237**	723
		Earnings for the year attributable to:			
93,1	**11,8**	Equity-holders of the parent		**130**	990
(0,2)	**-**	Non-controlling interest		**-**	(2)
92,9	**11,8**			**130**	988
		Other comprehensive earnings / (loss) for the year, net of taxation			
(25,1)	**9,6**	Equity-holders of the parent		**107**	(267)
0,2	**-**	Non-controlling interest		**-**	2
(24,9)	**9,6**			**107**	(265)
		Results per share (cents)**			
		From continuing and discontinued operations			
125,7	**9,6**	Earnings - basic	38	**106**	1 337
114,8	**9,1**	Earnings - diluted	38	**100**	1 221
		From continuing operations			
125,1	**11,4**	Earnings - basic	38	**126**	1 330
114,4	**10,8**	Earnings - diluted	38	**119**	1 216
		From discontinued operations			
0,6	**(1,8)**	(Loss) / earnings - basic	6/38	**(20)**	7
0,6	**(1,7)**	(Loss) / earnings - diluted	6/38	**(19)**	6
		Number of shares (millions)			
129,5	**129,5**	In issue***	38	**129,5**	129,5
73,9	**122,5**	Weighted average***	38	**122,5**	73,9
80,9	**129,4**	Diluted weighted average***	38	**129,4**	80,9

1 Refer to *note 6: Discontinued operations* for the reclassification of Trident Steel from discontinued operations to continuing operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at an average exchange rate of R11,11/AUD 1 (2021 – R10,63/ AUD 1). The statement of comprehensive income has been translated from Rand to Australian Dollars to assist in the interpretation of the financial performance in a universally measured currency. This constitutes *pro forma* financial information in terms of the JSE Listings Requirements and should be read in conjunction with *note 1: Presentation of consolidated and separate financial statements.*

** On 8 December 2021 the Group underwent a share consolidation on the basis of 1-for-500 shares held. The number of shares in issue for the prior year have been adjusted retrospectively.

Refer to *note 21: Stated capital* for additional information.

*** Earnings per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue.

Refer to *note 38: Earnings and Headline Earnings per share* for additional information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	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 2021								
Balance at 1 July 2020	3 874	1 062	40	1 102	(3 143)	1 833	7	1 840
Earnings / (loss) for the year	-	-	-	-	990	990	(2)	988
Other comprehensive (loss) / earnings for the year	-	(267)	-	(267)	-	(267)	2	(265)
Total comprehensive (loss) / earnings for the year	-	(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 (19 March 2021)	759	-	-	-	-	759	-	759
Share issue - Class A shares (19 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
Balance as at 30 June 2021	4 747	795	52	847	(2 153)	3 441	7	3 448
Year ended 30 June 2022								
Balance at 1 July 2021	**4 747**	**795**	**52**	**847**	**(2 153)**	**3 441**	**7**	**3 448**
Earnings for the year	**-**	**-**	**-**	**-**	**130**	**130**	**-**	**130**
Other comprehensive earnings for the year (net of taxation)	**-**	**107**	**-**	**107**	**-**	**107**	**-**	**107**
Total comprehensive earnings for the year	**-**	**107**	**-**	**107**	**130**	**237**	**-**	**237**
Equity settled share-based payment - shares granted	**-**	**-**	**35**	**35**	**-**	**35**	**-**	**35**
Total contributions and distributions recognised	**-**	**-**	**35**	**35**	**-**	**35**	**-**	**35**
Balance at 30 June 2022	**4 747**	**902**	**87**	**989**	**(2 023)**	**3 713**	**7**	**3 720**
Note	21		27					

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 Rm	2021 Rm
Cash generated from operating activities	39	**1 468**	2 275
Finance expenses paid	40	**(288)**	(345)
Finance earnings received	41	**14**	19
Taxation paid	42	**(47)**	(37)
Cash inflow from operating activities		**1 147**	1 912
Acquisition of property, plant and equipment – expansion	9	**-**	(9)
Acquisition of property, plant and equipment – replacement	9	**(834)**	(810)
Proceeds on disposal of property, plant and equipment		**168**	174
Proceeds on disposal of assets Held for Sale		**106**	90
Capital expenditure net of proceeds on disposal		**(560)**	(555)
Dividends received	33	**21**	57
Advances in respect of other non-current assets		**(9)**	-
Movements in investing activities classified as Held for Sale		**1**	96
Cash outflow from investing activities		**(547)**	(402)
Financing activities with equity-holders			
Proceeds from shares issued		**-**	865
Financing activities with debt-holders			
Repayment of external borrowings	44	**(399)**	(870)
Proceeds from external borrowings	44	**-**	271
Payment of capital portion of lease liabilities	44	**(240)**	(262)
Payment of capital portion of lease liabilities - Held for Sale		**(4)**	(73)
Cash outflow from financing activities		**(643)**	(69)
Net (decrease) / increase in cash and bank balances before foreign exchange movements		**(43)**	1 441
Foreign exchange movements on cash and bank balances		**141**	(253)
Cash and bank balances at the beginning of the period		**2 519**	1 331
Total cash and bank balances at the end of the period	19	**2 617**	2 519

ACCOUNTING POLICIES

for the year ended 30 June 2022

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

1.1 Basis of preparation

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

The consolidated and separate 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 2021 except for the new standards and interpretations disclosed in *note 4: Standards and interpretations effective and not yet effective.*

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

The Group presents amounts in these consolidated and separate financial statements in accordance with *International Financial Reporting Standards* (*IFRS*). Only amounts that have a relevant and material impact on the consolidated and separate 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.

1.3 Supplementary information

The Group's presentation currency is South African Rand (ZAR). The supplementary information provided in Australian Dollars (AUD) is translated at the closing rate for the consolidated statement of financial position and at the average rate for the consolidated statement of comprehensive earnings.

Disclaimer:

Australian dollar translations included in these financial statements constitutes pro forma financial information in terms of the JSE Guidance Letter: *Presentation of pro forma financial information dated 04 March 2010.* The pro forma financial information is the responsibility of the Board of directors and is presented for illustrative purposes only. The Directors believe the pro forma information can assist stakeholders in interpreting the financial performance of the Group in a universally measured currency. Because of its nature, the pro forma financial information may not fairly present Aveng's financial position, changes in equity, results of operations or cash flows. The underlying information, used in the preparation of the pro forma financial information, has been prepared using accounting policies which comply with IFRS and are consistent with those applied in the published group consolidated and separate annual financial statements for the year ended 30 June 2022. This pro forma information has been reported on by the group's auditors, being KPMG Incorporated. Their unmodified reporting accountant's report prepared in terms of the *International Standard on Assurance Engagements (ISAE) 3420* is available on pages 125 - 127.

1.4 Statement of compliance

The consolidated and separate 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*.

1.5 Approval of consolidated and separate annual financial statements

The consolidated and separate financial statements of the Group for the year ended 30 June 2022, which have been prepared on the going concern basis, were approved by the Board of directors on 22 August 2022.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES

2.1 Basis of consolidation

Business combination and goodwill

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

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

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

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

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

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

Common control

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

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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES continued

2.1 Basis of consolidation continued

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.

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES continued

2.1 Basis of consolidation continued

Equity-accounted investments continued

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

Should a subsidiary, associate or joint arrangement apply accounting policies that are materially different to those adopted by the Group, adjustments are made to the 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 2022

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 contract assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables and contract liabilities.

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 as per owned categories

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES continued

2.5 Intangible assets

Recognition and measurement

Subsequent to initial recognition computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible asset	
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.

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
Computer software	10% - 33%

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

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

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

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

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

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

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES continued

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, Aveng Africa Proprietary Limited 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.

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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES continued

2.9 Share-based payments continued

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. 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.

Defined contribution plans

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

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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES continued

2.11 Employee benefits continued

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 of the performance obligation(s) over a period of time. The Group has concluded that it is the principal in its construction contract revenue arrangements, because it typically controls the delivery of construction contracts over a period of time. Anticipated losses to completion are immediately recognised as an expense in contract costs.

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

Where contract costs incurred to date plus recognised earnings, less recognised losses exceed progress billings, the surplus is reflected as contract assets 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 contract liabilities 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 contract liabilities. 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 2022

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. Revenue on the transaction will only be recorded when control has transferred.

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 2022

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 2022

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, contract assets, 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.

Contract assets

Contract assets 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 contract assets.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

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*, Expected Credit losses(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 2022

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: Contract assets / (liabilities)*, *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, contract liabilities 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.

Contract liabilities

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.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

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 earnings 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 2022

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 2022

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 right-of-use assets (refer to note 10: Right-of-use assets) and a lease liability in lease liabilities(refer to note 24: Lease 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.

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.

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2022

2. ACCOUNTING POLICIES continued

2.20 Contingent liabilities continued

Depending on the merits, legal disputes can translate into future claims and legal proceedings. When required, a provision is made for all liabilities which are expected to materialise, however if the outcome of claims or legal disputes are possible but not probable or the amount cannot be measured with sufficient reliability, they are not disclosed as a provision.

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

2.21 Non-current assets Held for Sale and disposal groups

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 comprehensive earnings.

Additional disclosures are provided in Note *20: 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 2021. 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 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the annual 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 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 15: Deferred taxation* for further detail.

3.1.2 Contract assets / (liabilities)

The Group estimates the risk associated with the contract assets 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: Contract assets / (liabilities)* for further detail.

3.1.3 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 key assumptions used to determine 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 assumptions, included in 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.

For further information refer to *note 8: Impairments.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.4 Revenue recognition

In the *Construction and Engineering: Australasia and Asia*, 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.

In the *Mining* segment, the Group uses an output method in determining the satisfaction of the performance obligation through a contract that requires direct measurement. The Group's technical experts, engineers and contact managers exercise their judgement in estimating progress based on performance on the contract or milestone achieved.

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;
- estimation of project production rates and programme through to completion; and
- The ability to deliver contracts within the requirements of each contract

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.

3.1.5 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.

3.1.6 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 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.7 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.

3.1.8 Held for Sale classification

Remaining Infraset factories and Investments classified as Held for Sale

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 the disposal groups 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.

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.

Through the use of these judgements, the Group concludes that the carrying amount of the remaining investments 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.

Trident Steel

At 30 June 2022, management is in advanced negotiations, with a credible buyer, to dispose of Trident Steel, a division of Aveng Africa (Proprietary) Limited, as a going concern. The transaction will be subject to conditions precedent usual for transactions of this nature. Management applies judgement when determining if there is sufficient evidence that the sale of Trident Steel is *highly probable* and will be finalised within the next 12 months given that a sale of business agreement had not yet been signed by 30 June 2022. The transaction is subject to conditions precedent usual for transactions of this nature.

Given the uncertainty around the likelihood of finalisation of the sale within the next 12 months, management has concluded that the Trident Steel CGU no longer meets the criteria of Held for Sale under *IFRS 5 Non-current assets Held for Sale and Discontinued operations* and can no longer be classified as Held for Sale. In determining the reclassification adjustment, management has measured the CGU at the lower of its carrying amount before the disposal groups was classified as Held for Sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the disposal group not been classified as Held for Sale, and its recoverable amount at the date of the subsequent decision to reclassify these disposal groups. 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 2022

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE

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

***IFRS 9, IAS 39, IFRS 7, IFRS 4* and *IFRS 16 Interest rate Benchmark Reform* (amendments)**

(effective 1 January 2021)

In May 2019, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 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 has limited exposure to the affected IBORs. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

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

(effective 1 April 2021)

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.

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 2022. All other standards and interpretations that are not disclosed have been assessed and are not applicable to the Group.

***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, however, the amendments to *IAS 37* are not expected to have a significant impact on the Groups consolidated financial statements.

***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 amendments to *IAS 16* are not expected to have a significant impact on the Groups consolidated

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

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 Group also applies *IFRS 9* and *IFRS 15* on or before the date it first applies *IFRS 17.*

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

IAS 1 and IFRS Practice Statement 2- Disclosure of Accounting Policies (amendments)

(effective 1 January 2023)

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 Group'.*

The Board has issued amendments to *IAS 1 Presentation of Financial Statements* and an update to *IFRS Practice Statement 2 Making Materiality Judgements* to help companies provide useful accounting policy disclosures.

The key amendments to *IAS 1* include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended *IFRS Practice Statement 2* to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material
The Group is still in the process of determining the impact of the amendments to the accounting standard.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

IAS 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 2022

5. GOING CONCERN AND LIQUIDITY

As detailed in *note 1: Presentation of consolidated and separate financial statements* and note 49: *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 and Company can continue in operational existence for the foreseeable future. The financial performance of the Group and Company is dependent on the wider economic environment in which it operates.

In concluding this assessment, the Board has taken the following considerations into account:

Execution of plans

* Continued improvement in the operating performance of McConnell Dowell and Trident Steel and the sustained profitability of Moolmans resulted in further creation of underlying value and sustainability;
* Nearing completion of the non-core asset disposal plan:
  - The receipt of proceeds of R143 million for the year, including *Aveng Automation and Control Solutions* (ACS) and *Infraset factories*
  - The conclusion of the sale of the remaining *Infraset factories* after year end, subject to regulatory approvals
  - The conclusion of the sale *of Oakleaf and Firefly* investments after year end
* Updated budget to 31 December 2023 and business plans for post period-end up to 30 June 2025 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 continued monitoring of the South African short-term liquidity forecast management process; and
* Subsequent to year end, the Group entered into a new Trade Finance Facility of R450 million with two South African banks. The facility enables business growth at Trident Steel and supports the additional working capital required, matures on 1 October 2023 and will be secured by first ranking security over the inventory and accounts receivable of Trident Steel. This facility was approved in terms of the existing Common Terms Agreement*;* and
* The Group further agreed to accelerate the repayment profile of external debt and amended its covenants in line with its current forecasts. This was approved in terms of the existing Common Terms Agreement.

In the 2022 financial year, the Group reported earnings for the year of R130 million and an operating free cash inflow of R612 million. 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 R2,6 billion at 30 June 2022 (30 June 2021: R2,5 billion), of which R605 million (30 June 2021: R412 million) is held in joint arrangements. Unutilised facilities amounted to R205 million (30 June 2021: R364 million).

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 group pool. McConnell Dowell's liquidity benefited from the receipt of advance payments, the receipt of a long-outstanding claim previously subject to legal proceedings 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. The South African liquidity group pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

5. GOING CONCERN AND LIQUIDITY continued

Liquidity, solvency and ongoing funding continued

The Group continued to reduce external debt, having repaid R399 million in the financial year. In addition to existing term facilities and overdraft facilities, the Group arranged an additional Trade Finance Facility of R450 million subsequent to year end in order to support future planned working capital growth at Trident Steel.

Management updated the forecast for the 2023 financial year and the following year and prepared cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared 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, which remains endemic. This included management's responses to the effects thereof. Management will continue to respond to the circumstances as they emerge. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

The Group's current assets of R8,3 billion exceeded its current liabilities of R7,1 billion at 30 June 2022.

The Company's current assets of R257 million exceeded its current liabilities of R93 million at 30 June 2022.

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 meet the external debt repayment profile. In addition, it is highly unlikely that the process to dispose of the Group's remaining non-core businesses (particularly Trident Steel) will be withdrawn. The disposals are expected to generate cash to repay the remaining external debt and improve 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 notes *22: External borrowings and other liabilities* and 49: *Events after the reporting period.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

6. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

The Group structure comprises of McConnell Dowell and Moolmans forming the core business of the Group with Aveng Manufacturing and Trident Steel being deemed the non-core businesses.

In the preceding 12 months there have been numerous expressions of interest and a number of non-binding offers for non-core businesses.

Aveng Manufacturing

Aveng Manufacturing continues to be presented as a discontinued operation.

Management remains committed to the disposal plan previously announced to dispose of the remaining non-core businesses and continues to actively locate appropriate buyers. To this end, the Group concluded the sales of Aveng Automation and Control Solutions (ACS) and the South African Infraset factories in the current year.

The remaining businesses included in the discontinued operations include the remaining Infraset factories, for which sales have been concluded, subject only to conditions precedent

Infrastructure and equity-accounted investments

The Group includes the equity-accounted investment of Oakleaf Investment Holdings 86 Proprietary Limited and the infrastructure investments of Imvelo Concession Company Proprietary Limited (Imvelo) and Firefly Investments 238 Proprietary Limited (Firefly) in the discontinued operations. Sale and purchase agreements have been concluded in respect of these investments, subject to conditions precedent. Refer to *note 49: Events after the reporting period.*

Change to a plan of sale of non-core businesses

Trident Steel

Management has determined that there is not sufficient objective evidence to conclude that it is *highly probable* that the sale of Trident Steel, a division of Aveng Africa Proprietary Limited, will be concluded within the next 12 months.

The Group remains in advanced negotiations, with a credible buyer, to dispose of Trident Steel, a division of Aveng Africa Proprietary Limited, as a going concern. The transaction is subject to the conclusion of Black Economic Empowerment (BEE) participation in the transaction and the completion of legal agreements. The transaction will be subject to conditions precedent usual for transactions of this nature.

As the sale does not constitute a *highly probable* sale at year end, the Group is required to re-present the results of Trident Steel, previously presented in discontinued operations, to continuing operations for all periods presented.

The impact of the re-presentation of the prior year was as follows:

	2021		
	Previously presented Rm	Re- Rm	Impact Rm
Earnings for the year			
Continuing operations	312	983	671
Discontinued operations	676	5	(671)
Results per share (cents)			
From continuing operations*			
Earnings - basic	422	1 330	908
Earnings - diluted	386	1 216	830
From discontinued operations*			
Earnings - basic	915	7	(908)
Earnings - diluted	836	6	(830)

* *Earnings / (loss) per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue. Refer to* note 38: Earnings and Headline Earnings *for additional information.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

6. DISCONTINUED OPERATIONS continued

The (loss) / earnings from discontinued operations are analysed as follows:

	2022 Rm	(Re-presented)* 2021 Rm
Revenue	**355**	1 035
Cost of Sales	**(328)**	(907)
Gross earnings	**27**	128
Other earnings	**7**	3
Operating expenses	**(38)**	(106)
Loss from equity-accounted investments	**-**	(13)
(Loss) / earnings before non-recurring items	**(4)**	12
Gain on disposal of property, plant and equipment	**-**	6
Fair value loss on disposal groups classified as Held for Sale	**(15)**	-
(Loss) / earnings before financing transactions	**(19)**	18
Net finance expenses	**(6)**	(13)
(Loss) / earnings for the year	**(25)**	5
Attributable to:		
Equity-holders of the parent	**(25)**	5
Items by nature		
Capital expenditure	**-**	9
Results per share (cents)		
Earnings - basic	**(20)**	7
Earnings - diluted	**(19)**	6
Net cash flows in relation to discontinued operations:		
Cash outflow from operating activities	**(29)**	-
Cash outflow from investing activities	**(1)**	(8)
Cash outflow from financing activities	**(4)**	(32)

* *The earnings from discontinued operations have been re-presented and exclude the earnings from Trident Steel which have been included in the continuing operations of the Group for all periods presented.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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

The reportable segments are presented per their classification 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:

7.1.1 Construction and Engineering: Australasia and Asia

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

McConnell Dowell is an engineering-led specialist in multidisciplinary contract work, delivering infrastructure solutions in the resources, energy, marine and water and civil and transport sectors.

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 contract mining-related activities.

7.1.3 Construction and Engineering: South Africa and rest of Africa

This segment includes Aveng Construction: South Africa

The Group disposed of all businesses in this segment in prior years.

The segment includes only the assets and liabilities related to the close out of a limited number of historical contracts not transferred as part of the Aveng Construction: South Africa sales.

7.1.4 Manufacturing and processing

This segment comprises Aveng Manufacturing and Trident Steel.

The Group disposed of a number of Aveng Infraset factories and the Aveng Automation and Control Solutions (ACS) business in the current year and only has a limited number of Aveng Infraset factories making up the Manufacturing business unit. These factories are classified as Held for Sale. Subsequent to year end, these factories have been disposed of. Refer to *note 49: Events after reporting period* for further details.

The revenues from Trident Steel comprise the supply of products to the automotive and steel beneficiation sectors.

7.1.5 Other and Eliminations

This segment comprises corporate services and the balance of corporate held investments, properties and consolidation eliminations.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Assets												
Goodwill arising on consolidation	**100**	100	**-**	-	**-**	-	**-**	-	**-**	-	**100**	100
Intangible assets	**-**	-	**-**	11	**-**	-	**1**	-	**-**	-	**1**	11
Property, plant and equipment	**542**	511	**1 759**	1 941	**-**	-	**173**	-	**5**	11	**2 479**	2 463
Right-of-use assets	**167**	198	**82**	133	**-**	-	**356**	-	**1**	6	**606**	337
Equity-accounted investments	**3**	3	**3**	4	**-**	-	**-**	-	**-**	23	**6**	30
Infrastructure investments	**-**	-	**-**	-	**-**	-	**-**	-	**142**	257	**142**	257
Deferred taxation	**712**	723	**26**	-	**-**	-	**-**	2	**-**	-	**738**	725
Other non-current assets	**-**	-	**5**	-	**-**	-	**4**	-	**-**	-	**9**	-
Lease receivables	**-**	-	**-**	-	**-**	-	**-**	-	**82**	41	**82**	41
Inventories	**11**	14	**173**	197	**-**	-	**844**	-	**-**	-	**1 028**	211
Contract assets	**3 167**	2 963	**447**	396	**12**	39	**-**	-	**-**	-	**3 626**	3 398
Trade and other receivables	**298**	200	**114**	91	**52**	-	**332**	-	**41**	36	**837**	327
Taxation receivable / (payable)	**33**	25	**(8)**	(6)	**(3)**	-	**5**	(3)	**23**	21	**50**	37
Cash and bank balances	**2 368**	1 853	**255**	241	**17**	24	**320**	285	**(343)**	116	**2 617**	2 519
Assets Held for Sale	**-**	-	**-**	-	**-**	-	**24**	1 989	**120**	-	**144**	1 989
Total assets	**7 401**	6 590	**2 856**	3 008	**78**	63	**2 059**	2 273	**71**	511	**12 465**	12 445
Liabilities												
Deferred taxation	**113**	144	**-**	238	**-**	-	**-**	-	**8**	(230)	**121**	152
External borrowings and other liabilities	**3**	44	**-**	7	**-**	-	**-**	-	**478**	828	**481**	879
Lease liabilities	**208**	243	**133**	176	**-**	-	**551**	-	**147**	100	**1 039**	519
Employee-related payables	**523**	428	**78**	130	**-**	1	**34**	-	**60**	55	**695**	614
Trade and other payables	**2 733**	2 254	**446**	550	**54**	162	**834**	-	**81**	115	**4 148**	3 081
Provisions	**26**	32	**55**	56	**161**	134	**2**	-	**301**	298	**545**	520
Contract liabilities	**1 599**	1 558	**100**	94	**-**	5	**-**	-	**-**	-	**1 699**	1 657
Liabilities Held for Sale	**-**	-	**-**	-	**-**	-	**16**	1 575	**-**	-	**16**	1 575
Total liabilities	**5 205**	4 703	**812**	1 251	**215**	302	**1 437**	1 575	**1 075**	1 166	**8 744**	8 997

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

7. SEGMENTAL REPORT continued

	Note	Construction and Engineering: Australasia and Asia		Mining		Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
		2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Revenue		**19 034**	16 911	**3 349**	4 009	**150**	591	**3 651**	4 198	**(6)**	-	**26 178**	25 709
Construction contract revenue		**19 034**	16 911	**3 339**	4 000	**150**	591	**-**	-	**-**	-	**22 523**	21 502
Sale of goods		**-**	-	**1**	1	**-**	-	**3 585**	4 124	**(6)**	-	**3 580**	4 125
Other revenue		**-**	-	**9**	8	**-**	-	**42**	28	**-**	-	**51**	36
Transport revenue		**-**	-	**-**	-	**-**	-	**24**	46	**-**	-	**24**	46
Cost of sales		**(17 656)**	(15 726)	**(2 940)**	(3 602)	**(162)**	(747)	**(3 317)**	(3 765)	**9**	96	**(24 066)**	(23 744)
Gross earnings / (loss)		**1 378**	1 185	**409**	407	**(12)**	(156)	**334**	433	**3**	96	**2 112**	1 965
Other earnings		**7**	42	**(13)**	12	**-**	49	**113**	108	**33**	57	**140**	268
Operating expenses		**(995)**	(912)	**(189)**	(180)	**(55)**	(38)	**(232)**	(270)	**(200)**	(275)	**(1 671)**	(1 675)
Loss from equity-accounted investments		**(5)**	(3)	**-**	-	**-**	(19)	**-**	-	**-**	-	**(5)**	(22)
Earnings / (loss) before non-recurring items		**385**	312	**207**	239	**(67)**	(164)	**215**	271	**(164)**	(122)	**576**	536
Impairment loss on plant and equipment		**-**	-	**(106)**	(54)	**-**	-	**-**	-	**-**	-	**(106)**	(54)
Impairment loss on right-of-use assets		**-**	-	**-**	(27)	**-**	-	**-**	(102)	**-**	(58)	**-**	(187)
Impairment loss on intangible assets		**-**	-	**(8)**	-	**-**	-	**-**	-	**-**	-	**(8)**	-
Reversal of / (Impairment) loss on long-term receivables		**-**	-	**-**	-	**-**	-	**-**	-	**26**	(26)	**26**	(26)
Gain / (loss) on disposal of property, plant and equipment		**16**	-	**(34)**	-	**-**	-	**3**	13	**19**	(3)	**4**	10
(Loss) / gain on disposal of assets Held for Sale		**-**	-	**-**	-	**-**	-	**-**	-	**(22)**	28	**(22)**	28
Gain on early redemption of borrowings		**-**	-	**-**	-	**-**	-	**-**	-	**-**	486	**-**	486
Fair value (loss)/gain on disposal groups classified as Held for Sale		**-**	-	**-**	-	**-**	-	**(74)**	611	**-**	-	**(74)**	611
Earnings / (loss) before financing transactions		**401**	312	**59**	158	**(67)**	(164)	**144**	793	**(141)**	305	**396**	1 404
Net finance (expenses) / income		**(28)**	(34)	**(18)**	(24)	**-**	8	**(92)**	(104)	**(99)**	(221)	**(237)**	(375)
Earnings / (loss) before taxation		**373**	278	**41**	134	**(67)**	(156)	**52**	689	**(240)**	84	**159**	1 029
Taxation		**(26)**	(24)	**4**	(61)	**-**	-	**(18)**	-	**11**	44	**(29)**	(41)
Earnings / (loss) for the year		**347**	254	**45**	73	**(67)**	(156)	**34**	689	**(229)**	128	**130**	988
Capital expenditure		**187**	170	**622**	649	**-**	-	**24**	26	**1**	-	**834**	845
Earnings / (loss) before non-recurring items		**385**	312	**207**	239	**(67)**	(164)	**215**	271	**(164)**	(122)	**576**	536
Depreciation		**278**	304	**450**	611	**-**	3	**95**	-	**3**	5	**826**	923
Amortisation		**-**	-	**3**	4	**-**	-	**1**	-	**-**	-	**4**	4
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)		**663**	616	**660**	854	**(67)**	(161)	**311**	271	**(161)**	(117)	**1 406**	1 463
Normalised earnings for the year	7.2	**331**	254	**87**	100	**(67)**	(156)	**105**	167	**(252)**	(299)	**204**	66

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

7. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2022 Revenue Rm	2021 Revenue Rm	2022 Segment assets Rm	2021 Segment assets Rm	2022 Capital expenditure Rm	2021 Capital expenditure Rm
South Africa	**6 944**	8 507	**4 955**	5 399	**647**	667
Rest of Africa including Mauritius	**200**	291	**89**	158	**-**	8
Australia	**13 695**	12 631	**4 852**	4 512	**117**	46
New Zealand and Pacific Islands	**2 598**	2 350	**1 216**	1 215	**60**	40
South East Asia	**2 741**	1 930	**1 333**	1 122	**10**	84
Other regions	**-**	-	**20**	39	**-**	-
	26 178	25 709	**12 465**	12 445	**834**	845

7.2 Normalised performance measures

The term *normalised* refers to performance measures (earnings for the year and earnings per share) excluding the effects of specific non-recurring items relating to the capital restructure of the Group, IFRS 5 adjustments and adjustments in respect of non-core assets.

Normalised measures are used by management to assess the underlying sustainable performance of the Group and do not replace the measures determined in accordance with *IFRS* as an indicator of the Group's performance, but rather should be used in conjunction with the most directly comparable *IFRS* measures.

Detailed reconciliations of *IFRS* to normalised results are provided below:

	Note	2022 Rm	2021 Rm
Normalised earnings for the year			
Earnings for the year		**130**	988
Non-recurring items			
Impairment loss on right-of-use assets	8	**-**	187
Impairment loss on intangible assets		**8**	-
(Reversal of) / impairment loss on long-term receivables	8	**(26)**	26
Loss / (gain) on disposal of Held for Sale		**22**	(28)
Gain on disposal of property, plant and equipment		**(4)**	(10)
Gain on early redemption of borrowings and other liabilities		**-**	(486)
Fair value loss / (gain) of disposal groups classified as Held for Sale	20	**74**	(611)
Normalised earnings for the year[1]		**204**	66
Normalised earnings per share - basic (cents)[2]		**167**	89
Normalised earnings per share - diluted (cents)[3]		**158**	81

1 *Normalised earnings for the year adjusts the earnings for the year for the impact of non-recurring items such as impairment losses, reversal of impairment losses, fair value adjustments of disposal groups classified as Held for Sale and gains or losses recognised on the sale of Held for Sale CGUs and early redemption of borrowings. The adjustment for non-recurring items are not expected to re-occur on a continuing basis.*

2 *Normalised earnings per share - basic is calculated by dividing the normalised earnings for the year by the weighted average number of shares. Refer to note 38: Earnings and Headline Earnings for the determination of the weighted average number of shares.*

3 *Normalised earnings per share - diluted is calculated by dividing the normalised earnings for the year by the diluted weighted average number of shares. Refer to note 38: Earnings and Headline Earnings for the determination of diluted weighted average number of shares.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

8. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2022. The test involved 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

At 30 June 2022, the only remaining CGUs in the scope of *IFRS 5* were:

- Aveng Infraset factories
- Infrastructure Investments
  - Firefly 238 Proprietary Limited (classified as Held for Sale in the current period); and
  - Imvelo Concession Company Proprietary Limited (classified as Held for Sale in the current period)
- Equity Accounted Investments
  - Oakleaf Investment Holdings 86 Proprietary Limited (classified as Held for Sale in the current period)

The assets identified above were deemed to be individual CGUs for which further individual impairment assessments were performed at 30 June 2022.

As at 30 June 2022, management calculated the recoverable amount of the Held for Sale CGUs and investments to be the fair value less cost of disposal. As at 30 June 2022, a fair value loss of R74 million was recognised in the *Manufacturing and Processing* segment to reflect the remaining CGUs in the segment at fair value less cost of disposal. Refer to *note 20: Assets and Liabilities Classified as Held for Sale* for additional information on the fair value loss.

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

In the prior year, 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 prices of similar rentals within the market.

8.3 Assets in the scope of *IAS 36 – Impairments*

An impairment assessment was performed on:

- Property, plant and equipment at Moolmans, which is part of the *Mining* reportable segment. Management, through the use of an external evaluator, determined that an impairment of R106 million was required (30 June 2021: R54 million) relating to owned equipment and vehicles. The impairment arose from instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of specific items of owned equipment and vehicles. 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 assets at Moolmans, which is part of the *Mining* reportable segment. No impairment was required (30 June 2021: R27 million) 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 rentals within the market.
- Intangible assets at Moolmans, which is part of the *Mining* reportable segment. As at 30 June 2022, the Group determined that there was an impairment of R8 million required (30 June 2021: Rnil) relating to computer software due to the software having no value in use. The recoverable amount of the computer software was based on the value in use.

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

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

Following an impairment assessment performed on long-term receivables accounted for in *Other and Eliminations* in the previous year, the Group determined that a reversal of impairment amounting to R26 million was required (30 June 2021: R26 million impairment). The long-term receivable was determined to be unrecoverable and as such was written down to a recoverable amount of Rnil as at 30 June 2021. In the current year an amount of R26 million was paid by the counterparty necessitating the reversal of impairment previously recognised.

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for the year ended 30 June 2022

8. IMPAIRMENT continued

8.5 Total impairment losses for the year

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

	2022		2021		
	Property, plant and equipment Rm	Intangible assets Rm	Property, plant and equipment Rm	Right-of-use assets Rm	Long-term receivables Rm
CGUs previously in the scope of *IFRS 5*					
Trident Steel	-	-	-	102	-
Other individual assets in the scope of *IAS 36*					
Aveng Moolmans	106	8	54	27	-
Other and Eliminations	-	-	-	58	-
Other individual assets in the scope of *IFRS 9*					
Other and Eliminations	-	-	-	-	26
	106	8	54	187	26

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment

	Land and buildings Rm	Equipment and vehicles Rm	Total Rm
2022			
Cost			
Opening balance	**80**	**7 163**	**7 243**
Additions	**-**	**834**	**834**
Disposals	**(8)**	**(1 111)**	**(1 119)**
Transfers	**(1)**	**(2 734)**	**(2 735)**
Classified as Held for Sale - transferred in	**-**	**901**	**901**
Foreign exchange movements	**6**	**127**	**133**
	77	**5 180**	**5 257**
Accumulated depreciation and impairment			
Opening balance	**(18)**	**(4 762)**	**(4 780)**
Current year depreciation*	**-**	**(569)**	**(569)**
Depreciation previously not recognised**	**-**	**(6)**	**(6)**
Impairment	**-**	**(106)**	**(106)**
Disposals	**-**	**791**	**791**
Transfers	**1**	**2 734**	**2 735**
Classified as Held for Sale - transferred in	**-**	**(730)**	**(730)**
Foreign exchange movements	**(2)**	**(111)**	**(113)**
	(19)	**(2 759)**	**(2 778)**
	58	**2 421**	**2 479**
2021			
Cost			
Opening balance	65	8 530	8 595
Additions	-	819	819
Disposals	-	(1 880)	(1 880)
Classified as Held for Sale - transferred in	-	9	9
Foreign exchange movements	15	(315)	(300)
	80	7 163	7 243
Accumulated depreciation and impairment			
Opening balance	(14)	(5 840)	(5 854)
Depreciation*	(3)	(655)	(658)
Impairment	-	(54)	(54)
Disposals	-	1 555	1 555
Classified as held-for-sale - transferred in	-	(7)	(7)
Foreign exchange movements	(1)	239	238
	(18)	(4 762)	(4 780)
	62	2 401	2 463

* *Depreciation included in cost of sales amounted to R559 million (2021: R650 million) and depreciation included in operating expenses amounted to R10 million (2021: R8 million). Refer to note 32: Cost of sales and note 34: Operating expenses.*

** *Depreciation on property, plant and equipment not expensed whilst Trident Steel was classified as Held for Sale under IFRS 5 – released on reclassification to continuing operations.*

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 2022

10. RIGHT-OF-USE ASSETS

Reconciliation of right-of-use assets

	Land and buildings Rm	Plant, equipment and vehicles Rm	Total Rm
2022			
Cost			
Opening balance	**445**	**195**	**640**
Additions	**64**	**24**	**88**
Derecognitions**	**(22)**	**(45)**	**(67)**
Transfers	**(3)**	**(45)**	**(48)**
Classified as Held for Sale - transferred in	**574**	**-**	**574**
Foreign exchange movements	**(23)**	**(3)**	**(26)**
	1 035	**126**	**1 161**
Accumulated depreciation and impairment			
Opening balance	**(240)**	**(63)**	**(303)**
Current year depreciation*	**(167)**	**(76)**	**(243)**
Depreciation previously not recognised***	**(147)**	**-**	**(147)**
Derecognitions**	**9**	**45**	**54**
Transfers	**3**	**45**	**48**
Foreign exchange movements	**31**	**5**	**36**
	(511)	**(44)**	**(555)**
	524	**82**	**606**
2021			
Cost			
Opening balance	433	298	731
Additions	41	202	243
Derecognitions *	(23)	(284)	(307)
Classified as Held for Sale - transferred in	30	-	30
Foreign exchange movements	(36)	(21)	(57)
	445	195	640
Accumulated depreciation and impairment			
Opening balance	(88)	(204)	(292)
Depreciation *	(98)	(167)	(265)
Impairment	(85)	-	(85)
Derecognitions *	17	282	299
Foreign exchange movements	14	26	40
	(240)	(63)	(303)
	205	132	337

* *Depreciation included in cost of sales amounted to R185 million (2021: R207 million) and depreciation included in operating expenses amounted to R58 million (2021: R58 million). Refer to note 32: Cost of sales and note 34: Operating expenses.*

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

*** *Depreciation on right-of-use assets not expensed whilst Trident Steel was classified as Held for Sale under* IFRS 5 – released on reclassification to continuing operations.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2022

11. GOODWILL ARISING ON CONSOLIDATION

	Notes	2022 Rm	2021 Rm
Cost			
Opening balance		**1 122**	1 122
		1 122	1 122
Accumulated impairment			
Opening balance		**(1 022)**	(1 022)
		(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

12. INTANGIBLE ASSETS

Reconciliation of intangible assets

	Notes	Computer software Rm	Total Rm
2022			
Cost			
Opening balance		**30**	**30**
Classified as Held for Sale - transferred in		**77**	**77**
Disposals		**(30)**	**(30)**
		77	**77**
Accumulated amortisation and impairment			
Opening balance		**(19)**	**(19)**
Amortisation		**(4)**	**(4)**
Amortisation previously not recognised*		**(2)**	**(2)**
Disposals		**30**	**30**
Impairments	8	**(8)**	**(8)**
Classified as Held for Sale - transferred in		**(73)**	**(73)**
		(76)	**(76)**
Carrying amount		**1**	**1**
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

* *Amortisation on intangible assets not expensed whilst* Trident Steel *was classified as Held for Sale under* IFRS 5 *– released on reclassification to continuing operations.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

13. EQUITY-ACCOUNTED INVESTMENTS

		2022 Rm	2021 Rm
Opening balance		**30**	35
Share of loss after taxation and dividends - amount recorded in the statement of comprehensive earnings*		**(5)**	(9)
Foreign currency translation movement		**4**	4
		29	30
Classified as Held for Sale - transferred out***		**(23)**	-
		6	30
Reconciliation of investments			
Investments (including loan balances)	**% holding**		
Oakleaf Investment Holdings 86 Proprietary Limited**	50	**23**	23
Dutco McConnell Dowell Middle East Limited	49	**2**	3
Other***		**4**	4
		29	30
Classified as Held for Sale - transferred out		**(23)**	-
		6	30

* *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 Investment Holdings 86 Proprietary Limited met the classification requirements of Held for Sale and was transferred to Assets Held for Sale in the current year. Refer to* note 20: Assets and liabilities classified as Held for Sale.

*** *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:

	2022 Rm	2021 Rm
Aggregate carrying amount of associates	**6**	30
	6	30
The Group's share of results of operations of equity-accounted investments are summarised below:		
Associates		
Loss for the year - continuing operations	**(5)**	(9)
Loss for the year - discontinued operations	**-**	(13)
Total share of loss from equity-accounted investments	**(5)**	(22)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

13. 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 earnings 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 R82 million (June 2021: R178 million).

14. INFRASTRUCTURE INVESTMENTS

	2022 Rm	2021 Rm
South African infrastructure investments		
Financial investments	**142**	257

The investments in Imvelo Concession Company Proprietary Limited (*Imvelo*) and Firefly Investments 238 Proprietary Limited (*Firefly*) are accounted for under the *other and eliminations* reportable segment. These investments do not form part of the Group's long-term strategy. At 30 June 2022 these investments met the classification requirements to be Held for Sale and were classified as Held for Sale. Refer to *Note 20: Assets and liabilities classified as Held for Sale*.

	2022 Rm	2021 Rm
Opening balance	**257**	259
Classified as Held for Sale-transferred out*	**(115)**	-
Interest capitalised on loans	**-**	2
Loan repayment	**-**	(4)
	142	257
Reconciliation of investments		
Dimopoint Proprietary Limited (Dimopoint)	**142**	142
Imvelo Concession Company Proprietary Limited (Imvelo)*	**56**	56
Firefly Investments 238 Proprietary Limited (Firefly)*	**59**	59
	257	257
Classified as Held for Sale-transferred out*	**(115)**	-
	142	257

* The investments in Imvelo Concession Company Proprietary Limited (*Imvelo*) and Firefly Investments 238 Proprietary Limited (*Firefly*) are accounted for under the *other and eliminations* reportable segment. These investments do not form part of the Group's long-term strategy. At 30 June 2022 these investments met the classification requirements to be Held for Sale and were classified as Held for Sale. Refer to *Note 20: Assets and liabilities classified as Held for Sale*.

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for the year ended 30 June 2022

15. DEFERRED TAXATION

	2022 Rm	2021 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	**725**	813
Recognised in earnings or loss - current year	**(2)**	(16)
Recognised in earnings or loss - adjustment for prior year	**-**	1
Foreign currency translation movement and other	**15**	(73)
	738	725
Reconciliation of deferred taxation liability		
At the beginning of the year	**(152)**	(166)
Recognised in earnings or loss - current year	**21**	15
Foreign currency translation movement and other	**10**	(1)
	(121)	(152)
Deferred taxation asset balance at the year end comprises		
Accelerated capital allowances	**13**	95
Provisions	**149**	100
Contracts	**37**	28
Other	**79**	33
Assessed losses carried forward	**460**	469
	738	725
Deferred taxation liability balance at the year end comprises		
Accelerated capital allowances	**(5)**	(63)
Other	**(116)**	(89)
	(121)	(152)

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

As at June 2022 the Group had unused taxation losses of R11 480 million (2021: R15 644 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R1 555 million (2021: R1 620 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R9 925 million (2021: R14 024 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 2023 to 2027, 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 2022

16. CONTRACT ASSETS / (LIABILITIES)*

	2022 Rm	2021 Rm
Uncertified revenue and variations (underclaims)**[1]	**1 225**	817
Contract contingencies	**(81)**	(50)
Progress billings received (including overclaims and amounts received in advance)[2/5]	**(1 699)**	(1 657)
Uncertified revenue and variations less progress billings received	**(555)**	(890)
Contract receivables[3]	**2 427**	2 582
Provision for expected credit loss	**(3)**	(1)
Retention receivables[4]	**58**	50
Net contract assets	**1 927**	1 741
Disclosed on the statement of financial position as follows:		
Uncertified revenue and variations**[1]	**1 225**	817
Contract contingencies	**(81)**	(50)
Contract receivables	**2 427**	2 582
Retention receivables	**58**	50
Provision for expected credit losses	**(3)**	(1)
Contract assets	**3 626**	3 398
Progress billings received (including overclaims and amounts received in advance)[2/5]	**(1 699)**	(1 657)
Contract liabilities	**(1 699)**	(1 657)
Net contract assets	**1 927**	1 741

* *This note was previously named Amounts due from / (to) contract customers but was changed in the current year in order to enhance disclosure*
** *Provisions have been netted off against uncertified revenue 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.*

Expected credit losses

Contract assets

As at 30 June 2022, the Group has contract assets of R1 927 million (2021: R1 741 million) which is net of the provision for expected credit loss of R3 million (2021: R1 million).

Trade and other receivables

As at 30 June 2022, the Group has financial assets of R790 million (2021: R281 million). The provision for expected credit loss relating to financial assets is R13 million (2021: R16 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

16. CONTRACT ASSETS / (LIABILITIES) continued

Expected credit losses continued

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

	2022 Rm	2021 Rm
Provision for expected credit losses		
Opening Balance	**17**	30
Movement in the current year	**(1)**	(13)
	16	17
Attributable to:		
Contract assets	**3**	1
Trade and other receivables	**13**	16
	16	17

17. TRADE AND OTHER RECEIVABLES

	2022 Rm	2021 Rm
Financial assets		
Trade receivables	**302**	4
Sundry receivables	**488**	277
Provision for expected credit losses	**(13)**	(16)
Non-financial assets		
Prepayments	**60**	62
	837	327

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

Refer to note *16: Contract assets / (liabilities) - Expected Credit Losses* for additional information.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

18. INVENTORIES

	2022 Rm	2021 Rm
Raw materials	**479**	-
Work-in-progress	**1**	-
Finished goods	**332**	-
Consumables	**229**	261
Allowance for obsolete inventory	**(13)**	(50)
	1 028	211
Reconciliation of movement in allowance for obsolete inventory		
Opening balance	**50**	68
Allowance created	**194**	230
Allowance released	**(231)**	(248)
	13	50
Inventories utilised in cost of sales during the year	**5 312**	2 462

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

Inventory to the value of R30 million was written off in the Trident Steel division, which forms part of the *Manufacturing and Processing segment.* This was due to the severe floods which occurred in KwaZulu-Natal in April 2022. The full value written off was recovered through insurance proceeds received post year-end.

19. CASH AND BANK BALANCES

	2022 Rm	2021 Rm
Cash and bank balances	**2 617**	2 519
	2 617	2 519
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:		
Group share of cash held by joint operations	**605**	412

Finance earnings

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

Notional bank overdrafts

The notional bank overdraft arises as a result of the pooling of cash approach adopted at a South African Liquidity group Level. In terms of this approach, entities within the South African liquidity group may have positive bank balances or notional overdrafts. At a South African liquidity group level, a positive cash balance is noted. Refer to *note 47: Risk management* for further disclosure on the Group's exposure to credit risk.

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 2022

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The outcome of a strategic review led to the Board's decision to exclude the following segments from the Group's long-term strategy:

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

These non-core segments were initially recognised and presented as separately identifiable disposal groups and were disclosed as discontinued operations in the Group's statement of comprehensive earnings. Refer to *note 6: Discontinued Operations*.

Sales finalised in the current year

Construction and Engineering: South Africa and the rest of Africa

Equity-accounted investments

The Group completed the disposals of the equity-accounted investments in REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited. The disposals did not require separate disclosure in terms of the JSE Listings Requirements.

Manufacturing and Processing

Aveng Automation and Control Solutions

The Group disposed of Aveng Automation and Control Solutions (ACS) business as a going concern for R74 million, adjusted for working capital. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

Aveng Infraset Effingham factory

The Group disposed of the Infraset Effingham factory as a going concern for R14,5 million with an effective date of 15 September 2021.

Aveng Infraset Rossway factory

The Group disposed of the Infraset Rossway factory as a going concern for R4,4 million with an effective date of 1 June 2022.

Change to a plan of sale of non-core businesses

In the preceding 12 months there have been numerous expressions of interest and a number of non-binding offers for non-core businesses.

Management has determined that there is not sufficient objective evidence to conclude that it is *highly probable* that the sale of Trident Steel, a division of Aveng Africa Proprietary Limited, will be concluded within the next 12 months.

Trident Steel

The Group remains in advanced negotiations, with a credible buyer, to dispose of Trident Steel, a division of Aveng Africa Proprietary Limited, as a going concern. The transaction will be subject to conditions precedent usual for transactions of this nature.

As the sale does not constitute a *highly probable* sale at year end, the Group is required to re-present the results of Trident Steel, previously presented in discontinued operations, to continuing operations for all periods presented.

At 30 June 2022, a fair value loss of R52 million was recognised in the Manufacturing and Processing segment relating to Trident Steel to reflect the CGU within the disposal group at the carrying amount upon being transferred out of assets and liabilities Held for Sale. An additional R6 million fair value loss was recognised on the other CGUs within the *Manufacturing and Processing* segment

Assets transferred into assets Held for Sale

Infrastructure investments (Imvelo Concession Company Proprietary Limited, Firefly Investments 238 Proprietary Limited and Oakleaf Investment Holdings 86 Proprietary Limited) accounted for under the *Other and Eliminations reportable segment* were classified as Held for Sale in the current year. Sale and purchase agreements have been concluded in respect of these investments, subject to conditions precedent. The carrying amount of some of these investments exceeded their fair value less cost of disposal after being classified as Held for Sale leading to a fair value loss of R16 million. Refer to *note 20.1: Adjustment to fair value less cost of disposal.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

		2022 Rm	2021 Rm
Assets Held for Sale		**144**	1 989
Liabilities Held for Sale		**(16)**	(1 575)
		128	414
Movement during the year			
Opening Balance		**414**	258
Movements in:			
Non-current assets		**(110)**	(90)
Current assets		**110**	29
Non-current liabilities		**86**	51
Current liabilities		**108**	(413)
Sale of assets Held for Sale		**(92)**	(35)
Adjustment to fair value less cost of disposal*	20.1	**(74)**	611
Transferred to / from:			
Transfer to assets classified as Held for Sale		**136**	-
Transfer from assets classified as Held for Sale		**(450)**	3
Net assets Held for Sale		**128**	414

20.1 Adjustment to fair value less cost of disposal

	2022 Rm	2021 Rm
Trident Steel		
Depreciation and amortisation previously not expensed under *IFRS 5*- released on reclassification to continuing operations	**(155)**	-
Reversal of impairment loss previously recognised	**103**	-
Fair value gain on disposal groups classified as Held for Sale	**-**	611
Total Trident Steel	**(52)**	611
Other adjustments		
Fair value loss on investment classified as Held for Sale	**(16)**	-
Fair value loss on disposal groups classified as Held for Sale	**(6)**	-
Total other adjustments	**(22)**	-
	(74)	611

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

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for the year ended 30 June 2022

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2022, 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 2022	Equity-accounted and Infrastructure Investments Rm	Manufacturing and and Processing-Disposal group Rm	Total Rm
ASSETS			
Non-current assets			
Investments	120	-	120
	120	-	120
Current assets			
Inventories	-	5	5
Trade and other receivables	-	19	19
	-	24	24
TOTAL ASSETS	120	24	144
LIABILITIES			
Current liabilities			
Employee-related payables	-	1	1
Trade and other payables	-	15	15
	-	16	16
TOTAL LIABILITIES	-	16	16
Net assets Held for Sale	120	8	128

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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	118	118
Right-of-use assets	658	658
	783	783
Current assets		
Inventories	726	726
Contract assets	5	5
Trade and other receivables	475	475
	1206	1 206
TOTAL ASSETS	1989	1 989
LIABILITIES		
Non-current liabilities		
Lease liabilities	553	553
Employee-related payables	5	5
	558	558
Current liabilities		
Contract liabilities	4	4
Lease 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 2022

21. STATED CAPITAL

	2022 Rm	2021 Rm
Authorised		
Ordinary shares		
Number of shares (before share consolidation) no par value	**180 882 034 263**	180 882 034 263
Number of shares (after share consolidation) no par value**	**361 764 068**	361 764 068
Value (Rm)	**9 044**	9 044
Class A shares		
Number of shares (before share consolidation) no par value	**500 000 000 000**	500 000 000 000
Number of shares (after share consolidation) no par value**	**1 000 000 000**	1 000 000 000
Value (Rm)	**5 000**	5 000
Issued		
Ordinary shares		
Number of shares (before share consolidation) no par value	**62 263 682 419**	62 263 682 419
Number of shares (after share consolidation) no par value**	**124 527 364**	124 527 364
Value (Rm)	**4 710**	4 710
Class A shares		
Number of shares (before share consolidation) no par value*	**2 477 989 637**	2 477 989 637
Number of shares (after share consolidation) no par value*/**	**4 955 979**	4 955 979
Value (Rm)	**37**	37
Stated capital (Rm)	**4 747**	4 747

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

** *The number of shares authorised and issued has been retrospectively presented for all prior periods for the effects of the share consolidation. The number of shares (after share consolidation) are used in the per share calculations for all periods presented. From a legal perspective, the share consolidation was effective prospectively from 8 December 2021. Refer to* note 38: Earnings and headline earnings per share *for the reconciliation of the number of shares issued for all periods presented.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

21. STATED CAPITAL continued

	2022 Rm	2021 Rm
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
- Number of shares (before share consolidation)	**6 018 386**	6 018 386
- Number of shares (after share consolidation)	**12 037**	12 037
- Market value (Rm)	*****	*
Shares held by the Aveng Management Company Proprietary Limited		
- Number of shares (before share consolidation)	**788 684**	788 684
- Number of shares (after share consolidation)	**1 577**	1 577
- Market value (Rm)	*****	*
Shares held in terms of equity-settled share-based payment plan		
- Number of shares (before share consolidation)	**3 500 186 838**	3 500 186 838
- Number of shares (after share consolidation)	**7 000 374**	7 000 374
- Market value (Rm)	**52**	52

Reconciliation of number of shares issued	Number of shares	Number of shares
Opening balance	**64 741 672 056**	19 394 498 220
Share Issue - Rights to qualifying shareholders (15 March 2021)	**-**	37 955 034 249
Share Issue - Rights to qualifying shareholders (7 June 2021)	**-**	4 914 149 950
Share Issue - Class A shares (15 March 2021)	**-**	725 472 919
Share Issue - Class A shares (7 June 2021)	**-**	1 752 516 718
Balance before share consolidation	**64 741 672 056**	64 741 672 056
Share consolidation (8 December 2021)	**(64 612 188 713)**	(64 612 188 713)
Closing balance	**129 483 343**	129 483 343
Less: treasury shares	**(7 013 988)**	(7 013 988)
Number of shares in issue less treasury shares	**122 469 355**	122 469 355

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

21. STATED CAPITAL continued

	Number of shares	Holding
The top ten beneficial shareholders (including Class A shares) of the Group as at 30 June 2022 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	**21 189 458**	**16,4%**
Whitebox Advisors LLC (US)	**17 218 311**	**13,3%**
Steyn Capital Management (Pty) Ltd (ZA)	**10 662 968**	**8,2%**
ABSA Bank Ltd (ZA)	**9 251 092**	**7,1%**
Standard Bank Issuer Services Settle Acc (ZA)	**6 187 103**	**4,8%**
ATM Holding GmbH (DE)	**2 730 862**	**2,1%**
Investec (ZA)	**1 992 913**	**1,5%**
Firstrand Retirement Fund (ZA)**	**1 116 161**	**0,9%**
Legae Peresec (ZA)	**1 109 530**	**0,9%**
Rand Merchant Bank (ZA)**	**924 524**	**0,7%**
	72 382 922	**55,9%**
The top ten beneficial 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)	27 781 090	21,5%
Whitebox Advisors LLC (US)	18 532 304	14,3%
ABSA Bank Ltd (ZA)	9 159 914	7,1%
Steyn Capital Management (Pty) Ltd (ZA)	6 686 555	5,2%
Standard Bank Issuer Services Settle Acc (ZA)	6 187 104	4,8%
ATM Holding GmbH (DE)	2 722 160	2,1%
J.P. Morgan Securities Plc (UK)*	2 715 244	2,1%
Personal Trust International (ZA)*	1 729 252	1,3%
Investec (ZA)	1 584 901	1,2%
Legae Peresec (ZA)	1 361 804	1,1%
	78 460 328	60,7%

* *Shareholder no longer in the top 10.*
** *Shareholder was not in the top 10 in prior year.*
*** *The number of shares have been retrospectively presented for the prior year for the effects of the share consolidation.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

22. EXTERNAL BORROWINGS AND OTHER LIABILITIES

	Notes	2022 Rm	2021 Rm
Borrowings held at amortised cost comprise:			
Credit and term facilities		**478**	828
Asset-backed financing arrangements		**3**	51
Total borrowings held at amortised cost		**481**	879
Payment profile			
- within one year		**252**	388
- between two and five years		**229**	491
		481	879
Interest rate structure			
Fixed and variable (interest rates)			
Fixed - long-term		**1**	12
Fixed - short-term		**2**	31
Variable - long-term		**228**	479
Variable - short-term		**250**	357
		481	879

Description	Terms	Rate of interest	Rm	Rm
Credit and term facilities				
Restructured term facility	Repayable September 2023	3M JIBAR + 7,17%	**478**	628
Restructured Super Senior Liquidity Facility	Settled June 2022	3M JIBAR + 3.98%	**-**	200
Asset-backed financing arrangements				
Facilities denominated in AUD	Settled September 2021	Fixed interest rate of 6,95%	**-**	40
Facilities denominated in AUD	Monthly instalments ending in February 2025	Fixed range of 2.99% to 6.41%	**3**	4
Facilities denominated in ZAR	Settled February 2022	South African Prime	**-**	6
Facility denominated in ZAR	Settled February 2022	Fixed interest rate of 8.00%	**-**	1
Total interest-bearing borrowings			**481**	879

Unutilised borrowing facilities

At 30 June 2022, the Group had available R205 million (includes bank overdraft facilities of R205 million) (2021: R364 million (includes bank overdraft facilities of R205 million)) of unutilised borrowing facilities.

Trade Finance Facility

Subsequent to year end, the Group entered into a new Trade Finance Facility of R450 million with two South African banks. The facility enables business growth at Trident Steel and supports the additional working capital required, matures on 1 October 2023 and will be secured by first ranking security over the inventory and accounts receivable of Trident Steel. This facility was approved in terms of the existing Common Terms Agreement.

The Group further agreed to accelerate the repayment profile of external debt and amended its covenants in line with its current forecasts. Refer to *note 49: Events after the reporting period.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

22. BORROWINGS AND OTHER LIABILITIES continued

22.1 Borrowings held at amortised cost continued

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 0,3 million (2021: AUD 4 million). The amount outstanding on these facilities as at year end was AUD 0,3 million (2021: AUD4 million) and is equivalent to R3 million (2021: R43 million). These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R4 million (2021: R78 million).

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

	2022 Rm	2021 Rm
Asset-backed financing arrangements are payable as follows:		
Minimum payments due		
- within one year	**2**	40
- in two to five years	**1**	15
Less: future finance charges	**-**	(4)
Present value of minimum payments	**3**	51

23. LEASE LIABILITIES

	2022 Rm	2021 Rm
Opening balance	**519**	497
New leases	**88**	243
Lease instalments	**(344)**	(377)
Interest on lease liabilities	**106**	115
Classified as Held for Sale - transferred in	**657**	69
Unrealised foreign exchange movements	**13**	(28)
Closing balance	**1 039**	519
Maturity analysis		
Lease liabilities are payable as follows:		
Minimum lease payments due		
- within one year	**300**	197
- in two to five years	**987**	353
- more than five years	**21**	80
Less: future finance charges	**(269)**	(111)
Present value of minimum lease payments	**1 039**	519
Non-current lease liabilities	**773**	365
Current lease liabilities	**266**	154

The total cash outflow related to leases for the year amounts to R538m (2021: R563 million). Refer to *note 32: Cost of sales* and *note 33: Operating 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 2022

24. TRADE AND OTHER PAYABLES

	2022 Rm	2021 Rm
Trade payables	**1 415**	932
Subcontractors	**199**	191
Accrued expenses	**2 270**	1 958
Income received in advance	**1**	-
Promissory notes	**264**	-
	4 149	3 081

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 were previously included in assets and liabilities Held for Sale (Refer to *note 20*: *Assets and Liabilities Held for Sale*). These Promissory notes bear interest at 10,44% per annum (2021: 9.19% per annum). Terms vary in accordance with contracts of supply and service but are generally settled on 60 to 61 day terms.

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

25. PROVISIONS

	Contract provisions Rm	Right-of-use contract provisions Rm	Other provisions Rm	Total Rm
Carrying amount at 30 June 2021	**394**	**54**	**72**	**520**
Recognised	**95**	**14**	**17**	**126**
Utilised	**(41)**	**(5)**	**(6)**	**(52)**
Unutilised amounts reversed	**(32)**	**-**	**(17)**	**(49)**
Carrying amount at 30 June 2022	**416**	**63**	**66**	**545**

	2022 Rm	2021 Rm
Non-current liabilities	**94**	**94**
Current liabilities	**451**	**426**
	545	**520**

Contract provisions

Represent estimated amounts arising from obligations to third parties at the reporting date. The provisions are expected to be utilised as and when the claims are finalised and settled within a period of 12 months.

Right-of-use contract provisions

Represent estimated obligations to maintain leased assets in terms of the lease contracts

Other provisions

Comprise of various estimated claims or legal matters which are expected to result in obligations for the Group

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

26. EMPLOYEE-RELATED PAYABLES

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:

	2022 Rm	2021 Rm
Non-current	**377**	338
Current	**318**	276
Total employee-related payables	**695**	614

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
2022						
Employee entitlements	**254**	**150**	**(97)**	**(17)**	**18**	**308**
Leave pay benefits	**360**	**11**	**(8)**	**17**	**7**	**387**
	614	**161**	**(105)**	**-**	**25**	**695**
2021						
Employee entitlements	213	58	(16)	(1)	-	254
Leave pay benefits	360	42	(4)	(38)	-	360
	573	100	(20)	(39)	-	614

27. 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*.

	2022 Rm	2021 Rm
Opening balance	**52**	40
Equity-settled share-based payment expense*	**35**	20
Equity-settled share-based payment vested	**-**	(8)
	87	52

* 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) and Long Term Incentive Plan 2022(LTIP) rules. The equity-settled share-based awards vest when certain retention and non-market performance conditions are met. At 30 June 2022, the Group expects that all participants will meet the retention and performance conditions as established in the MIP and LTIP rules. Refer to *note 28: Share-based payments* for additional information on the performance and retention conditions.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

28. 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 2022 was 1 year.

The weighted average fair value of options outstanding at 30 June 2022 was R7.50.

The movements during the year were as follows:

	2022 Number of shares	2021 Number of shares
Opening balance	**6 976 000**	-
Shares granted	**-**	8 000 000
Shares vested / exercised*	**-**	(1 024 000)
	6 976 000	6 976 000
Fair value of shares granted to participant (R per share)**	**7,50**	7,50
Total value of unvested shares to participants (Rm)	**52**	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.*

** *The prior year value per share and number of shares was retrospectively represented for the effects of the 500-for-1 share consolidation.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

28. SHARE-BASED PAYMENTS continued

Equity-settled share-based payment plan continued

Long Term Incentive Plan 2022

In terms of the Long Term Incentive Plan 2022 ("LTIP 2022"), senior executives of the Group, 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.

The awards will be subject to the satisfaction of retention and / or performance conditions measured over the performance period ending 30 June 2022, 30 June 2023 and 30 June 2024 respectively. The performance awards that vest at 30 June 2022 are not subject to re-resting at 30 June 2023 or 30 June 2024.

The fair value of the share options is estimated at the grant date taking into account the terms and conditions contained in the LTIP2022 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 vesting dates and/or if performance conditions are not met. 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.

The movement during the year was as follows:

	2022 Number of shares
Opening balance	-
Shares granted	1 567 100
	1 567 100
Fair value of shares granted to participant (R per share)	13,41
Total value of forfeitable shares to participants (Rm)	21

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

29. POST-EMPLOYMENT BENEFITS

	2022 Number of Employees	2021 Number of Employees
Defined contribution plan		
Aveng Group and industry retirement plans	**2 436**	3 348
McConnell Dowell Corporation Limited plan	**2 757**	2 154
Number of covered employees	**5 193**	5 502
Number of employees not covered	**17**	758
Total number of employees	**5 210**	6 260
Cover Ratio	**99,7%**	87,9%
The Group's retirement expense (Rm)	**280**	265

30. LEASE RECEIVABLE

The Group is an intermediate lessor in incidental situations. It subleased to external parties its lease to right-of-use land and buildings (head lease) relating to businesses that were sold. The sub-leases of right-of-use land and buildings are classified as a finance lease. The sublease payments are fixed and approximate the payments under the head lease.

Finance sublease receivable (net investment in a finance lease) amounts to R82 million (2021: R41 million) as at 30 June 2022. The interest income recognised in the current period is R5 million (2021: R4 million).

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.

	2022 Rm	2021 Rm
Future minimum lease payments in relation to non-cancellable finance subleases are receivable as follows:		
- less than one year	**18**	8
- one to five years	**89**	37
- beyond five years	**1**	12
Less: future finance income	**(26)**	(16)
Present value of minimum lease	**82**	41
Non-Current Asset	**73**	38
Current Asset	**9**	3

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

31. 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 2022						
Construction contract revenue	**19 034**	**3 339**	**150**	**-**	**-**	**22 523**
Sale of goods	**-**	**1**	**-**	**3 585**	**(6)**	**3 580**
Other revenue	**-**	**9**	**-**	**42**	**-**	**51**
Transport revenue	**-**	**-**	**-**	**24**	**-**	**24**
	19 034	**3 349**	**150**	**3 651**	**(6)**	**26 178**
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

32. COST OF SALES

	2022 Rm	2021 Rm
Short-term and low value lease charges*	**179**	173
Earnings from contract-related property, plant and equipment	**(26)**	(53)
Depreciation of property, plant and equipment	**566**	649
Depreciation of right-of-use property, plant and equipment	**192**	210
Loss on derecognition of components included in property, plant and equipment	**161**	169
Employee cost	**3 667**	3 585
Employee benefits	**108**	114
Materials	**5 247**	5 696
Sub-contractors	**9 625**	8 441
Plant costs	**1 263**	1 033
Repairs and maintenance	**792**	1 044
Other	**2 292**	2 683
	24 066	23 744

* The Group recognised rent expense from short-term leases of R 169 million (2021: R162 million), leases of low-value assets of R10 million (2021: R11 million) and no variable lease payments for the year ended 30 June 2022.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

33. OTHER EARNINGS

	2022 Rm	2021 Rm
Dividends received	**21**	57
Discount received	**43**	42
Foreign exchange (losses) / gains*	**(9)**	9
Rent received	**29**	40
Other income	**56**	120
	140	268

* *Includes gains on forward exchange contracts.*

34. OPERATING EXPENSES

	2022 Rm	2021 Rm
Employee costs	**708**	725
Computer costs	**175**	158
Consulting fees	**151**	131
Short-term and low value lease charges*	**15**	13
Rationalisation and restructuring	**(1)**	11
Depreciation of property, plant and equipment	**10**	8
Depreciation of right-of-use property, plant and equipment	**58**	58
Amortisation of intangible assets	**5**	4
Share-based payment expense	**34**	20
Employee benefits	**71**	43
Auditors remuneration	**45**	49
Tender expenses	**155**	144
Insurance	**22**	40
Municipal Rates, Water, Electricity and Sanitation	**32**	32
Legal expenses	**29**	16
Other	**162**	223
	1 671	1 675

* The Group recognised rent expense from short-term leases of R15 million (2021: R12 million), no leases of low-value assets (2021: R1 million) and no variable lease payments for the year ended 30 June 2022.

35. NON-RECURRING ITEMS

Non-recurring items are either income or expenses which do not occur regularly as part of the normal operating activities of the business. They are presented separately because they are important for the understanding of the underlying sustainable performance of the Group due to their size or nature.

	2022 Rm	2021 Rm
Impairment loss on property, plant and equipment	**(106)**	(54)
Impairment of right-of-use assets	**-**	(187)
impairment of intangible assets	**(8)**	-
Reversal of / (Impairment) loss on long-term receivables	**26**	(26)
(Loss) / Gain on disposal of assets Held for Sale	**(22)**	28
Gain on disposal of property, plant and equipment and intangible assets	**4**	10
Gain on early redemption of borrowings and other liabilities	**-**	486
Fair value (loss) / gain on disposal groups classified as Held for Sale	**(74)**	611
	(180)	868

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

36. FINANCE EXPENSES

	2022 Rm	2021 Rm
Interest on debt instruments	**122**	211
Commitment fees and other costs	**29**	68
Interest on lease liabilities	**106**	115
	257	394

37. TAXATION

	2022 Rm	2021 Rm
Major components of the taxation expense		
Current taxation		
Local income taxation - recognised in the current taxation for prior periods	**-**	(2)
Foreign income taxation or withholding taxation - current period	**44**	47
Foreign income taxation or withholding taxation - recognised in the current taxation for prior periods	**4**	(5)
	48	40
Deferred taxation		
Deferred taxation - current period	**(19)**	2
Deferred taxation - arising from prior period adjustments	**-**	(1)
	(19)	1
	29	41

	2022 %	2021 %
Reconciliation of the taxation expense		
Effective taxation rate on earnings	**18,3**	4,0
Exempt income and other non-taxable income	**105,6**	27,7
Deferred taxation asset not recognised	**317,6**	5,0
Disallowable charges	**(315,9)**	(8,1)
Foreign tax rate differential and other	**(83,3)**	0,7
Prior year adjustment	**(2,4)**	0,6
Withholding taxation	**(11,9)**	(1,9)
	28,0	28,0

South African income tax is calculated at 28% (2021: 28%) of the taxable income for the year. The South African income tax rate has been decreased to 27% for years of assessment commencing on or after 1 April 2022. South African deferred tax assets and liabilities are measured at 27%, being the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the tax rate that has been enacted. Taxation in other jurisdictions is calculated at the prevailing rates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

38. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2022		2021	
	Number of shares	Weighted average number of shares	Number of shares	Weighted average number of shares
Opening balance	**64 741 672 056**	**35 739 404 321**	19 394 498 220	19 394 498 220
Issue of shares - Rights offer (15 March 2021)	**-**	**22 358 997 268**	37 955 034 249	15 596 036 981
Issue of shares - Class A Shares (15 March 2021)	**-**	**427 370 106**	725 472 919	298 102 813
Issue of shares - Rights offer (7 June 2021)	**-**	**4 581 879 966**	4 914 149 950	332 269 984
Issue of shares - Class A Shares (7 June 2021)	**-**	**1 634 020 395**	1 752 516 718	118 496 323
Share consolidation(08 December 2021)	**(64 612 188 712)**	**(64 612 188 712)**	(64 612 188 712)	(35 667 925 512)
	129 483 344	**129 483 344**	129 483 344	71 478 809
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)**	(3 500 186 838)	(3 500 186 838)
Share consolidation(08 December 2021)	**3 499 979 920**	**3 499 979 920**	3 499 979 920	3 499 979 920
Total treasury shares	**(7 013 988)**	**(7 013 988)**	(7 013 988)	(7 013 988)
Rights issue - Bonus element (15 March 2021)*	**-**	**-**	-	3 313 124 926
Rights issue - Bonus element (7 June 2021)**	**-**	**-**	-	1 414 367 482
Share consolidation(08 December 2021)	**-**	**-**	-	(4 718 037 423)
Weighted average number of shares	**122 469 356**	**122 469 356**	122 469 356	73 919 806
Add: Shares issuable in terms of the equity-settled share-based payment plan	**3 488 000 000**	**3 488 000 000**	3 488 000 000	3 488 000 000
Share consolidation(08 December 2021)	**(3 481 024 000)**	**(3 481 024 000)**	(3 481 024 000)	(3 481 024 000)
Diluted weighted average number of shares	**129 445 356**	**129 445 356**	129 445 356	80 895 806
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 2022

38. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

	2022		(Restated) 2021	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings				
Earnings for the year attributable to equity holders of parent		**130**		990
Impairment of intangible assets	**8**	**8**	-	-
Impairment of property, plant and equipment	**106**	**81**	54	54
Impairment of right-of-use assets	**-**	**-**	85	85
Impairment of right-of-use assets - Held for Sale	**-**	**-**	102	102
Loss / (Gain) on disposal of assets Held for Sale	**22**	**22**	(28)	(28)
Gain on disposal of property, plant and equipment	**(4)**	**(4)**	(10)	(10)
Loss on derecognition of components	**161**	**152**	169	169
Fair value gain on disposal groups classified as Held for Sale*	**(81)**	**(81)**	(611)	(611)
Headline earnings		**308**		751
Diluted Headline earnings		**308**		751
HEPS from continuing and discontinued operations				
Headline earnings per share - basic (cents)		**252**		1 016
Headline earnings per share - diluted (cents)		**238**		928
Issued shares		**129,5**		129,5
Weighted average shares		**122,5**		73,9
Diluted shares		**129,5**		80,9

* *Excludes R155 million of depreciation released on reclassification of Trident Steel to continuing operations for Headlines earnings. Refer to note 20: Assets and liabilities classified as Held for Sale.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

39. CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	2022 Rm	2021 Rm
Earnings before taxation from continuing operations		**184**	1 024
(Loss) / earnings before taxation from discontinued operations*		**(25)**	5
Earnings before taxation		**159**	1 029
Finance earnings		**(20)**	(19)
Finance expenses		**257**	394
Dividend earnings		**(21)**	(57)
Share of loss from equity-accounted investment		**5**	22
Cash retained from operations		**380**	1 369
Non-cash and other movements	39.1	**262**	(649)
Depreciation		**826**	923
Amortisation		**4**	4
Cash generated from operations		**1 472**	1 647
Movements in working capital	39.2	**(4)**	628
		1 468	2 275

** The (loss) / earnings before taxation from discontinued operations have been re-presented and exclude the earnings before taxation from Trident Steel which have been included in the continuing operations of the Group for all periods presented.*

39.1 Non-cash and other movements

	2022	2021
Equity-settled share-based payment expense	**34**	20
Impairment loss on property, plant and equipment	**106**	54
Impairment loss on right-of-use assets	**-**	187
Impairment loss on intangible assets	**8**	-
(Reversal of) / Impairment loss on long-term receivables	**(26)**	26
Loss / (Gain) on sale of assets Held for Sale	**22**	(28)
Gain on disposal of property, plant and equipment	**(4)**	(10)
Gain on early settlement of borrowings and other liabilities	**-**	(486)
Fair value loss / (gain) on disposal groups classified as Held for Sale	**74**	(611)
Unrealised foreign exchange losses on borrowings and other liabilities	**14**	(32)
Movements in foreign currency translation	**(154)**	66
Movement in provisions	**27**	-
Non-cash working capital movement	**-**	(4)
Derecognition of components included in Property, plant and equipment	**161**	169
	262	(649)

39.2 Movements in working capital and other items:

	2022	2021
Decrease / (increase) in inventories	**142**	(6)
Increase in contract assets	**(223)**	(627)
(Increase) / decrease in trade and other receivables	**(189)**	43
Increase in contract liabilities	**40**	367
Increase in trade and other payables	**376**	475
Decrease in derivative instruments	**-**	10
Decrease in lease receivables	**5**	-
Increase / (decrease) in employee-related payables	**54**	(20)
(Decrease) / increase in working capital Held for Sale	**(209)**	386
	(4)	628

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

		Note	2022 Rm	2021 Rm
40.	**FINANCE EXPENSES PAID**			
	Amount charged to the statement of comprehensive earnings	36	**(257)**	(394)
	Finance expenses capitalised		**-**	17
	Movement in finance expenses unpaid		**(31)**	32
			(288)	(345)
41.	**FINANCE EARNINGS RECEIVED**			
	Amount charged to the statement of comprehensive earnings		**20**	19
	Movement in accrued finance earnings		**(6)**	-
			14	19
42.	**TAXATION PAID**			
	Amounts overpaid at the beginning of the period		**37**	41
	Amounts charged to the statement of comprehensive earnings - normal tax	37	**(48)**	(40)
	Amounts overpaid at the end of the period		**(50)**	(37)
	Amounts relating to foreign currency translation movement		**14**	(1)
			(47)	(37)
43.	**COMMITMENTS**			
	Authorised capital expenditure			
	- Contracted		**77**	45
	Total capital expenditure		**77**	45

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

44. 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
2022						
Interest bearing loans and borrowings held at amortised cost	**879**	**(399)**	**1**	**-**	**-**	**481**
Lease liabilities	**519**	**(240)**	**13**	**747**	**-**	**1 039**
	1 398	**(639)**	**14**	**747**	**-**	**1 520**
Note			39.1			
Current liabilities						**518**
Non-current liabilities						**1 002**
						1 520

	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
Current liabilities						542
Non-current liabilities						856
						1 398

* *The lease liabilities non-cash movements relates to new lease liabilities of R88 million (30 June 2021; R234 million) entered into in the current year and transfers from Held for Sale of R658million (30 June 2021: 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 2022

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:

	2022 Rm	2021 Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**325**	554
Parent company guarantees (ZARm)	**87**	82
	412	636
Australasia and Asia		
Guarantees and bonds (AUDm)	**346**	352
Parent company guarantees (AUDm)	**2**	14
	348	366

Claims and legal disputes in the ordinary course of business

The Group is, from time to time, involved in various legal disputes arising in the ordinary course of business. Depending on the merits, legal disputes can translate into future claims and legal proceedings which will be vigorously defended or pursued by the Group. Exposures may arise from the normal course of business including contractual penalties associated with ongoing projects.

Where required, adequate provision is made for all liabilities which are expected to materialise, however if the outcome of claims or legal disputes are possible but not probable, they are not disclosed as a provision.

The Board believes that where there is significant uncertainty as to whether a future exposure or liability will arise in respect of claims or legal disputes then such claims or legal disputes are considered remote. The Board believes that Aveng has strong defences for such claims and legal disputes and any adverse decisions in relation to such claims or legal disputes are considered remote. The Board does not expect these claims to have a material adverse effect on the financial position of the Group.

Specific claims and legal disputes

Aveng Africa is presently in dispute with a client for various matters including extension of time claims, escalation claims, claims relating to an agreed penalty free period, a claim relating to defective workmanship, a claim relating to basement penalties, amongst others. The various claims are proceeding through the dispute process. In addition, the employer terminated the contract on 6 January 2020 and subsequently called on the guarantee of R87 million, following which the insurer paid the employer the guarantee amount and issued a letter of demand, claiming repayment from Aveng Africa, who in turn, paid the insurer. The final account report has been issued by the client, which Aveng Africa has disputed and since referred to arbitration. The abovementioned claims are in various stages of dispute resolution processes and will have an impact on the final account dispute. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

Aveng Africa, in joint venture with its partner terminated a contract with its client on 30 January 2019, which entitlement to terminate is disputed by the client. On 23 November 2020, the client accordingly demanded payment of the performance bond and retention guarantee to the value of R235 million. The insurer paid the client and Aveng Africa repaid the insurer for their portion. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

Aveng Africa along with six other South African contractors, entered into a settlement agreement with the South African Government in 2016 wherein claims for damages by Government departments/entities as a result of historical anti-competitive practices by Aveng Africa would be settled. As a result, Aveng Africa agreed to make twelve annual payments into a trust fund to be set up in terms of the settlement agreement and the purpose of which was to develop and enhance the construction industry including black owned emerging contractors.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

45. CONTINGENT LIABILITIES AND ASSETS continued

Specific claims and legal disputes continued

Aveng Africa has subsequently sold its Building and Civil Engineering business to a black owned consortium in October 2019 and assigned its obligations under the Government settlement agreement to that purchaser. The Government and its representing parties issued summons against Aveng Africa and the purchaser in June 2022 for R191 million. Aveng Africa is defending the matter. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

A plant leasing company and its liquidator has instituted two claims against McConnell Dowell ("MCD"). The first claim is for alleged voidable and insolvent transactions and unfair preference payments made by MCD and which appears to be between AUD46 million and AUD66.5 million (insolvency proceedings). The second claim is a subcontracted claim for monies allegedly owed to the subcontractor (in liquidation), (subcontract proceedings). It is expected that the amounts claimed in the insolvency proceedings will mostly overlap with the amounts claimed in the subcontract proceedings. In the subcontract proceedings, MCD has instituted a counterclaim relating to remeasured works performed by the subcontractor, back charges and the additional costs to complete the subcontract works after the subcontract was terminated for insolvency. The amount of MCD's counterclaim has not yet been finalised but is presently estimated at AUD 21 million. The proceedings are continuing with pleadings and evidence exchanges taking place during 2022. The claims and MCD's counterclaim will be heard together and are listed for hearing in Australia for 30 days from 26 September 2022. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

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	Short-term incentive (STI)[3] R'000	Total[4] R'000
SJ Flanagan	**2022**	**8 709**	**-**	**6 848**	**15 557**
	2021	8 353	-	7 487	15 840
AH Macartney	**2022**	**5 581**	**281**	**4 609**	**10 471**
	2021	5 353	270	5 040	10 663

1 *Salary for South African Directors is total fixed earnings inclusive of contributions towards medical aid, admin and 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 *STI awards were approved by the Remuneration and Nominations Committee on 16 August 2022 and accrued for the year ended 30 June 2022.*
4 *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™.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

46. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Management incentive plan

	Date from which exercisable	Date on which expires	Number entitled to at 1 July 2021*	Number granted during the year	Number redeemed or taken up or forfeited during the year	Number entitled to at 30 June 2022
SJ Flanagan	June 2022	June 2023	960 000	-	-	**960 000**
	June 2023	June 2023	960 000	-	-	**960 000**
AH Macartney	June 2022	June 2023	960 000	-	-	**960 000**
	June 2023	June 2023	960 000	-	-	**960 000**
L Tweedie	June 2022	June 2023	128 000	-	-	**128 000**
	June 2023	June 2023	128 000	-	-	**128 000**
J Govender	June 2022	June 2023	320 000	-	-	**320 000**
	June 2023	June 2023	320 000	-	-	**320 000**
R Engelbrecht	June 2022	June 2023	160 000	-	-	**160 000**
	June 2023	June 2023	160 000	-	-	**160 000**
SC Cummins (Aus)	June 2022	June 2023	640 000	-	-	**640 000**
	June 2023	June 2023	640 000	-	-	**640 000**
D Morrison (Aus)	June 2022	June 2023	320 000	-	-	**320 000**
	June 2023	June 2023	320 000	-	-	**320 000**
			6 976 000	-	-	**6 976 000**

* *The prior year number of shares was retrospectively represented for the effects of the 500-for-1 share consolidation.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

46. DIRECTORS' EMOLUMENTS AND INTEREST continued

Interest of directors of the Company in share capital (including direct and indirect holdings)

	Ordinary shares 2022	Ordinary shares 2021*
Executive directors		
SJ Flanagan	755 505	755 505
AH Macartney**	757 693	757 693
Non-executive directors		
MJ Kilbride	4 588	588
P Hourquebie	50 000	-
ZB Swanepoel	21 800	-
Prescribed officers		
L Tweedie	100 734	100 734
J Govender	73 468	73 468
RV Engelbrecht	36 734	36 734
S Cummins	146 936	146 936
D Morrison	98 868	73 468
	2 046 326	1 945 126

* *The prior year number of shares was retrospectively represented for the effects of the 500-for-1 share consolidation.*

** *In the prior year, Mr. Macartney entered into a pledge and cession of Aveng Limited ordinary shares in* securitatem debiti *for a fixed loan facility with Investec Limited. The carrying value of the shares pledged amounts to R11.6 million. The pledge was not disclosed in the prior year financial statements or integrated report due to administrative oversight on the part of the director.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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
2022						
MA Hermanus	**30**	**495**	**411**	**137**	**-**	**1 073**
MJ Kilbride	**445**	**-**	**423**	**643**	**-**	**1 511**
B Modise	**415**	**-**	**315**	**369**	**-**	**1 099**
B Swanepoel[2]	**268**	**-**	**-**	**319**	**-**	**587**
	1 158	**495**	**1 149**	**1 468**	**-**	**4 270**
B Meyer ($)[3]	**79**	**-**	**-**	**-**	**-**	**79**
PA Hourquebie (£)[4]	**89**	**-**	**17**	**16**	**-**	**122**
2021						
MA Hermanus	90	477	446	527	105	1 645
MJ Kilbride	430	-	287	824	101	1 642
B Modise	430	-	304	427	47	1 208
B Meyer	115	-	-	66	-	181
EK Diack[5]	-	-	-	-	119	119
	1 065	477	1 037	1 844	372	4 795
PA Hourquebie (£)[4]	91	-	-	17	11	119

1 *In 2021, the Board members received an additional special fee.*
2 *B Swanepoel was appointed as a non-executive director effective from 20 October 2021*
3 *B Meyer fees are disclosed in United States Dollars ($)*
4 *PA Hourquebie fees are disclosed in British Pounds (£)*
5 *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.*

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 US-based non-executive director and UK-based non-executive director onto the Aveng Board as well as two Board committees, a detailed, benchmarking exercise comprising of US-based and 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 2022

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[6] R'000
L Tweedie	**2022**	**3 656**	**205**	**1 643**	**5 504**
	2021	3 445	196	1 946	5 587
JN Govender	**2022**	**5 079**	**280**	**2 000**	**7 359**
	2021	4 824	266	3 245	8 335
RV Engelbrecht	**2022**	**4 324**	**188**	**1 500**	**6 012**
	2021	4 128	180	2 200	6 508
S Cummins (Aus) [4]	**2022**	**1 163**	**173**	**680**	**2 016**
	2021	1 130	168	973	2 271
D Morrison (Aus) [5]	**2022**	**674**	**99**	**265**	**1 038**
	2021	657	96	365	1 118

1 Salary for South African Prescribed Officers is total fixed earnings inclusive of contributions towards medical aid, admin and risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the Total Guaranteed Package (TGP).

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

3 STI awards were approved by the remuneration and nominations committee on 16 August 2022 and accrued for the year ended 30 June 2022.

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

5 D Morrison earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.

6 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 2022

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 capital employed (ROCE), 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 2022 and 30 June 2021.

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 R3,7 billion (2021: R3,4 billion).

The ROCE ratio as at 30 June 2022 and 2021 was as follows:

	2022 Rm	2021 Rm
Earnings before non-recurring items	**576**	536
Capital employed	**5 314**	4 888
ROCE ratio (%)	**10,9**	11,0

A positive ROCE ratio was noted in the current year as a result of an improvement in the earnings before non-recurring items as compared to 2021. Following the balance sheet restructure and rights issue in the prior 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 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 R478 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 and overdrafts

At 30 June 2022, the Group had net cash of R1 billion (30 June 2021: Net cash 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 South African lending banks 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 2022

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 monthly and 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:

	2022 Rm	2021 Rm
Total variable borrowings	**478**	836
Effect on earnings for the year - 50 basis points increase	**(2)**	(3)
Effect on earnings for the year - 50 basis points decrease	**2**	3

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 contract assets (refer to *note 16: Contract assets / (liabilities)*).

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 contract assets as disclosed in note *16: Contract assets / (liabilities)* and Trade receivables as disclosed in note *17: Trade and other receivables.* The Group evaluates the concentration of risk with respect to contract assets and trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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 contract assets 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 2022

47. RISK MANAGEMENT continued

47.4 Credit risk continued

Expected credit losses on trade receivables and contract assets

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 contract assets in the ordinary course of business from continuing operations (other than long-standing legacy claims) has been minimal despite a revenue of between R25,9 billon and R26,2 billion and a trade and contract receivables balance of between R2,9 billion and R3,3 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 contract assets balances that have indicators of material write-downs due to the receivables having no reasonable expectation of recovery.

47.4.1 Trade and other receivables

Ageing analysis of trade receivables

	<90 days Rm	90 days past due** Rm	Total Rm
2022			
Trade receivables	**301**	**1**	**302**
Sundry receivables	**488**	**-**	**488**
Provision for expected credit losses	**(13)**	**-**	**(13)**
Net book value	**776**	**1**	**777**
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

* *Amounts less than R1 million*

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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 2022, trade and other receivables with a nominal value of R13 million (2021: R16 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:

	2022 Rm	2021 Rm
Trade and other receivables	**790**	281
Provision for expected credit losses	**(13)**	(16)
	777	265
Reconciliation of allowance for expected credit losses		
Opening balance	**16**	26
Raised during the year	**14**	27
Utilised	**(17)**	(37)
	13	16

47.4.2 Contract assets / (liabilities)

The maximum exposure to credit risk in relation to contract assets/ (liabilities) is equal to the carrying value as presented in *note 16: Contract assets / (liabilities)*.

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
2022			
Contract and retention receivables	**2 472**	**13**	**2 485**
Provision for expected credit losses	**-**	**(3)**	**(3)**
Net book value	**2 472**	**10**	**2 482**
2021			
Contract and retention receivables	2 623	9	2 632
Provision for contract receivables	-	(1)	(1)
Net book value	2 623	8	2 631

* *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 2022

47. RISK MANAGEMENT continued

47.4 Credit risk continued

47.4.2 Contract assets / (liabilities) 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.

	2022 Rm	2021 Rm
Provision for expected credit losses		
Opening balance	**1**	1
Raised during the year	**2**	*
Utilised	*****	*
	3	1

* *Amounts less than R1 million.*

The contract assets / (liabilities) consist of:		
Uncertified revenue and variations	**1 225**	817
Contract contingencies	**(81)**	(50)
Contract receivables	**2 427**	2 582
Provision for expected credit losses	**(3)**	(1)
Retention receivables	**58**	50
	3 626	3 398

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 2022

47. RISK MANAGEMENT continued

47.5 Foreign exchange risk

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

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

Material currencies were determined based on exposure and volume of transactions.

	Closing exchange rate at 30 June	Change in year end rate Increase of 5%	Change in year end rate Decrease of 5%	Effect of an increase of 5% (Rm)	Effect of a decrease of 5% (Rm)
2022					
Australian Dollar (AUD)	**11,27**	**11,83**	**10,71**	**(48)**	**48**
United States Dollar (USD)	**16,39**	**17,21**	**15,57**	*****	*****
Euro (EUR)	**17,13**	**17,99**	**16,27**	*****	*****
Effect on earnings before taxation**				**(48)**	**48**
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

* *Amounts less than R1 million.*

** *Represents the changes in the fair value of foreign denominated trade and other payables, trade and other receivables and contract assets / (liabilities) at year end.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

47. RISK MANAGEMENT continued

47.6 Foreign currency risk

Monetary assets and liabilities below are at amortised cost. For assets and liabilities at fair value, refer to *note 48: Fair value of assets and liabilities.*

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

2022	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	30	73	-	-	-	73
Other non-current assets		9	-	-	-	9
Current assets						
Contract assets	16	456	3 169	1	-	3 626
Lease receivables	30	9	-	-	-	9
Trade and other receivables	17	532	300	-	5	837
Cash and bank balances	19	198	2 368	45	6	2 617
Monetary assets classified as Held for Sale						
Trade and other receivables	20	9	-	-	10	19
		1 286	5 837	46	21	7 190
Monetary liabilities as per the statement of financial position						
Non-current liabilities						
External borrowings and other liabilities	22	228	1	-	-	229
Lease liabilities	23	642	131	-	-	773
Employee-related payables	26	42	334	1	-	377
Current liabilities						
Contract liabilities	16	100	1 598	-	1	1 699
External borrowings and other liabilities	22	250	2	-	-	252
Lease liabilities	23	189	77	-	-	266
Employee-related payables	26	129	189	-	-	318
Trade and other payables	24	1 407	2 732	1	9	4 149
Monetary liabilities classified as Held for Sale						
Employee-related payables	20	1	-	-	-	1
Trade and other payables	20	9	-	-	5	14
		2 997	5 064	2	15	8 078
Net Exposure		(1 711)	773	44	6	(888)

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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
2021						
Monetary assets as per the statement of financial position						
Non-current assets						
Lease receivables	30	38	-	-	-	38
Current assets						
Contract assets	16	401	2 964	31	2	3 398
Lease receivables	30	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						
Contract assets	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
Employee-related payables	26	43	294	1	-	338
Current liabilities						
Contract liabilities	16	98	1 558	-	1	1 657
Borrowings and other liabilities	22	415	127	-	-	542
Employee-related payables	26	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
Contract liabilities	20	4	-	-	-	4
		4 049	4 559	24	25	8 657
Net Exposure		(2 399)	458	38	11	(1 892)

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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.

	2022 Rm	2021 Rm
The Group had the following undrawn facilities:		
Total borrowing facilities	**481**	1 038
Overdraft facilities	**205**	205
Current utilisation	**(481)**	(878)
Borrowing facilities available	**205**	365

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
2022				
Non-derivative financial liabilities				
Interest bearing borrowings	**442**	**390**	**-**	**832**
Lease liabilities	**300**	**987**	**21**	**1 308**
Contract liabilities	**1 889**	**-**	**-**	**1 889**
Trade and other payables	**4 149**	**-**	**-**	**4 149**
	6 780	**1 377**	**21**	**8 198**
2021				
Non-derivative financial liabilities				
Interest bearing borrowings	388	491	-	879
Lease liabilities	154	365	-	519
Contract liabilities	1 657	-	-	1 657
Trade and other payables	3 441	-	-	3 441
	5 640	856	-	6 496

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for the year ended 30 June 2022

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 current year – refer to *note 14: Infrastructure investments* and *note 20: 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
- A terminal growth rate of 12% was applied

(ii) Imvelo Concessions Company Proprietary Limited (Imvelo)

The Group measures the fair value of the investment in line with the provisions of *IFRS 5*, being the fair value less cost of disposal. The fair value is based on a level 1 methodology, being the fair value of a non-binding offer to purchase.

(iii) Firefly Investments 238 Proprietary Limited (Firefly)

The Group measures the fair value of the investment in line with the provisions of *IFRS 5*, being the fair value less cost of disposal. The fair value is based on a level 1 methodology, being the fair value of a binding offer to purchase.

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 2022

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 unobservable inputs Level 3 Rm
2022					
Assets recognised at fair value					
Assets					
Infrastructure investments	**142**	**142**	**-**	**-**	**142**
Infrastructure investments (Held for Sale)	**120**	**120**	**120**	**-**	**-**
2021					
Assets recognised at fair value					
Assets					
Infrastructure investments	257	257	-	-	257
Forward exchange contracts (FECs) (Held for Sale)	1	1	-	1	-

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
2022				
Infrastructure investments				
Risk-adjusted discount rate:				
- Dimopoint Proprietary Limited	**16,0%**	**0,5%**	**(4)**	**4**
2021				
Infrastructure investments				
Risk-adjusted discount rate:				
- Dimopoint Proprietary Limited	**16,0%**	**0,5%**	**(4)**	**4**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

49. 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:

49.1 McConnell Dowell Bridgewater Bridge contract award

Subsequent to year end, Aveng, through its Australasia based subsidiary McConnell Dowell, has been awarded a AUD600 million (approximately R6,9 billion) contract by the Tasmanian Department of State Growth ("DSG") to deliver Tasmania's largest-ever transport infrastructure project – the New Bridgewater Bridge. The award of the project follows an extensive Early Contractor Involvement (ECI) phase during which McConnell Dowell worked closely with DSG to develop the project.

The Bridgewater Bridge project was previously disclosed in McConnell Dowell's preferred tender projects (31 December: AUD2,1 billion).

49.2 Moolmans Klipspruit contract award

Post year end, Moolmans secured a new R576 million 3-year coal rehabilitation project at Klipspruit.

49.3 Sale of remaining Infraset factories in Zambia and Mozambique

Subsequent to year end, the Group entered into a sale for the remaining Infraset factories in Zambia and Mozambique, along with the related legal entities, as going concerns. The disposals do not require separate disclosure in terms of the JSE Listings Requirements and are subject to regulatory approvals.

49.4 Sale of Infrastructure assets and equity accounted investments

Subsequent to year end, the Group received confirmation that the necessary regulatory approvals had been obtained in relation to the sale of its investments in Firefly Investments 238 Proprietary Limited and Oakleaf Investment Holdings 86 Proprietary Limited. As such, all conditions precedent have been met. The transaction is likely to reach financial close shortly after the date of this report.

49.5 Common Terms Agreement and new Trade Finance Facility

Subsequent to year end, the Group entered into a new Trade Finance Facility of R450 million with two South African banks. The facility enables business growth at Trident Steel and supports the additional working capital required, matures on 1 October 2023 and will be secured by first ranking security over the inventory and accounts receivable of Trident Steel. This facility was approved in terms of the existing Common Terms Agreement.

The Group further agreed to accelerate the repayment profile of external debt and amended its covenants in line with its current forecasts.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

50. 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 R21 million (2021: R57 million) from infrastructure investments in the current year.

The Group also had transactions and balances with associates and joint ventures. 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.

	2022 Rm	2021 Rm
Associates and joint ventures		
Trade and other receivables – associates and joint ventures	**37**	19
Trade and other payables – associates and joint ventures	**(1)**	(1)
	36	18
Parent company guarantees (ZARm)	**1 731**	1 639
Parent company guarantees (AUDm)	**1 497**	1 857

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.

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

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51. GROUP OPERATING ENTITIES

Name	Country	Aveng Group effective consolidation %	
Subsidiaries and consolidated structured entities		**2022**	**2021**
Andersen and Hurley Instruments (SA) Proprietary Limited	South Africa	100	100
AP Housing Proprietary Limited	South Africa	100	100
Aveng (Africa) Lesotho Proprietary Limited	Lesotho	100	100
Aveng Africa Proprietary Limited	South Africa	100	100
Aveng Australia Holdings Proprietary Limited	Australia	100	100
Aveng Construcciones Chile Limitada	Chile	100	100
Aveng Construction and Development Proprietary Limited	South Africa	100	100
Aveng Engineering and Mining Services Proprietary Limited	South Africa	100	100
Aveng Engineering and Mining Services Limited	Lesotho	100	100
Aveng Intellectual Properties Proprietary Limited	South Africa	100	100
Aveng International Construction Limited	Mauritius	100	100
Aveng Management Company Proprietary Limited	South Africa	100	100
Aveng Mining DRC Société à Responsabilité Limitée	Democratic Republic of Congo	100	100
Aveng Moolmans Holdings Proprietary Limited	South Africa	100	100
Aveng Moolmans Burkina Faso SA	Burkina Faso	100	100
Aveng Moolmans Intellectual Properties Proprietary Limited	South Africa	100	100
Aveng Moolmans Mauritius Limited	Mauritius	100	100
Aveng Moolmans Proprietary Limited	South Africa	100	100
Aveng Mozambique Limitada	Mozambique	100	100
Aveng Properties Proprietary Limited	South Africa	100	100
Aveng Proprietary Limited	Malawi	100	100
Aveng Swazi Proprietary Limited	Swaziland	100	100
Aveng Tanzania Limited	Tanzania	100	100
Aveng Trident Steel Holdings Proprietary Limited	South Africa	100	100
Aveng Trident Steel Proprietary Limited	South Africa	100	100
Aveng Water Treatment Proprietary Limited	Namibia	100	100
Aveng Zimbabwe (Private) Limited	Zimbabwe	-	100
Built Environs Proprietary Limited	Australia	100	100
Built Environs Queensland Proprietary Limited	Australia	100	100
Built Environs WA Proprietary Limited	Australia	100	100
Consorcio Aveng-Mas Errazuriz Société Anonyme	Chile	60	60
E+PC Engineering and Projects Company (Zambia) Limited	Zambia	100	100
E+PC Engineering and Projects Company Australia Proprietary Limited	Australia	100	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	100
Aveng Engineering and Mining Services Limited	Lesotho	100	100
Grinaker-LTA Zimbabwe (Private) Ltd	Zimbabwe	-	100

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51. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation % 2022	2021
Subsidiaries and consolidated structured entities continued			
Hylekite Proprietary Limited	Australia	100	100
IHIH (Private) Limited	Zimbabwe	-	100
Ikhule Construction Incubator Proprietary Limited	South Africa	100	100
Infraset Zambia Limited	Zambia	100	100
Karibib Mining and Construction Company (Namibia) Proprietary Limited	Namibia	100	100
Koala Park Estates (Private) Limited	Zimbabwe	-	100
LTA Construction Kenya Limited	Kenya	100	100
LTA Construction Tanzania Limited	Tanzania	100	100
LTA Mali Société Anonyme	Mali	100	100
McConnell Dowell (American Samoa) Limited	American Samoa	100	100
McConnell Dowell Fiji Limited	Fiji	100	100
McConnell Dowell (Malaysia) Sendirian Berhad	Malaysia	100	100
McConnell Dowell Constructors (Aust) Proprietary Limited	Australia	100	100
McConnell Dowell Constructors (PNG) Limited	Papua New Guinea	100	100
Roskosh Limited (formerly McConnell Dowell Constructors Hong Kong Limited)	Hong Kong, China	100	100
McConnell Dowell Constructors Limited	New Zealand	100	100
McConnell Dowell Constructors Thai Limited	Thailand	74	74
McConnell Dowell Corporation (NZ) Limited	Australia	100	100
McConnell Dowell Holdings Proprietary Limited	Australia	100	100
Glaza Limited (formerly McConnell Dowell International Limited)	Hong Kong, China	100	100
McConnell Dowell Constructors Lao Company Limited	Laos	-	100
McConnell Dowell NC Société à Responsabilité Limitée	New Caledonia	100	100
McConnell Dowell (Offshore) Limited	Cook Islands	100	100
McConnell Dowell PDS Sendirian Berhad	Brunei	100	100
McConnell Dowell Philippines Incorporated	Philippines	40	40
McConnell Dowell Proprietary Limited	Australia	100	100
McConnell Dowell Saudi Arabia Limited	Saudi Arabia	39	39
McConnell Dowell South East Asia Private Limited	Singapore	100	100
Moolman Mining (Botswana) Proprietary Limited	Botswana	100	100
Moolman Mining Ghana Limited	Ghana	100	100
Moolman Mining Tanzania Limited	Tanzania	100	100
Moolman Mining Zambia Limited	Zambia	100	100
Moolmans International Holdings Limited	Mauritius	100	100
Moolmans Mining Guinea S.A	Guinea	100	100
Moolmans Plant South Africa Proprietary Limited	South Africa	100	100
Moolmans South Africa Proprietary Limited	South Africa	100	100
NFI Holdings Limited	Thailand	49	49

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

51. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %	
Subsidiaries and consolidated structured entities continued		**2022**	**2021**
Perseroan Terbatas McConnell Dowell Indonesia	Indonesia	**94**	**94**
Perseroan Terbatas McConnell Dowell Service	Indonesia	**100**	**100**
Perseroan Terbatas Wanamas Puspita	Indonesia	**100**	**100**
Toll Highway Development Company Proprietary Limited	South Africa	**100**	**100**
Trident Steel Intellectual Properties Proprietary Limited	South Africa	**100**	**100**
Tweed River Entrance Sand Bypassing Company Proprietary Limited	Australia	**100**	**100**
Umkomazi River Portfolio Proprietary Limited	South Africa	**100**	**100**
Associates, Joint ventures and Infrastructure Investments			
AEF Mining Services Proprietary Limited	South Africa	**30**	**30**
Dimopoint Proprietary Limited	South Africa	**30**	**30**
Dutco McConnel Dowell Middle East Limited Liability Company*	United Arab Emirates	**49**	**49**
Dutco McConnell Dowell Fabrication Limited Liability Company	Qatar	**49**	**49**
Dutco McConnell Dowell Qatar Limited Liability Company	Qatar	**49**	**49**
Firefly Investments 238 Proprietary Limited	South Africa	**45**	**45**
Grinaker-LTA Fair Construction SARL	Rwanda	**50**	**50**
Imvelo Concession Company Proprietary Limited	South Africa	**30**	**30**
Lesedi Tracks Proprietary Limited	South Africa	**25**	**25**
McConnell Dowell Gulf Limited	United Arab Emirates	**49**	**49**
McConnell Dowell Abu Dhabi LLC	United Arab Emirates	**49**	**49**
MAJV Pty Ltd	Australia	**50**	**50**
Northern Toll Road Construction Limited	South Africa	**24**	**24**
Oakleaf Investment Holdings 86 Proprietary Limited*	South Africa	**50**	**50**
Steeledale Proprietary Limited	South Africa	**30**	**30**

* *The following associates and joint ventures have a reporting period (31 December) which is different to that of the Group.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

51. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %	
Joint Operations		**2022**	**2021**
McConnell Dowell / ABI ADP (Adelaide Desalination)	Australia	50	50
McConnell Dowell / Decmil (Mordialloc Bypass)	Australia	60	60
McConnell Dowell / Diona JV - SA Water Frameworks Project	Australia	50	50
McConnell Dowell / Downer JV – EDI (Russley Rd)	New Zealand	50	50
McConnell Dowell / Downer JV – Downer (formerly) Hawkins (Connectus CRL)	New Zealand	50	50
McConnell Dowell / Downer JV – CSM2	New Zealand	50	50
McConnell Dowell / Downer EDI Works (Waurn Ponds)	Australia	50	50
McConnell Dowell / Downer JV – (Wynyard Edge Alliance)	New Zealand	50	50
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	New Zealand	23	23
McConnell Dowell / Fulton Hogan / HEB Constractors (Northern Pathway Alliance)	New Zealand	33	33
McConnell Dowell / GE Betz/ United Group Infratructure (WSRW)	Australia	20	20
McConnell Dowell / Georgiou / Arcadis / BG&E (Midland Station)	Australia	52	52
McConnell Dowell / Heb (Pukekohe)	New Zealand	50	50
McConnell Dowell / ITP SA Contractors (CRISP)	Singapore	50	50
McConnell Dowell / John Holland (Kidston Hydro)	Australia	50	50
McConnell Dowell / John Holland McConnell Dowell JV – JRL 108 (LTA)	Singapore	100	50
McConnell Dowell / John Holland (Papakura to Pukekohe)	New Zealand	50	50
McConnell Dowell / Lend Lease (MLJV Pty Ltd)	Australia	50	50
McConnell Dowell / Marina Technologies and Construction – MBS	Singapore	65	65
McConnell Dowell / Martinus Rail JV (Murray Basin)	Australia	80	80
McConnell Dowell / Obayashi JV (Warragamba Dam)	Australia	60	60
McConnell Dowell / OHL SA (K2K)	Australia	50	50
McConnell Dowell / SYS (SPJ)	Malaysia	65	65
McConnell Dowell PP Pesero TBK JV – Palembang City Sewerage Project	Indonesia	50	50
Northern Toll Roads Joint Venture	South Africa	50	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 2022

	Notes	2022 Rm	2021 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	1	**3 803**	4 293
Amounts owing by subsidiaries	2	**369**	1 565
		4 172	5 858
Current assets			
Amounts owing by subsidiaries	2	**1**	-
Other receivables		**2**	2
Taxation receivable		**1**	1
Cash and bank balances	3	**253**	590
		257	593
TOTAL ASSETS		**4 429**	6 451
EQUITY AND LIABLITIES			
EQUITY			
Stated capital	4	**5 078**	5 078
Other Reserves		**(344)**	(379)
(Accumulated losses) / Retained earnings		**(398)**	161
		4 336	4 860
LIABILITIES			
Non-current liabilities			
Amounts owing to subsidiaries	2	**-**	1 495
		-	1 495
Current liabilities			
Amounts owing to subsidiaries	2	**75**	78
Trade and other payables	5	**18**	18
		93	96
TOTAL LIABILITIES		**93**	1 591
TOTAL EQUITY AND LIABILITIES		**4 429**	6 451

SEPARATE STATEMENT OF COMPREHENSIVE EARNINGS

for the year ended 30 June 2022

	Notes	2022 Rm	2021 Rm
Operating expenses		**(46)**	(39)
Other earnings	7	**925**	-
Earnings / (loss) before non-recurring items	6	**879**	(39)
Impairment of investment	1	**(1 157)**	-
Impairment of loan receivable		**(327)**	-
Loss before financing transactions		**(605)**	(39)
Finance earnings	8	**47**	85
Other finance expenses	9	**(1)**	(1)
(Loss) / earnings before taxation		**(559)**	45
(Loss) / earnings for the year		**(559)**	45
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
Other comprehensive earnings for the year*		**-**	-
Total comprehensive (loss) / earnings for the year		**(559)**	45
Results per share (cents)			
(Loss) / earnings - basic		**(456)**	61
(Loss) / earnings - diluted		**(432)**	56
Number of shares (millions)			
In issue		**129,5**	129,5
Weighted Average		**122,5**	73,9
Diluted weighted average		**129,4**	80,9

* *Net of taxation*

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Stated Capital* Rm	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	Other reserves** Rm	Total other reserves Rm	(Accumulated losses) / Retained earnings Rm	Total equity Rm
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 year	-	-	-	-	-	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
Year ended 30 June 2022							
Balance at 1 July 2021	**5 078**	**52**	**(54)**	**(377)**	**(379)**	**161**	**4 860**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(559)**	**(559)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(559)**	**(559)**
Equity settled share-based payment - shares granted	**-**	**35**	**-**	**-**	**35**	**-**	**35**
Equity settled share-based payment - shares vested	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total contributions and distributions to owners of company recognised directly in equity	**-**	**35**	**-**	**-**	**35**	**-**	**35**
Balance at 30 June 2022	**5 078**	**87**	**(54)**	**(377)**	**(344)**	**(398)**	**4 336**
Note	4	11					

* *Inclusive of R23 million transaction costs*

** *This is as a result of the amendment to the loan agreement with Aveng Australia Holdings Proprietary Limited (subsidiary) in prior periods, in which interest charged on the loan since inception had been waivered. It was treated as capital due to the Parent/ Subsidiary relationship.*

SEPARATE STATEMENT OF CASH FLOWS

as at 30 June 2022

	Notes	2022 Rm	2021 Rm
Cash utilised by operating activities	13	**(29)**	(14)
Finance expenses paid	15	**(1)**	(2)
Finance earnings received*	16	**19**	13
Taxation paid	14	**-**	-
Cash outflow from operating activities		**(11)**	(3)
Proceeds from shares issued		**-**	865
Proceeds from subsidiaries		**135**	53
Transfers to subsidiaries		**(461)**	(634)
Cash (outflow) inflow from financing activities		**(326)**	284
Net (decrease) / increase in cash and bank balances		**(337)**	281
Cash and bank balances at beginning of the period		**590**	309
Total cash and bank balances at the end of the period	3	**253**	590
Net cash position		**253**	590

* *Notional interest of R26 million (2021: R72 million) has been re-presented on the statement of cashflow to finance earnings received. The cash outflow from operating activities remains unaffected by the representation.*

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

1. INVESTMENTS IN SUBSIDIARIES

Name of company	Country	% holding 2022	2022 Rm	2021 Rm
Aveng Australia Holdings Proprietary Limited	Australia	100	**1 522**	1 510
Capital contribution to Aveng Australia Holdings Proprietary Limited (bifurcation of loan)	Australia	100	**368**	368
Aveng Africa Proprietary Limited	South Africa	100	**1 256**	2 415
Aveng Moolmans Holdings Proprietary Limited	South Africa	100	**657**	-
Aveng Properties Proprietary Limited	South Africa	100	*****	*
Aveng Management Company Proprietary Limited	South Africa	100	*****	*
			3 803	4 293
Reconciliation of investments in subsidiaries				
Opening balance			**4 293**	2 726
Investment in Aveng Moolmans Holdings Proprietary Limited			**650**	-
Capital contribution to Aveng Australia Holdings Proprietary Limited			**-**	942
Capital contribution to Aveng Africa Proprietary Limited			**-**	620
Impairment of investment in Aveng Africa Proprietary Limited			**(1 157)**	-
IFRS 2 Share based payment - granting of instruments to subsidiary employees			**17**	5
			3 803	4 293

* *Amounts are less than R1 million.*

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

Impairment of Investment in Aveng Africa Proprietary Limited

An impairment assessment was performed on the investment in Aveng Africa Proprietary Limited following the disposal of the net assets of Moolmans, a division of Aveng Africa, as a going concern to Aveng Moolmans Holdings Proprietary. Aveng Limited owns, directly or indirectly, 100% of both entities before and after the disposal. An impairment loss of R1 157 million was required in order to show the investment at an appropriate recoverable amount. This recoverable amount was based on the remaining net asset value of Aveng Africa, adjusted for specific value-in-use factors expected to influence the net asset value within the next 12 months. The fair value of these assets falls within *Level 3* of the hierarchy identified in *IFRS 13*.

2. AMOUNTS OWING BY / (TO) SUBSIDARIES

	2022 Rm	2021 Rm
Reconciliation of amounts owing by subsidiaries		
Opening balance	**1 565**	2 475
Cash movement	**(135)**	(53)
Non-cash movement	**(1 060)**	(857)
Balance at the end of the year	**370**	1 565
Reconciliation of amounts owing to subsidiaries		
Opening Balance	**(1 573)**	(1 570)
Cash movement	**461**	634
Non-cash movement	**1 037**	(637)
Balance at the end of the year	**(75)**	(1 573)
Non-interest bearing to subsidiaries	**370**	1 565
Non-interest bearing from subsidiaries	**(75)**	(1 573)
Net amounts owing by subsidiaries	**295**	(8)
Non-current assets	**369**	1 565
Current assets	**1**	-
Non-current liabilities	**-**	(1 495)
Current liabilities	**(75)**	(78)
Net amounts owing by subsidiaries	**295**	(8)

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

		2022 Rm	2021 Rm
3.	**CASH AND BANK BALANCES**		
	Cash and bank balances*	**253**	590
		253	590

* *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

	2022 Rm	2021 Rm
Authorised		
Ordinary shares		
Number of shares (before share consolidation)	**180 882 034 263**	180 882 034 263
Number of shares (after share consolidation)**	**361 764 068**	361 764 068
Value (Rm)	**9 044**	9 044
Class A shares		
Number of shares (before share consolidation)	**500 000 000 000**	500 000 000 000
Number of shares (after share consolidation)**	**1 000 000 000**	1 000 000 000
Value (Rm)	**5 000**	5 000
Issued		
Ordinary shares		
Number of shares (before share consolidation)	**62 263 682 419**	62 263 682 419
Number of shares (after share consolidation)**	**124 527 364**	124 527 364
Value (Rm)	**5 041**	5 041
Class A shares		
Number of shares (before share consolidation)*	**2 477 989 637**	2 477 989 637
Number of shares (after share consolidation)*/**	**4 955 979**	4 955 979
Value (Rm)	**37**	37
Stated capital (Rm)	**5 078**	5 078
Shares held in terms of equity-settled share-based payment plan		
- Number of shares (before share consolidation)	**3 500 186 838**	3 500 186 838
- Number of shares (after share consolidation)**	**7 000 374**	7 000 374
- Market value (Rm)	**52**	52

Reconciliation of number of shares issued	Number of shares	Number of shares
Opening balance	**64 741 672 056**	19 394 498 220
Share Issue - Rights to qualifying shareholders (15 March 2021)	**-**	37 955 034 249
Share Issue - Rights to qualifying shareholders (7 June 2021)	**-**	4 914 149 950
Share Issue - Class A shares (15 March 2021)	**-**	725 472 919
Share Issue - Class A shares (7 June 2021)	**-**	1 752 516 718
Share consolidation (8 December 2021)	**(64 612 188 713)**	(64 612 188 713)
Closing balance	**129 483 343**	129 483 343
Less: treasury shares	**(7 000 374)**	(7 000 374)
Number of shares in issue less treasury shares	**122 482 969**	122 482 969

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

** *The number of shares authorised and issued has been retrospectively presented for the prior period for the effects of the share consolidation. The number of shares (after share consolidation) are used in the per share calculations for the prior period. From a legal perspective, the share consolidation was effective prospectively from 8 December 2021*

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

		2022 Rm	2021 Rm
5.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**2**	2
	Shareholders for dividends	**6**	6
	Accrued expenses	**10**	10
		18	18
6.	**OPERATING LOSS**		
	Operating loss for the year is stated after accounting for the following:		
	Auditors' remuneration - fees	**(10)**	(11)
	Director's fees	**(10)**	(7)
	Consulting Fees	**(6)**	(1)
	Corporate Memberships	**(2)**	(5)
	Public company costs	**(2)**	(1)
	IFRS 2 share based payment expense	**(17)**	(15)
7.	**OTHER EARNINGS**		
	Dividends received	**925**	-
		925	-
8.	**FINANCE EARNINGS**		
	Notional interest earned from subsidiaries*	**26**	72
	Interest received on bank balances**	**21**	13
		47	85
	** Notional interest earned was calculated using an effective interest rate.*		
	*** Interest earned on positive bank balances throughout the year.*		
9.	**OTHER FINANCE EXPENSES**		
	Interest incurred on amounts owing by subsidiaries	**1**	1
		1	1
10.	**TAXATION**		
	Major components of the taxation income		
	Current taxation		
	Local income taxation - current period	**-**	-
	Total taxation	**-**	-
	Reconciliation between applicable taxation rate and effective taxation rate:		
	Applicable taxation rate	**28,0**	28,0
	Exempt income / non-taxable income*	**47,8**	(45,5)
	Deferred tax asset not recognised	**(0,2)**	17,5
	Disallowable charges**	**(75,6)**	-
	Effective taxation rate for the year	**-**	-

South African income tax is calculated at 28% (2021: 28%) of the taxable income for the year. The South African Income Tax rate has been decreased to 27% for years of assessment commencing on or after 1 April 2022.

** Exempt income relates to dividend income which does not represent taxable income*

*** Disallowed expenses relate to the impairment of investments which represents non-deductible expenditure*

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

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.

	2022 Rm	2021 Rm
Opening balance	**52**	40
Equity-settled share-based payment expense*	**17**	20
Equity-settled share-based payment vested	**-**	(8)
	69	52

* 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) and Long-term incentive plan 2022(LTIP) rules. The equity-settled share-based awards vest when certain retention and non-market performance conditions are met. At 30 June 2022, the Group expects that all participants will meet the retention and performance conditions as established in the MIP and LTIP rules. Refer to *note 28: 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 2022	Number of shares 2021*
The movements during the year were as follows:		
Opening balance	**6 976 000**	-
Shares granted	**-**	8 000 000
Shares vested	**-**	(1 024 000)
	6 976 000	6 976 000
Average share price (R)	**7,50**	7,50
Total value of forfeitable shares issued during the year to employees (Rm)	**-**	8
% issued to date	**0%**	13%
Available for future allocation (number of shares)	**6 976 000**	6 976 000

* *The prior year number of shares was retrospectively represented for the effects of the 500-for-1 share consolidation.*

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

12. SHARE-BASED PAYMENTS continued

Equity-settled share-based payment plan continued

Long Term Incentive Plan 2022

In terms of the Long Term Incentive Plan 2022 ("LTIP 2022"), senior executives of the Group, 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.

The awards will be subject to the satisfaction of retention and / or performance conditions measured over the performance period ending 30 June 2022, 30 June 2023 and 30 June 2024 respectively. The performance awards that vest at 30 June 2022 are not subject to re-resting at 30 June 2023 or 30 June 2024.

The fair value of the share options is estimated at the grant date taking into account the terms and conditions contained in the LTIP2022 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 vesting dates and/or if performance conditions are not met. 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.

The movement during the year was as follows:

	2022 Number of shares
Opening balance	-
Shares granted	1 567 100
	1 567 100
Fair value of shares granted to participant (R per share)	13,41
Total value of forfeitable shares to participants (Rm)	21

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

		Note	2022 Rm	2021 Rm
13.	**CASH UTILISED FROM OPERATIONS**			
	Earnings before taxation		**(559)**	45
	Adjustments for:			
	Finance earnings	8	**(47)**	(85)
	Finance and transaction expenses	9	**1**	1
	Dividends received	7	**(925)**	-
	Cash retained from operations		**(1 530)**	(39)
	Non-cash and other movements	13.1	**1 501**	20
	Cash generated from operations		**(29)**	(19)
	Changes in working capital	13.2	**-**	5
			(29)	(14)
13.1	**NON-CASH AND OTHER MOVEMENTS**			
	IFRS 2 Share based payment - granting of instruments to participants		**17**	15
	IFRS 2 Share based payment - granting of instruments to participants - subsidiary employees		**-**	5
	Impairment of investment		**1 157**	-
	Intercompany loan receivable written off		**327**	-
			1 501	20
13.2	**Movements in working capital**			
	Increase in trade and other payables		**-**	5
			-	5
14.	**TAXATION PAID**			
	Amounts unpaid at the beginning of the period		**1**	1
	Amounts charged to the statement of comprehensive earnings - normal tax	10	**-**	-
	Amounts unpaid at the end of period		**(1)**	(1)
			-	-
15.	**FINANCE AND TRANSACTION EXPENSES PAID**			
	Amounts charged to the statement of comprehensive earnings		**1**	1
	Movement in accrued finance expenses		**-**	1
			1	2
16.	**FINANCE EARNINGS RECEIVED**			
	Interest received		**47**	85
	Notional interest (Bifurcation of intercompany loan)*		**(26)**	(72)
	Movement in accrued finance earnings		**(2)**	-
			19	13

* *Notional interest of R26 million (2021: R72 million) has been re-presented on the statement of cashflow to finance earnings received. The cash outflow from operating activities remains unaffected by the representation.*

		Note	2022 Rm	2021 Rm
17.	**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)		**2**	14

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 2022

18. 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.

Directors' emoluments

Refer to *note 46: Directors' emoluments* in the Group financial statements for detail.

	2022 Rm	2021 Rm
Related party balances		
Net indebtedness due by / (to) subsidiaries		
Aveng Africa Proprietary Limited	129	(52)
Aveng Moolmans Holdings Proprietary Limited	231	-
Aveng Intellectual Properties Proprietary Limited	-	(1)
Aveng Australia Holdings Proprietary Limited	10	119
Aveng Limited Share Purchase Trust	(75)	(74)
	295	(8)
Related party transactions		
Finance earnings		
Aveng Australia Holdings Proprietary Limited	26	72
	26	72
Dividend earnings		
Aveng Africa Proprietary Limited	650	-
Aveng Properties Proprietary Limited	275	-
	925	-

19. 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:

19.1 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 2021 and 30 June 2022.

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 R4,34 billion (2021: R4,86 billion).

19.2 Liquidity risk

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 during the period.

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2022

19. RISK MANAGEMENT continued

19.3 Interest rate risk

The Company does not have exposure to interest rate risk as there is no external debt.

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.

19.4 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 *note 3*: *Cash and bank balances*. There was no collateral held on the above balances as at the 2022 year end.

An impairment of R327 million was recognised in the current year for amounts due from subsidiaries.

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.

19.5 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.

19.6 Categories of financial instruments

All financial assets and liabilities of the Company are at amortised cost.

19.7 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
2022				
Non-derivative financial liabilities				
Amounts owing to subsidiaries	**75**	**-**	**-**	**75**
Trade and other payables	**18**	**-**	**-**	**18**
	93	**-**	**-**	**93**
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

20. 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 49: Events after the reporting period* in the consolidated notes to the Financial Statements) which significantly affects the financial position of the Company as at 30 June 2022 or the results of its operations or cash flow for the year then ended.

KPMG

Independent Reporting Accountant's Report on the compilation of the Australian dollar denominated Statement of Financial Position and Statement of Comprehensive Earnings included in the Aveng Limited ("the Company") consolidated annual financial statements for the year ended 30 June 2022

To the Directors of Aveng Limited

Introduction

We have completed our assurance engagement to report on the non-IFRS financial information of Aveng Limited by the Directors. The non-IFRS financial information, as set out in the Aveng Limited Consolidated Annual Financial Statements of the Company and its subsidiaries (collectively "the Group") for the year ended 30 June 2022, consists of selected financial information translated into Australian dollars as the Directors believe that the non-IFRS financial information can assist stakeholders in interpreting the financial position and performance of the Group in a universally measured currency.

The non-IFRS financial Information consists of the following, for the year ended 30 June 2022:

- Australian dollar denominated Statement of Financial Position
- Australian dollar denominated Statement of Comprehensive Earnings

The applicable criteria on the basis of which the Directors have compiled the non-IFRS financial information are specified in the Johannesburg Stock Exchange Limited Listing Requirements ("JSE Listings Requirements"), including the JSE guidance letter: Presentation of Pro forma financial information dated 4 March 2010. The non-IFRS financial information is described in the basis of preparation on the supplementary information section of the Aveng Limited Consolidated Annual Financial Statements for the year ended 30 June 2022 (the "Applicable Criteria").

The purpose of the non-IFRS financial information included in the year end financial results is solely to assist stakeholders in interpreting the financial performance of the Group in a universally measured currency.

As part of this process the audited Statement of Financial Position and Statement of Comprehensive Earnings for the year ended 30 June 2022 ("Audited financial information") have been extracted by the Directors from the Consolidated Annual Financial Statements for the year ended 30 June 2022, on which an unmodified audit opinion has been published.

Directors' Responsibility for the non-IFRS financial Information

The Directors are responsible for compiling the non-IFRS financial information on the basis of the Applicable Criteria specified in the JSE Listings Requirements and described in the JSE guidance letter: Presentation of Pro forma financial information dated 4 March 2010, and described in the basis of preparation on the supplementary information set out on page 24 of the Consolidated Annual Financial Statements.

Independent Reporting Accountant's independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. 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)*.

Independent Reporting Accountant’s independence and quality control continued

The firms apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Reporting Accountant’s responsibility

Our responsibility is to express an opinion about whether the non-IFRS financial information have been compiled, in all material respects, by the Directors on the basis specified in JSE Listings Requirements, including JSE Guidance Letter: Presentation of Pro forma financial information dated 4 March 2010, and described in the basis of preparation on the supplementary information set out on page 24 of the Consolidated Annual Financial Statements.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants’ comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the non-IFRS financial information on the basis specified in JSE Listings Requirements, including JSE Guidance Letter: Presentation of Pro forma financial information dated 4 March 2010, and described in the described in the basis of preparation on the supplementary information set out on page 24 of the Consolidated Annual Financial Statements.

The purpose of the non-IFRS financial information included in the year end financial results is solely to assist stakeholders in interpreting the financial performance of the Group in a universally measured currency.

A reasonable assurance engagement to report on whether the non-IFRS financial information has been properly compiled, in all material respects involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the non-IFRS financial information provides a reasonable basis for presenting the events and conditions and to obtain sufficient appropriate evidence about whether:

- the non-IFRS adjustments give appropriate effect to the Applicable Criteria; and
- the non-IFRS financial information reflects the proper application of the non-IFRS adjustments to the unadjusted Audited Financial Information, of the Company.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Group or the events in respect of which the non-IFRS financial information have been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Australian dollar denominated Statement of financial position and Statement of comprehensive earnings.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the non-IFRS financial information has been compiled, in all material respects, on the basis of the Applicable Criteria.

Restriction on use

This report has been prepared for the purpose of satisfying the requirements of the JSE Listings Requirements, and for no other purposes.

KPMG Inc.

F. von Eckardstein

Per FHC von Eckardstein
Chartered Accountant (SA)
Registered Auditor
22 August 2022

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