2023

Summarised consolidated annual financial statements

for the year ended 30 June 2023

AVENG

Providing a better life

Salient features – operating group analysis

Group revenue

R32,9 billion

2022 | R26,2 billion

Net cash excluding IFRS 16

R1,4 billion

2022 | R2,1 billion

Headline loss

R950 million

2022 | R308 million headline earnings at 30 June 2022

Work in hand

R52,2 billion

2022 | R30,8 billion

Operating loss of

R856 million

2022 | R576 million earnings for the period ended 30 June 2022

Total comprehensive loss

R580 million

2022 | R237 million earnings

External South African legacy debt settled

2022 | R478 million

Salient features – operating group analysis

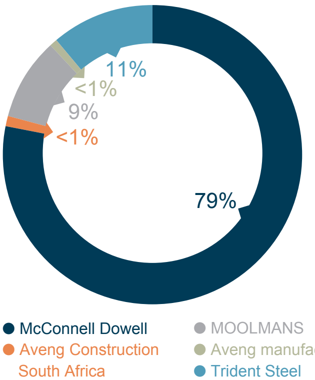
for the year ended 30 June 2023

Operating (loss) / earnings – operating group

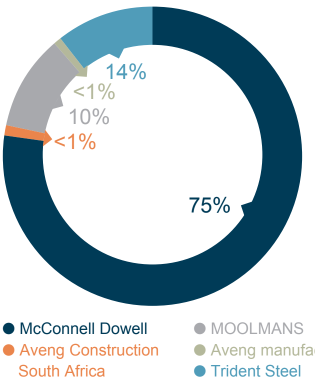
	FY23 Rm	FY22 Rm	Change %
McConnell Dowell	**(815)**	385	(>100)
Moolmans	**(110)**	207	(>100)
Aveng Construction: South Africa	**(59)**	(67)	12
Trident Steel	**204**	220	(7)
Aveng Manufacturing	**–**	(5)	>100
Other	**(76)**	(164)	54
Operating (loss) / earnings	**(856)**	576	**(>100)**

Revenue per operating group

June 2023
R32,9 billion

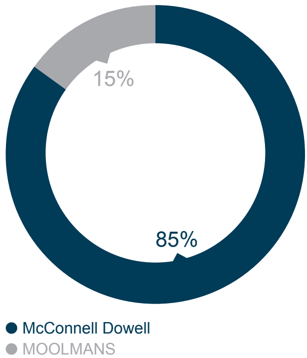


June 2022
R26,2 billion

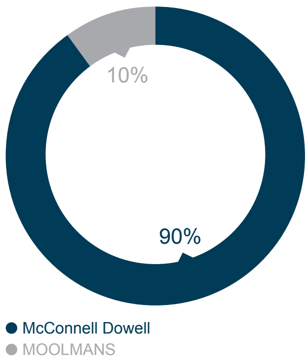


Work in hand per operating group

June 2023
R52,2 billion



June 2022
R30,8 billion



RESULTS
FOR THE YEAR ENDED 30 JUNE 2023

AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06) ISIN: ZAE000302618
SHARE CODE: AEG (Aveng, the Company or the Group)

Salient features

- **Revenue[1] of R28,9 billion (2022: R22,5 billion*)**
- **Operating loss[1] of R1 060 million (2022: R360 million earnings*)**
- **Operating earnings[1] of R183 million (2022: R360 million earnings) (excluding BLNG project operating loss)**
- **Loss for the year of R1 283 million (2022: R130 million earnings)**
- **Loss per share of 1 017 cents per share (2022: 106 cents earnings per share)**
- **Headline loss of R950 million (2022: R308 million earnings)**

OVERVIEW

The financial year has been a year of transition, characterised by a normalisation of operating activities as we emerged from the global COVID-19 pandemic, rapid growth of McConnell Dowell as revenue, work in hand and people numbers grew, the awarding of new contracts at Moolmans and the related investment in, delivery and commissioning of heavy mining equipment. Both McConnell Dowell and Moolmans invested in systems in the areas of new business and human capital management. The Group continued its journey to develop both enterprise risk management and ESG frameworks. The sale of Trident Steel and settlement of the legacy term debt brought the 2018 restructuring strategy to a conclusion.

New financing facilities were arranged in support of the investment in new equipment and the partial funding of a project guarantee following its encashment, together with new general banking facilities for South African operations. These activities provide the foundation for a focused business and balance sheet as we build for the future.

Aveng grew its continuing operations revenue by 28% in the current year but delivered a disappointing operational performance. The Group incurred a significant operating loss following substantial losses in the Southeast Asia business unit of McConnell Dowell, primarily from the Batangas LNG terminal project. Both McConnell Dowell and the Group reported operating losses as a result. An operational underperformance at Moolmans further contributed to the operating loss. Following the disappointing results in McConnell Dowell, the Group conducted a review of the BLNG project and a broader portfolio of current projects. This has led to the design and implementation of improved operational standards and governance procedures for tenders and projects at McConnell Dowell.

- **Headline loss per share of 753 cents (2022: 252 cents earnings per share)**
- **Cash on hand of R2,4 billion (June 2022: R2,6 billion)**
- **Net cash position excluding IFRS 16 of R1,4 billion (June 2022: R2,1 billion)**
- **Increase in work in hand to R52,2 billion from R30,8 billion in June 2022**
- **Net asset value per share of 2 043 cents per share (2022: 2 873 cents per share)**

* Re-represented. The Group is required to re-present the results of Trident Steel, previously presented in continuing operations, to discontinued operations for all periods presented.

[1] Continuing operations

LEVERS FOR GROWTH

Stronger balance sheet

Aveng has delivered on its strategy announced in February 2018 to simplify its business, de-risk its balance sheet and reduce its debt. The strategy required Aveng to dispose of non-core assets and repay its debt to allow the Group to focus on the core assets of McConnell Dowell and Moolmans.

Concluding the implementation of the Trident Steel disposal transaction, enabled Aveng to continue its journey to a sustainable capital structure by fully extinguishing its South African legacy debt of R478 million and short-term Trade Finance Facility of R450 million. The settlement of South African legacy debt, which at its height amounted to R3,3 billion in 2018, marked a pivotal moment in ensuring a sustainable capital structure and a platform for growth for Aveng.

With Trident Steel being a working capital-intensive business, the disposal allowed Aveng to further de-risk its balance sheet by terminating over R500 million in ancillary trade finance facilities, including foreign exchange, promissory notes and letter of credit facilities.

The company continued to de-risk the balance sheet through the reduction of the South African guarantee exposure from R3,8 billion in 2018 to R82 million at 30 June 2023. In addition, the Group continues to settle major litigation, historical claims and contingent liabilities.

Subsequent to year end, the financial institutions that have an interest in the Common Terms Agreement, have reduced from six to two parties. The Group has entered into new banking facilities with The Standard Bank of South Africa Limited and the existing Common Terms Agreement will be amended and restated to reflect these changes.

Having achieved these fundamental milestones, Aveng has been simplified and focused to deliver its projects through its core disciplines in its two subsidiaries, McConnell Dowell and Moolmans.

Work in hand

McConnell Dowell continued to win work within its areas of specialist disciplines. The business won R38 billion (AUD3,2 billion) in new work and grew work in hand by 40%, from R27,8 billion (AUD2,5 billion) at 30 June 2022 to R44,2 billion (AUD3,5 billion) at 30 June 2023. McConnell Dowell has secured 100% of its FY24 planned revenue.

Moolmans grew its work in hand significantly to R8,0 billion at 30 June 2023 after winning R9,4 billion of new work, including a new five-year contract at Tshipi é Ntle. Moolmans has secured 93% of its planned FY24 revenue.

The total Group work in hand as at 30 June 2023 was R52,2 billion representing a R21,4 billion increase from the prior year.

People and systems

The Group made progress in its investments in new generation technologies and cloud migration. These enable the operations to improve operational efficiencies and safety with data-driven decision-making and system automation. The Group invested R270 million in ICT during the year.

Aveng is continuously strengthening its human resource capacity to support operational performance and growth aspirations. The business continues to invest in the technical and leadership capacity of its people through learning and development programmes, new appointments and the creation of a pipeline of future leaders. Key leadership appointments were made within the businesses, with McConnell Dowell appointing a new managing director in Southeast Asia and other regional leaders in Australia. Moolmans appointed an Operations Director and HR executive. At a Board level, Mr Bernard Swanepoel resigned as an independent non-executive director and Mr Michael Kilbride and Ms Mavis Hermanus retired as independent non-executive directors. Mr David Noko and Mr Nicholas Bowen joined the Aveng board as independent non-executive directors.

Environment, Social and Governance

Our ESG practices are governed by policies, internal controls and are subject to both internal and external assurance. These are reported to and overseen by the Board and relevant sub-committees. We monitor our ESG practices in an effort to align them with best practice, recognising that this is a fast-changing landscape.

The Group made considerable progress in implementing the ESG framework during the year. McConnell Dowell and Moolmans continue to refine their key performance indicators (KPIs) to reduce the carbon footprint, lower environmental impacts, formalise our social commitments and our duty of care, and strengthen regulatory compliance and business conduct. Both subsidiaries reported 2023 performance against baseline metrics established last year.

The Group achieved its primary goal of zero fatalities and performed well in their other key safety, health and environment performance indicators. The Group recorded a lost-time injury frequency rate of 0,11 (2022: 0,09) against a target of 0,14 and total recordable injury frequency rate of 0,73 (2022: 0,59) against a target of 0,64.

Batangas LNG Terminal Project ("BLNG project")

The BLNG project was awarded during the COVID-19 global pandemic. It was subject to significant delay and disruption caused by the pandemic, including related supply chain disruptions and the inability to mobilise people to the requisite locations to efficiently execute work. International and domestic Australian border closures made travel impossible over an extended period of the project's life, to the Batangas site in the Philippines and other locations where equipment was being manufactured. Later supply chain disruptions were further exacerbated by the Russia-Ukraine war.

Total losses booked on the BLNG project in the current year, amounted to R1 243 million (AUD104 million). This includes the recognition of a loss following the encashment of the project guarantee of R529 million (AUD43 million). The life-to-date loss recorded on this project amounts to R1 353 million (AUD114 million).

Subsequent to year end, McConnell Dowell reached a commercial settlement with FGEN LNG on all contractual claims and has recognised the full loss on the BLNG project, which is currently in the commissioning phase and will be completed in the coming months. McConnell Dowell and FGEN LNG have entered into a services agreement pursuant to which McConnell Dowell will utilise its expertise, experience, systems and capabilities to support FGEN LNG achieve full commissioning of the BLNG project.

Improving operational standards and governance procedures

As a consequence of an internal review of the BLNG project, operational standards and governance procedures have been improved with the establishment of a Project Management Office (PMO), led by experienced PMO professionals who directly report to the McConnell Dowell CEO. The PMO will provide best practice support to project management teams and ensure full compliance with procedures, including:

- Robust consideration of pursue/no-pursue decisions at all tender review gates;
- Review of commercial limits policy to tighten application of commercial terms;
- Revise risk rating system to define tender approval levels;
- Monthly reassessment of the project risk rating in response to emerging risks and opportunities with higher risk projects subject to a more comprehensive review and oversight; and
- Enhanced project technical reviews to strengthen assurance mechanisms to identify specific issues earlier and allow for more timely interventions.

OPERATIONAL PERFORMANCE

Our commitment to ensuring the success of our two businesses, McConnell Dowell and Moolmans, remains unwavering and in line with the objective of ensuring a sustainable future as an international engineering-led contractor focused on infrastructure, resources and contract mining in selected markets.

McConnell Dowell

For the year ended 30 June 2023, McConnell Dowell achieved a 25% growth in revenue to R26 billion (AUD2,2 billion), mainly attributable to the Australian business unit, but reported an operating loss of R815 million (AUD66 million) compared to an operating profit of R385 million (AUD35 million) in the prior year. This is mainly driven by significant underperformance in the Southeast Asia business unit as a result of the BLNG project that contributed R1 243 million (AUD104 million) to the operating loss.

McConnell Dowell's Australian business unit reported strong operating earnings of R717 million (AUD60 million) compared to prior year operating earnings of R700 million (AUD63 million) as a result of healthy market conditions in the Australian infrastructure sector, which is supported by infrastructure investments from all levels of government. New work won of R29 billion (AUD2,4 billion) increased the work in hand by 53% from 30 June 2022, with new contracts awarded in all states, across a range of project sizes and contract types in most of McConnell Dowell's specialist disciplines.

The New Zealand & Pacific business unit reported increased operating earnings of R222 million (AUD17 million) in comparison to the prior year of R59 million (AUD7 million) following the resumption of new contract awards that were delayed in the previous year due to COVID-19 restrictions. The business unit overcame a variable project pipeline and customer funding constraints to maintain steady growth in its work in hand. Work in hand grew by 8% after winning R3,5 billion (AUD294 million) in new work.

McConnell Dowell's commercial building arm, Built Environs, increased its revenue by 60% to R2,7 billion (AUD229 million) in line with the business unit's growth agenda and is operating at scale across its three regions. However, a combination of significant price escalations on certain projects and shortages of subcontractors, resulted in Built Environs reporting break-even operating earnings. Work in hand grew by 106% to its highest historical value of R6,7 billion (AUD564 million).

This improved performance is overshadowed by the substantial loss in Southeast Asia of R1,6 billion (AUD129 million), primarily from the BLNG project of R1 243 million (AUD104 million). The decision to halt tendering activities during the peak of COVID-19 has now been reversed and tendering activities have resumed. The approach to tendering is highly selective, within our disciplines, for clients who recognise the value we contribute.

McConnell Dowell closed with a cash balance of R2,2 billion (AUD 177 million) and raised a term debt facility of R290 million (AUD23 million) in order to partially fund the encashment of the BLNG project guarantee. McConnell Dowell has added to its project guarantee facilities in support of its current and projected revenue. Project guarantee facilities amount to R8,6 billion (AUD688 million).

New work won during the year amounted to R38 billion (AUD3,2 billion) and work in hand increased by 40% to R44 billion (AUD3,5 billion) at 30 June 2023. This strong work in hand balance provides certainty over the FY24 budget revenues.

Moolmans

Moolmans continued to focus on operational performance through investment in people and systems. The business continued its investment in new equipment in line with its strategy of selecting and entering into long term and commercially viable contracts. A new human capital system has been implemented and extensive financial and engineering skills remain invested in support of fleet renewal.

Moolmans reported revenue of R2,9 billion for the year (2022: R3,3 billion). The decrease in revenue is due to the completion of the Lefa contract and reduced the scope of work on the Gamsberg project.

An operating loss of R110 million was reported compared to operating earnings of R207 million in the prior year. Following the award of the new five-year Tshipi é Ntle contract, Moolmans committed to a R900 million investment in new heavy mining equipment. Expansion capital expenditure of R613 million, replacement capital expenditure of R77 million and capitalised component spend of R397 million were incurred in the year. The delay in the delivery of equipment to site, negatively impacted the current year's operating result and the improved operational trend in the last quarter was not sufficient to mitigate the losses incurred in the first nine months of the current year. Equipment continued to be delivered to site post-year and is being commissioned, with the balance of equipment expected by the end of the first quarter.

New work won of R9,4 billion and work in hand grew by 159% to R8 billion (2022: R3,1 billion).

Moolmans entered into new asset-backed financing facilities of R760 million of which R704 million was utilised at year end and financed other equipment by way of lease, resulting in the recognition of both right of use assets and a lease liability. A plant optimisation and renewal program has been implemented, resulting in reduced component spend of R180 million compared to the prior year.

Trident Steel

Trident Steel delivered on its growth aspirations as a steel service centre business, primarily focused on the automotive sector. Revenue was up, driven by higher OEM volumes and higher average selling prices. Operating earnings of R204 million were recorded in the 10-month period up to date of disposal. The business was sold as a going concern for total cash proceeds of R1,2 billion, with an effective date of 28 April 2023.

Project Management Office

The Project Management Office continues to complete the significant task of closing out legacy matters and ensuring that the Group complies with all statutory, legal, technical, commercial and human resources obligations. This primarily relates to Aveng Construction: South Africa. The business unit recorded an operating loss of R59 million (2022: R67 million) and a cash outflow of R68 million (2022: R164 million). The South African performance guarantee exposure reduced from R350 million at 30 June 2022 to R82 million.

FINANCIAL REVIEW

Aveng reported a headline loss of R950 million or 753 cents per share (2022: R308 million or 252 cents per share, earnings). Loss for the period attributable to equity holders of the parent amounted to R1 283 million or 1 017 cents per share (2022: R130 million or 106 cents per share, earnings). Total comprehensive loss of R580 million (2022: R237 million earnings).

Statement of comprehensive earnings

Continuing operations

The Group's revenue from continuing operations increased by 28% to R28,9 billion (2022: R22,5 billion). McConnell Dowell recorded growth from R19,0 billion (AUD1,7 billion) to R26,0 billion (AUD2,2 billion), which makes up 90% of revenue from continuing operations (2022: 84%).

Other earnings increased to R109 million (2022: R27 million) and include the accumulated ticking fee of R75 million recognised on the sale of Trident Steel.

Operating loss from continuing operations amounted to R1 060 million (2022: operating earnings R360 million) and was mainly driven by:

- McConnell Dowell – operating loss of R815 million (2022: operating earnings of R385 million);
- Moolmans – operating loss of R110 million (2022: operating earnings of R207 million);
- South Africa: Construction – operating loss of R59 million (2022: operating loss of R67 million); and
- Other, including the Group corporate head office – operating loss of R76 million (includes the accumulated ticking fee of R75 million recognised on sale of Trident Steel (2022: operating loss of R165 million).

Excluding the impact of the BLNG loss of R1,2 billion, the Group recorded operating earnings of R183 million (2022: R360 million). Any adjusted information excluding the impact of BLNG contained in this report has been prepared for illustrative purposes only and has not been reviewed or reported on by a reporting accountant.

The net impact of impairment reversals and loss on sale of assets amounted to capital earnings of R9 million (2022: capital expenditure of R87 million).

Net finance expense decreased to R123 million from R144 million in the prior year. Finance earnings of R77 million were R69 million higher than the prior year primarily as result of higher cash balances and interest rates in Australia. Finance expenses increased by R48 million to R200 million due to increased interest rates, working capital requirements in South Africa, transaction costs for facilities, coupled with the introduction of new asset-backed financing for new heavy mining equipment at Moolmans.

Discontinued operations

The total loss from discontinued operations amounted to R166 million (2022: R30 million earnings).

Earnings from discontinued operations, net of taxation comprises earnings of R120 million (2022: R111 million) from the *Manufacturing and Processing* segment. The main contributor is Trident Steel, with operating earnings of R204 million for 10 months up to date of disposal (2022: R220 million), offset by net finance expenses of R89 million (2022: R93 million).

The Trident Steel business was disposed of as a going concern on 28 April 2023.

Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition recognised in earnings, relates to the derecognition of cumulative foreign currency translations held in the foreign currency translation reserve (FCTR), following the substantive liquidation and winding up of foreign legacy operations. This charge of

R436 million (2022: Rnil) to earnings is offset by the equal and opposite cumulative amount recognised in OCI. This results in a previously recognised translation difference being transferred from FCTR to profit or loss in the current year. This reclassification had no cash flow effect and no impact on the net asset value of the Group.

Gain on disposal of assets Held for Sale and fair value adjustment of R150 million (2022: R81 million loss) includes a pre-tax gain of R160 million on the disposal of Trident Steel. In the prior year, a fair value loss on disposal groups classified as Held for Sale amounted to R59 million.

Group

Total loss for the year of R1 283 million in comparison to earnings of R130 million in the prior year. This amount includes an amount of R436 million relating to the derecognition of exchange gains on translating foreign operations and R267 million foreign currency translation gain from continuing foreign operations in the current year. Total comprehensive loss for the year of R580 million.

Basic loss per share of 1 017 cents was calculated using a weighted average number of shares of 126,1 million shares. The prior year's basic earnings per share of 106 cents was calculated using a weighted average number of shares of 122,5 million shares. The increase in the weighted average number of shares of 3,6 million shares is due to the vesting of shares in terms of the equity-settled share-based payment plans.

Headline loss of R950 million (2022: R308 million, earnings) *and headline loss per share* of 753 cents (2022: 252 cents, earnings per share) after accounting for losses on derecognition of components, gain on disposal of assets Held for Sale and exchange differences on translating foreign operations reclassified to earnings or loss on derecognition.

Statement of financial position

Property, plant and equipment (PPE) increased by R489 million to R3,0 billion, mainly as a result of Moolmans capital expenditure on new heavy mining equipment, partially offset by the derecognition of PPE on the disposal of Trident Steel.

The Group incurred capital expenditure of R1,4 billion (2022: R834 million) comprising of R614 million (2022: Rnil) expansionary capital expenditure and R751 million (2022: R834 million) replacement capital expenditure. The majority of the amount was spent as follows:

- R225 million (AUD18 million) at McConnell Dowell, relating to specific projects across its business units; and
- R1,1 billion at Moolmans, primarily investment in expansionary new heavy mining equipment of R613 million, replacement capital expenditure of R77 million and components on existing fleet of R397 million.

Right-of-use assets (ROU assets) decreased by R117 million to R489 million (2022: R606 million) largely due to the derecognition of ROU assets of R322 million on the disposal of Trident Steel, depreciation of R219 million, new property leases of R249 million at McConnell Dowell and heavy mining equipment leases of R177 million in the current year.

Deferred taxation assets increased by R268 million to R1 billion (2022:R738 million), mainly as a result of previously unrecognised tax losses which have been booked in Australia following an assessment performed and higher levels of temporary differences in McConnell Dowell as well as foreign currency translation movements.

Lease receivables increased by R399 million to R481 million (2022: R82 million) as a result of entering into a sub-lease with the purchaser of the Trident Steel business for the Trident Steel business premises as the headlease remains with the Group.

Inventories decreased by R766 million to R262 million (2022: R1 billion) largely due to the disposal of Trident Steel.

Contract assets for the Group increased by R1,7 billion to R5,3 billion (2022: R3,6 billion) due to increased contract receivables and work in progress, in line with increased activity levels, uncertified revenue and claims comprising timing-related variation orders and contract claims at McConnell Dowell.

Trade and other receivables decreased by R410 million to R427 million mainly due to the derecognition of trade and other receivables on the disposal of Trident Steel.

Assets Held for Sale decreased by R85 million to R59 million following the disposal of investments in *Oakleaf Investment Holdings 86 (Pty) Ltd and Firefly Investments 238 (Pty) Ltd* in the current year.

Deferred taxation liability increased to R218 million from R121 million mainly due to accelerated capital allowances on heavy mining equipment and component spend at Moolmans and decreased levels of deductible temporary differences.

External borrowings and other liabilities increased by R539 million to R1 billion (2022: R481 million) after accounting for:

- Settlement of legacy debt of R478 million;
- Entering into, and settlement of a Trade Finance Facility of R450 million raised for Trident Steel to facilitate working capital needs to support growth;
- New asset-backed financing facilities of R887 million, with a balance of R704 million at year end for new and refurbished heavy mining equipment at Moolmans, with a remaining term of 44 months; and

- New term debt facility of R290 million (AUD23 million) raised, in order to partially fund the encashment of the BLNG project guarantee, to be repaid in the next 12 months.

Unutilised facilities amounted to R388 million (2022: R205 million).

Lease liabilities increased by R115 million to R1,2 billion (2022: R1 billion) including new leases of R430 million at McConnell Dowell and Moolmans, partially offset by repayments of R273 million.

Contract liabilities increased by R466 million to R2,2 billion (2022: R1,7 billion) due to increased advances and progress billings at McConnell Dowell.

Trade and other payables increased by R567 million to R4,7 billion, principally as a result of an increase in project accruals, in line with increased activity levels, on major contracts in McConnell Dowell, offset by the derecognition of trade and other payables on the disposal of the Trident Steel business.

Operating free cash flow amounted to an outflow of R824 million (2022: R612 million inflow) and includes:
- McConnell Dowell – R573 million outflow (2022: R676 million inflow);
- Moolmans – R717 million outflow (2022: R91 million inflow);
- Trident Steel – R420 million outflow (2022: R160 million outflow);
- Construction and Engineering: South Africa – R68 million outflow (2022: R164 million outflow);
- R1,2 billion (including accumulated Trident Steel ticking fee) proceeds on disposal of non-core assets;
- Net finance expenses paid of R213 million; and
- Taxation paid of R47 million.

Cash and bank balances (net of bank overdrafts) decreased to R2,4 billion (June 2022: R2,6 billion). Cash in McConnell Dowell decreased by R141 million and South African operations decreased by R95 million. R996 million (2022: R605 million) is held in joint arrangements.

Net cash position decreased to R1,4 billion, excluding IFRS 16, (2022: R2,1 billion) mainly as result of increased external borrowings which increased by R539 million to R1 billion of which R704 million relates to new asset-backed financing at Moolmans and R290 million (AUD23 million) to a new term debt facility at McConnell Dowell.

OUTLOOK

Aveng is positioned and equipped to restore itself to sustainable, profitable growth. The McConnell Dowell and Moolmans businesses are expected to return to profitability and generate positive operational cash flow. The Group enters the 2024 financial year in a strong position, with combined work in hand amounting to R52,2 billion. This supports 100% of next year's expected revenue of R32 billion.

McConnell Dowell

McConnell Dowell is in a strong secured revenue position and focused on managing risk, converting opportunities and delivering margin. Disciplined project execution is fundamental to the Group's goal of being a fit-for-purpose organisation capable of sustainable and profitable long-term growth.

The current work in hand provides a robust revenue platform, with 100% of planned revenue for FY24 secured. 83% of work in hand is government work and 17% in private sector. The addressable market across McConnell Dowell's footprint provides a visible pipeline of AUD15,6 billion facilitating strategic selection of tender opportunities in support of profitable growth. The business remains focused to convert current tenders of AUD1,4 billion in preferred bidder status to award, with a further AUD0,9 billion in tenders awaiting award and AUD1,0 billion tenders in preparation for submission.

McConnell Dowell continues to focus on improved operational performance and cash generation to achieve an improved operational margin.

Moolmans

Moolmans growth agenda continues to be underpinned by investment in heavy mining equipment, people and systems. The current work in hand provides a solid revenue platform, with 93% of planned revenue for FY24 secured. Key areas of focus are to improve operational performance and cash generation. The continued investment in new equipment will support its strategy of selecting and entering into long-term and commercially viable contracts.

Moolmans total visible pipeline amounts to R65 billion with R47 billion worth of tenders in submission and awaiting adjudication.

FY24 AREAS OF FOCUS

- Return Group to profitability and positive cash generation;
- Deliver operational performance at current revenue levels;
- Improve quality and consistency of operational margins;
- Restore McConnell Dowell's balance sheet and settle term debt;
- Diversify Moolmans client, commodity and geographic focus;
- Continue to de-risk and wind down Group legacy matters;
- Focus on succession planning and capacity building; and
- Target 3% operational margins within 24 months.

Summarised statement of financial position
as at 30 June 2023

2022* AUDm	2023* AUDm		Notes	2023 Rm	2022 Rm
		ASSETS			
		Non-current assets			
8,9	**8,0**	Goodwill arising on consolidation		**100**	100
220,0	**236,5**	Property, plant and equipment		**2 968**	2 479
53,8	**39,0**	Right-of-use assets		**489**	606
12,6	**11,3**	Infrastructure investments		**142**	142
65,5	**80,2**	Deferred taxation		**1 006**	738
6,5	**31,9**	Lease receivables		**400**	73
1,4	**1,6**	Other non-current assets		**20**	16
368,7	**408,5**			**5 125**	4 154
		Current assets			
91,2	**20,9**	Inventories		**262**	1 028
321,8	**422,4**	Contract assets	9	**5 302**	3 626
74,3	**34,0**	Trade and other receivables		**427**	837
5,3	**2,2**	Taxation receivable		**27**	60
0,8	**6,5**	Lease receivables		**81**	9
232,2	**189,7**	Cash and bank balances		**2 381**	2 617
725,6	**675,7**			**8 480**	8 177
12,8	**4,7**	Assets Held for Sale	10	**59**	144
1 107,1	**1 088,9**	**TOTAL ASSETS**		**13 664**	12 475
		EQUITY AND LIABILITIES			
		Equity			
		Stated capital		**4 776**	4 747
		Other reserves		**1 678**	989
		Accumulated losses		**(3 305)**	(2 023)
329,6	**250,9**	Equity attributable to equity-holders of parent		**3 149**	3 713
0,6	**0,5**	Non-controlling interest		**6**	7
330,2	**251,4**	**TOTAL EQUITY**		**3 155**	3 720
		LIABILITIES			
		Non-current liabilities			
10,7	**17,4**	Deferred taxation		**218**	121
20,3	**40,2**	External borrowings and other liabilities	11	**504**	229
68,6	**68,0**	Lease liabilities	12	**854**	773
8,3	**6,9**	Provisions		**86**	94
33,5	**35,5**	Employee-related payables		**446**	377
141,4	**168,0**			**2 108**	1 594
		Current liabilities			
150,8	**172,5**	Contract liabilities	9	**2 165**	1 699
22,4	**41,1**	External borrowings and other liabilities	11	**516**	252
23,6	**23,9**	Lease liabilities	12	**300**	266
28,2	**22,6**	Employee-related payables		**284**	318
368,2	**375,9**	Trade and other payables		**4 716**	4 149
40,0	**33,5**	Provisions		**420**	451
0,9	**–**	Taxation payable		**–**	10
634,1	**669,5**			**8 401**	7 145
1,4	**–**	Liabilities Held for Sale	10	**–**	16
776,9	**837,5**	**TOTAL LIABILITIES**		**10 509**	8 755
1 107,1	**1 088,9**	**TOTAL EQUITY AND LIABILITIES**		**13 664**	12 475

* Supplementary non-IFRS information. Converted at a closing exchange rate of R12,55 /AUD1 (2022 – R11,27/ AUD1). 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 2: Basis of preparation* and changes to the Group accounting policies.

Summarised statement of comprehensive earnings

for the year ended 30 June 2023

2022 AUDm*	**2023 AUDm***		Notes	**2023 Rm**	(Re-presented)[1] 2022 Rm
		Continuing operations			
2 028,2	**2 405,4**	Revenue		**28 865**	22 527
(1 868,1)	**(2 366,6)**	Cost of sales		**(28 422)**	(20 749)
160,1	**38,8**	**Gross earnings**		**443**	1 778
2,4	**9,0**	Other earnings		**109**	27
(129,6)	**(134,4)**	Operating expenses		**(1 610)**	(1 440)
(0,5)	**(0,2)**	Loss from equity-accounted investments		**(2)**	(5)
32,4	**(86,8)**	**Operating (loss) / earnings**		**(1 060)**	360
(7,8)	**0,7**	Capital earnings / (expenses)		**9**	(87)
0,7	**6,6**	Finance earnings		**77**	8
(13,6)	**(17,0)**	Finance expenses		**(200)**	(152)
11,7	**(96,4)**	**(Loss) / earnings before taxation**		**(1 174)**	129
(2,6)	**4,7**	Taxation	14	**57**	(29)
9,1	**(91,7)**	(Loss) / earnings from continuing operations		**(1 117)**	100
		Discontinued operations			
10,1	**10,2**	Earnings from discontinued operations, net of taxation	5	**120**	111
–	**(35,8)**	Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition		**(436)**	–
(7,3)	**13,4**	Gain / (loss) on disposal of assets Held for Sale and fair value adjustment		**150**	(81)
2,8	**(12,2)**	(Loss) / earnings from discontinued operations		**(166)**	30
11,9	**(103,9)**	**(Loss) / earnings for the year**		**(1 283)**	130
		Other comprehensive earnings			
		Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
–	**35,3**	Exchange differences on translating foreign operations reclassified to earnings and loss on derecognition		**436**	–
9,6	**21,6**	Exchange differences on translating foreign operations		**267**	107
9,6	**56,9**	**Other comprehensive earnings for the period, net of taxation**		**703**	107
21,5	**(47,0)**	**Total comprehensive (loss) / earnings for the period**		**(580)**	237

[1] Refer to note 5: *Discontinued operations* for the reclassification of Trident Steel from continuing operations to discontinued operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at a weighted average exchange rate of R12,34/AUD1 (2022 – R11,11/ AUD1). 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 2: Basis of preparation and changes to the Group accounting policies.*

Summarised statement of comprehensive earnings continued

for the year ended 30 June 2023

2022 AUDm*	**2023 AUDm***		Notes	**2023 Rm**	(Re–presented)[1] 2022 Rm
		Total comprehensive (loss) / earnings for the period attributable to:			
21,5	**(46,9)**	Equity-holders of the parent		**(579)**	237
–	**(0,1)**	Non-controlling interest		**(1)**	–
21,5	**(47,0)**			**(580)**	237
		(Loss) / earnings for the period attributable to:			
11,9	**(103,8)**	Equity-holders of the parent		**(1 282)**	130
–	**(0,1)**	Non–controlling interest		**(1)**	–
11,9	**(103,9)**			**(1 283)**	130
		Other comprehensive earnings for the period, net of taxation			
9,6	**56,9**	Equity-holders of the parent		**703**	107
9,6	**56,9**			**703**	107
		Results per share (cents)			
		Basic (loss) / earnings per share			
7,4	**(72,7)**	Continuing operations	8	**(886)**	82
2,2	**(9,7)**	Discontinued operations	8	**(131)**	24
9,6	**(82,4)**			**(1 017)**	106
		Diluted (loss) / earnings per share			
7,0	**(72,7)**	Continuing operations	8	**(886)**	77
2,1	**(9,7)**	Discontinued operations	8	**(131)**	23
9,1	**(82,4)**			**(1 017)**	100
		Number of shares (millions)			
129,5	**131,3**	In issue	8	**131,3**	129,5
122,5	**126,1**	Weighted average	8	**126,1**	122,5
129,4	**126,1**	Diluted weighted average	8	**126,1**	129,4

1 Refer to note 5: *Discontinued operations* for the reclassification of Trident Steel from continuing operations to discontinued operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at a weighted average exchange rate of R12,34/AUD1 (2022 – R11,11/ AUD1). 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 2: Basis of preparation and changes to the Group accounting policies.*

Summarised statement of changes in equity

for the year ended 30 June 2023

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm
Year ended 30 June 2022			
Balance at 1 July 2021	4 747	795	52
Earnings for the period	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	107	–
Total comprehensive earnings for the period	–	107	–
Equity-settled share-based payment – shares granted	–	–	35
Balance as at 30 June 2022	4 747	902	87
Year ended 30 June 2023			
Balance at 1 July 2022	**4 747**	**902**	**87**
Loss for the period	**–**	**–**	**–**
Other comprehensive earnings for the period (net of taxation)	**–**	**267**	**–**
Exchange differences on translating foreign operations reclassified to earnings and loss on derecognition	**–**	**436**	**–**
Total comprehensive loss for the period	**–**	**703**	**–**
Equity-settled share-based payment – shares granted	**–**	**–**	**15**
Equity-settled share-based payment – shares vested	**29**	**–**	**(29)**
Total contributions and distributions recognised	**29**	**–**	**(14)**
Balance as at 30 June 2023	**4 776**	**1 605**	**73**

Total other reserves Rm	Accumulated losses Rm	Total attributable to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
847	(2 153)	3 441	7	3 448
–	130	130	–	130
107	–	107	–	107
107	130	237	–	237
35	–	35	–	35
989	(2 023)	3 713	7	3 720
989	**(2 023)**	**3 713**	**7**	**3 720**
–	**(1 282)**	**(1 282)**	**(1)**	**(1 283)**
267	**–**	**267**	**–**	**267**
436	**–**	**436**	**–**	**436**
703	**(1 282)**	**(579)**	**(1)**	**(580)**
15	**–**	**15**	**–**	**15**
(29)	**–**	**–**	**–**	**–**
(14)	**–**	**15**	**–**	**15**
1 678	**(3 305)**	**3 149**	**6**	**3 155**

Summarised statement of cash flows

for the year ended 30 June 2023

	Notes	2023 Rm	2022 Rm
Cash flow from operating activities			
Cash (utilised) / generated from operating activities	16	**(421)**	1 468
Finance expenses paid		**(295)**	(288)
Finance earnings received		**82**	14
Taxation paid		**(47)**	(47)
Cash (outflow) / inflow from operating activities		**(681)**	1 147
Cash flow from investing activities			
Acquisition of property, plant and equipment − expansion		**(614)**	–
Acquisition of property, plant and equipment − replacement		**(751)**	(834)
Proceeds on disposal of property, plant and equipment		**82**	168
Proceeds on disposal of Trident Steel	15	**1 073**	–
Proceeds on disposal of other assets Held for Sale		**74**	106
Capital expenditure net of proceeds on disposal		**(136)**	(560)
Advance of short-term loan		**(210)**	–
Repayment of short-term loan		**210**	–
Dividends received		**10**	21
Advances in respect of other non-current assets		**(7)**	(9)
Cash movements in investing activities classified as Held for Sale		**(10)**	1
Cash outflow from investing activities		**(143)**	(547)
Cash flow from financing activities			
Financing activities with debt-holders			
Repayment of external borrowings		**(619)**	(399)
Proceeds from external borrowings		**1 165**	–
Proceeds from Trade Finance Facility – Held for Sale		**450**	–
Repayment of Trade Finance Facility – Held for Sale		**(450)**	–
Receipt of capital portion of lease receivable		**19**	–
Payment of capital portion of lease liabilities		**(273)**	(240)
Payment of capital portion of lease liabilities – Held for Sale		**–**	(4)
Cash inflow / (outflow) from financing activities		**292**	(643)
Net decrease in cash and bank balances before foreign exchange movements		**(532)**	(43)
Foreign exchange movements on cash and bank balances		**296**	141
Cash and bank balances at the beginning of the period		**2 617**	2 519
Total cash and bank balances at the end of the period		**2 381**	2 617

Notes to the summarised consolidated annual financial statements

for the year ended 30 June 2023

1. CORPORATE INFORMATION

The summarised audited consolidated financial statements (results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the period ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 22 August 2023.

Nature of business

Aveng Limited is a limited liability company incorporated and domiciled in the Republic of South Africa whose shares are publicly traded. The Group operates in the construction, engineering and mining environments and as a result the revenue is not seasonal in nature, but is influenced by the nature and execution of the contracts currently in progress.

Change in directorate

- Mr Bernard Swanepoel resigned as an independent non-executive director effective 31 March 2023.
- Ms May Hermanus retired as an independent non-executive director effective 17 July 2023.
- Mr Michael Kilbride retired as an independent non-executive director effective 17 July 2023.
- Mr David Noko was appointed as an independent non-executive director effective 31 March 2023.
- Mr Nicholas Bowen was appointed as an independent non-executive director effective 17 July 2023.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The summarised consolidated financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest million (Rm) except where 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 2022, except as disclosed *in note 3: Standards and interpretations effective and not yet effective* of the Group's audited consolidated financial statements.

The summarised consolidated financial results do not include all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at 30 June 2023 that are available on the Company's website, www.aveng.co.za.

The financial results have been prepared by Gregory Beevers CA(SA) under the supervision of the Group CFO, Adrian Macartney CA(SA).

The information disclosed in the summarised consolidated financial statements is derived from the information contained in the audited annual consolidated financial statements which includes the audit report detailing the key audit matters and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements, which is available on the website.

2.2 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, 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 Listings Requirements. The pro forma financial information is the responsibility of the Board of directors and is presented for illustrative purposes only. Because of its

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP ACCOUNTING POLICIES continued

2.2 Supplementary information continued

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 annual financial statements for the year ended 30 June 2023.

2.3 Assessment of significance or materiality of amounts disclosed in these summarised results

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

2.4 Changes to Group accounting policies

A number of other new standards and interpretations are effective from 1 July 2022 but they do not have a material effect on the Group's financial statements.

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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.

3.1.2 Contract assets / (liabilities)

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 9: Contract assets / (liabilities)* for further detail.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

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 in respect of 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 are 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 7: Impairments*.

3.1.4 Revenue recognition

In the *Construction and Engineering: Australasia and Asia* segment, 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 of the contract or milestone achieved.

Judgements made in the application of the accounting policies for contracting revenue and earnings 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

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

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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 will reassess the tax treatment if facts and circumstances change.

3.1.8 Held for Sale classification

Trident Steel

At 31 December 2022, a binding sale of business agreement was in place, with a credible buyer, to dispose of Trident Steel, a division of Aveng Africa (Proprietary) Limited, as a going concern.

At this date, the Group classified the Trident Steel as Held for Sale, and measured the business at the lower of fair value less costs of disposal and the carrying amount. The fair value less costs of disposal exceeded its carrying amount. No fair value adjustment was required.

The Group completed the disposal of Trident Steel as a going concern for total cash proceeds of R1,2 billion, with an effective date of 28 April 2023. The transaction constituted a Category 1 transaction in terms of the JSE Listings Requirements. Refer to the Circular distributed to shareholders on 2 December 2022 for further details relating to the transaction, as well as the SENS announcement to shareholders on 3 May 2023 upon completion of the disposal.

4. GOING CONCERN AND LIQUIDITY

As detailed in *note 2: Basis of preparation and changes to the Group accounting policies* and note 18: *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.

4. GOING CONCERN AND LIQUIDITY continued

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

Execution of plans

- Continued profitability in the operating performance of McConnell Dowell's Australian and New Zealand & Pacific business units and breakeven position of Built Environs. This improved performance is overshadowed by the substantial loss in Southeast Asia, primarily from the Batangas LNG terminal project and poor operational performance at Moolmans;
- Moolmans committed to investing R900 million in new heavy mining equipment, with expansion capital expenditure of R613 million in the current year. The delay in delivery of equipment to site, negatively impacted the current year result;
- Full settlement of the remaining South African legacy debt of R478 million and short-term trade finance facility of R450 million;
- Completion of the non-core asset disposal plan:

  Current year

  - The conclusion of the sale of Trident Steel for total cash proceeds of R1,2 billion (including the ticking fee of R75 million) at a pre-tax profit of R160 million;
  - The conclusion of the sale of the Oakleaf and Firefly investments; and
  - The conclusion of the sale of the remaining Infraset factories

  The last remaining investment in Imvelo Concessions Company Proprietary Limited has been sold and is awaiting government approval, expected in the next 12 months. This will complete the non-core asset disposal plan.

  The expected disposal of the remaining investment in Imvelo Concession Company Proprietary Limited in the next 12 months, will complete the non-core asset disposal plan;
- Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more key inputs (operational business performance and timing of the disposal of Imvelo), including any effect on the ongoing compliance with covenant requirements in place with the South African Banks, Australian banks and other financing arrangements within the Group;
- Updated budget and business plans for post period-end up to 30 June 2026 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved;
- The continued monitoring of the Group's short-term liquidity forecast management process;
- Subsequent to year end the Group entered into new banking facilities with The Standard Bank of South Africa Limited and the existing Common Terms Agreement will be amended and restated to reflect this change. The facility supports working capital requirements for the South African operations.

In the 2023 financial year, the Group reported a loss for the year of R1,3 billion and an operating free cash outflow of R824 million. As a result of these losses, the Group's available cash resources were negatively impacted. 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 R2,4 billion at 30 June 2023 (30 June 2022: R2,6 billion), of which R996 million (30 June 2022: R605 million) is held in joint arrangements. After taking into account debt of R1 billion, the Group has net cash of R1.4 billion. Unutilised facilities amounted to R388 million (30 June 2022: R205 million).

Liquidity, solvency and ongoing funding

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely the Australian liquidity pool and the South African Group liquidity pool.

4. GOING CONCERN AND LIQUIDITY continued

Liquidity, solvency and ongoing funding continued

Following the encashment of the project guarantee by the client on the BLNG project, the bankers in Australia settled the guarantee, and in turn, McConnell Dowell settled an amount of R251 million (AUD20 million) by year end. A new term debt facility of R290 million (AUD23 million) was raised, in order to partially fund the encashment of the BLNG project guarantee, to be repaid in the next 12 months. McConnell Dowell closed with a cash balance of R2,2 billion (AUD 177 million). McConnell Dowell has added to its project guarantee facilities in support of its current and projected revenue. Project guarantee facilities amount to R8,6 billion (AUD688 million).

The South African Group liquidity pool remains tightly managed. The Group settled the South African legacy debt of R478 million and short-term trade finance facility of R450 million following the disposal of Trident Steel. Moolmans entered into new asset-backed financing of R704 million in the year.

Management updated the forecast up to the 2025 financial year end, as well as preparing cash flow forecasts covering a minimum of 12 months from the date of these audited consolidated annual financial statements. These forecasts have been prepared and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. The budgets, plans and forecasts have, together with the assumptions used, been interrogated, and approved by the Board.

The Group's current assets of R8,5 billion exceeded its current liabilities of R8,4 billion at 30 June 2023.

The Company's current assets of R337 million exceeded its current liabilities of R96 million at 30 June 2023.

The forecasts indicate that the Group will have sufficient cash resources for the foreseeable future. All businesses are expected to perform in line with business plans and are therefore expected to generate sufficient cash to meet their obligations.

The directors have considered all of the above, including detailed consideration of the current position of all 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 Group and Company 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 11: *External borrowings and other liabilities* and 18: *Events after the reporting period and pending transactions*.

5. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

The Group structure comprises of McConnell Dowell and Moolmans forming the ongoing business of the Group with *Aveng Construction: South Africa, Aveng Manufacturing and Trident Steel* no longer forming part of the continuing operations of the Group.

Aveng Africa completed the disposal of Trident Steel as a going concern on 28 April 2023. At 31 December 2022, management concluded that the Trident Steel business met the criteria of Held for Sale under IFRS 5 *Non-current assets Held for Sale and Discontinued operations* and was classified as such.

The earnings from discontinued operations comprise of *Manufacturing and Processing* segment, which includes Trident Steel and the remaining Infraset factories. Despite being non-core business, Aveng Construction: South Africa does not meet the discontinued operations criteria in IFRS 5 and is not included in the discontinued operation figures presented on the following page.

5. DISCONTINUED OPERATIONS continued

Identification and classification of discontinued operations continued

Following the disposal of the last remaining non-core assets, management focused its efforts on winding-up legacy operations, including foreign operations – predominantly in the rest of Africa. As a result, a cumulative amount of R436 million of exchange differences relating to foreign operations, recognised through other comprehensive income and accumulated in the foreign currency translation reserve has been reclassified from equity to profit or loss in the current year. This reclassification has no impact on the net asset value of the Group.

The Group is required to re-present the results of Trident Steel, previously presented in continuing operations, to discontinued operations for all periods presented.

5. DISCONTINUED OPERATIONS continued

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

	2022		
	Previously presented Rm	Re-presented Rm	Impact Rm
Earnings for the period			
Continuing operations	155	100	(55)
Discontinued operations	(25)	30	55
Results per share (cents)			
From continuing operations			
Earnings – basic	126	82	(44)
Earnings – diluted	119	77	(42)
From discontinued operations			
Earnings – basic	(20)	24	44
Earnings – diluted	(19)	23	42

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

	2023 Rm	2022 Rm
Revenue**	4 070	3 651
Cost of Sales	(3 712)	(3 317)
Gross earnings	358	334
Other earnings	15	113
Operating expenses	(169)	(231)
Operating earnings	204	216
Gain on disposal of property, plant and equipment	5	3
Fair value adjustments on properties and disposal groups classified as Held for Sale	–	(15)
Net finance expenses	(89)	(93)
Earnings for the period	120	111
Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition	(436)	–
Gain / (loss) on disposal of assets Held for Sale and fair value adjustment	150	(81)
(Loss) / earnings from discontinued operations	(166)	30
Attributable to:		
Equity-holders of the parent	(166)	30
Items by nature		
Capital expenditure	52	34

Cash flow from discontinued operations:

	2023 Rm	2022 Rm
Cash outflow from operating activities	(339)	(29)
Cash outflow from investing activities	(52)	(1)
Cash outflow from financing activities	(47)	(4)

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

** Revenue mostly consist of the sale of goods

6. 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;*
- *Manufacturing and Processing; and*
- *Other.*

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:

6.1.1 Construction and Engineering: Australasia and Asia

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

6.1.2 Mining

This segment comprises Moolmans, a tier-one contract mining business operating in Africa with a primary focus on open cast mining.

6.1.3 Construction and Engineering: South 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.

6.1.4 Manufacturing and processing

This segment comprised of Aveng Manufacturing and Trident Steel.

The Group completed the disposal of Trident Steel and the remaining Infraset factories in the current year.

The Group no longer reports on this reportable segment following the disposals.

6.1.5 Other

This comprises corporate services and the balance of corporate held investments and properties.

6. SEGMENTAL REPORT continued

	Note	Construction and Engineering: Australasia and Asia 2023 Rm	Construction and Engineering: Australasia and Asia 2022 Rm	Mining 2023 Rm	Mining 2022 Rm
Continuing operations					
Revenue		**25 950**	19 034	**2 897**	3 349
Gross earnings / (loss)		**398**	1 378	**100**	409
Operating (loss) / earnings		**(815)**	385	**(110)**	207
Capital earnings / (expenses)		**–**	16	**(13)**	(148)
Finance earnings		**56**	6	**11**	2
Finance expenses		**(16)**	(34)	**(50)**	(20)
(Loss) / earnings before taxation		**(775)**	373	**(162)**	41
Taxation		**–**	(26)	**53**	4
(Loss) / earnings for the period		**(775)**	347	**(109)**	45
Discontinued operations					
(Loss) / earnings for the period		**–**	–	**–**	–
Continuing and discontinued operations					
(Loss) / earnings before interest, taxation, depreciation and amortisation					
Operating (loss) / earnings before non-recurring items		**(815)**	385	**(110)**	207
Depreciation		**312**	278	**436**	450
Amortisation		**–**	–	**–**	3
(Loss) / earnings before interest, taxation, depreciation and amortisation (EBITDA)		**(503)**	663	**326**	660
Normalised earnings for the period		**(774)**	331	**(154)**	87
Total assets		**9 341**	7 401	**3 590**	2 856
Total liabilities		**7 757**	5 205	**1 651**	812
Capital expenditure		**224**	187	**1 087**	622

Construction and Engineering: South Africa		Other		Manufacturing and Processing		Total	
2023 Rm	2022 Rm	**2023 Rm**	2022 Rm	**2023 Rm**	2022 Rm	**2023 Rm**	2022 Rm
18	150	**–**	(6)	**–**	–	**28 865**	22 527
(41)	(12)	**(14)**	3	**–**	–	**443**	1 778
(59)	(67)	**(76)**	(165)	**–**	–	**(1 060)**	360
1	–	**21**	45	**–**	–	**9**	(87)
–	–	**10**	1	**–**	–	**77**	9
(2)	–	**(132)**	(99)	**–**	–	**(200)**	(153)
(60)	(67)	**(177)**	(218)	**–**	–	**(1 174)**	129
–	–	**4**	(7)	**–**	–	**57**	(29)
(60)	(67)	**(173)**	(225)	**–**	–	**(1 117)**	100
–	–	**(286)**	(81)	**120**	111	**(166)**	30
(59)	(67)	**(76)**	(164)	**204**	215	**(856)**	576
–	–	**3**	3	**44**	95	**795**	826
–	–	**–**	–	**1**	1	**1**	4
(59)	(67)	**(73)**	(162)	**249**	311	**(60)**	1 405
(60)	(67)	**(150)**	(252)	**127**	105	**(1 011)**	204
43	78	**690**	71	**–**	2 059	**13 664**	12 465
164	215	**937**	1 075	**–**	1 437	**10 509**	8 744
–	–	**2**	1	**52**	24	**1 365**	834

6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	South Africa Rm	Rest of Africa including Mauritius Rm	Australia Rm	New Zealand and Pacific Islands Rm	Southeast Asia Rm	Other regions Rm	Total Rm
2023							
Revenue	**6 958**	**27**	**20 780**	**3 793**	**1 377**	**–**	**32 935**
Continuing operations	**2 915**	**–**	**20 780**	**3 793**	**1 377**	**–**	**28 865**
Discontinued operations	**4 043**	**27**	**–**	**–**	**–**	**–**	**4 070**
Operating (loss) / earnings	**(39)**	**–**	**558**	**222**	**(1 594)**	**(3)**	**(856)**
Continuing operations	**(243)**	**–**	**558**	**222**	**(1 594)***	**(3)**	**(1 060)**
Discontinued operations	**204**	**–**	**–**	**–**	**–**	**–**	**204**
Capital expenditure	**1 141**	**–**	**82**	**103**	**39**	**–**	**1 365**
Continuing operations	**1 089**	**–**	**82**	**103**	**39**	**–**	**1 313**
Discontinued operations	**52**	**–**	**–**	**–**	**–**	**–**	**52**
Segment assets	**4 320**	**(5)**	**6 587**	**1 595**	**1 159**	**8**	**13 664**
2022							
Revenue	6 944	200	13 695	2 598	2 741	–	26 178
Continuing operations	3 293	200	13 695	2 598	2 741	–	22 527
Discontinued operations	3 651	–	–	–	–	–	3 651
Operating earnings / (loss)	159	32	593	59	(267)	–	576
Continuing operations	(57)	32	593	59	(267)	–	360
Discontinued operations	216	–	–	–	–	–	216
Capital expenditure	647	–	117	60	10	–	834
Continuing operations	613	–	117	60	10	–	800
Discontinued operations	34	–	–	–	–	–	34
Segment assets	4 955	89	4 852	1 216	1 333	20	12 465

* Includes the impact of the losses on the Batangas LNG project of AUD104 million (R1,2 billion).

6. SEGMENTAL REPORT continued

	Notes	2023 Rm	2022 Rm
Loss / earnings for the period		**(1 283)**	130
Continuing operations		**(1 117)**	100
Discontinuing operations		**(166)**	30
Non-recurring items			
Impairment loss on equity-accounted investments		**3**	–
Impairment loss on intangible assets		**–**	8
Reversal of impairment loss on long-term receivables		**–**	(26)
Reversal of impairment of right-of-use asset		**(24)**	–
(Gain) / loss on disposal of Held for Sale		**(150)**	22
Loss / (gain) on disposal of property, plant and equipment		**7**	(4)
Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition		**436**	–
Fair value loss on disposal groups classified as Held for Sale	10	**–**	74
Normalised (loss) / earnings for the period[1]		**(1 011)**	204
Normalised (loss) / earnings per share – basic (cents)[2]		**(802)**	167
Normalised (loss) / earnings per share – diluted (cents)[3]		**(802)**	158

[1] Normalised (loss) / earnings for the period adjusts the (loss) / earnings for the period 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 exchange differences on translating foreign operations reclassified to earnings or loss on derecognition. The adjustments for non-recurring items are not expected to re-occur on a continuing basis.

[2] Normalised (loss) / earnings per share – basic is calculated by dividing the normalised (loss) / earnings for the period by the weighted average number of shares. Refer to note 8: Earnings and Headline Earnings for the determination of the weighted average number of shares.

[3] Normalised (loss) / earnings per share – diluted is calculated by dividing the normalised (loss) / earnings for the period by the diluted weighted average number of shares. Refer to note 8: Earnings and Headline Earnings for the determination of diluted weighted average number of shares.

7. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2023. 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.

7.1 Assets in the scope of IAS 36 *Impairments*

Goodwill arising on consolidation

A compulsory impairment assessment of goodwill allocated to the McConnell Dowell CGU was performed in the current year. The McConnell Dowell CGU falls under the *Construction and Engineering: Australasia and Asia* reportable segment. The recoverable amount of the CGU, being the value-in-use based on a discount rate of 15,7% (2022: 14,2%), materially exceeded the carrying amount of the CGU and hence no goodwill impairment loss was recognised in the current year.

Other individual 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 no impairment was required in the current year (30 June 2022: R106 million) relating to owned equipment and vehicles. The prior year 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.
- **Intangible assets at Moolmans, which is part of the *Mining* reportable segment.** As at 30 June 2023, the Group determined that no impairment was required (30 June 2022: R8 million) 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.

7.2 Total impairment losses for the prior year

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

	2022	
	Property, plant and equipment Rm	Intangible assets Rm
Other individual assets in the scope of *IAS 36*		
Aveng Moolmans	**106**	**8**
	106	**8**

8. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2023		2022	
	Number of shares	**Weighted average number of shares**	Number of shares	Weighted average number of shares
Opening balance	**129 483 343**	**129 483 343**	64 741 672 056	35 739 404 321
Issue of shares – Equity-settled share-based payment plan (29 June 2023)	**1 807 677**	**14 858**	–	–
Issue of shares – Rights offer (15 March 2021)	**–**	**–**	–	22 358 997 268
Issue of shares – Class A Shares (15 March 2021)	**–**	**–**	–	427 370 106
Issue of shares – Rights offer (7 June 2021)	**–**	**–**	–	4 581 879 966
Issue of shares – Class A Shares (7 June 2021)	**–**	**–**	–	1 634 020 395
Share consolidation (8 December 2021)	**–**	**–**	(64 612 188 713)	(64 612 188 713)
	131 291 020	**129 498 201**	129 483 343	129 483 343
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(12 037)**	**(12 037)**	(6 018 386)	(6 018 386)
Aveng Management Company (Pty) Ltd	**(1 577)**	**(1 577)**	(788 684)	(788 684)
Equity-settled share-based payment plan	**(5 343 186)**	**(3 418 430)**	(3 500 186 838)	(3 500 186 838)
Share consolidation (8 December 2021)	**–**	**–**	3 499 979 920	3 499 979 920
Total treasury shares	**(5 356 800)**	**(3 432 045)**	(7 013 988)	(7 013 988)
Weighted average number of shares	**125 934 220**	**126 066 156**	122 469 355	122 469 355
Add: Shares issuable in terms of the equity-settled share-based payment plan	**–**	**–**	3 488 000 000	3 488 000 000
Less: Shares issued in terms of the				
Share consolidation (8 December 2021)	**–**	**–**	(3 481 024 000)	(3 481 024 000)
Diluted weighted average number of shares*	**125 934 220**	**126 066 156**	129 445 355	129 445 355

* The shares issuable in terms of the equity-settled share-based payment plan were anti-dilutive for the year ended 30 June 2023 and have therefore not been included in the calculation of diluted number of shares.

8. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

	2023		2022	
	Gross of taxation Rm	**Net of taxation Rm**	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings				
(Loss) / earnings for the period attributable to equity-holders of parent		**(1 282)**		130
Impairment of intangible assets	**–**	**–**	8	8
Impairment of property, plant and equipment	**–**	**–**	106	81
Impairment of equity-accounted investments	**3**	**3**	–	–
(Gain) / loss on disposal of assets Held for Sale	**(162)**	**(150)**	22	22
Loss / (gain) on disposal of property, plant and equipment	**7**	**7**	(4)	(4)
Reversal of impairment loss of right-of-use asset	**(24)**	**(24)**	–	–
Loss on derecognition of components	**93**	**68**	161	152
Exchange differences on translating foreign operations reclassified to earnings and loss on derecognition	**436**	**436**	–	–
Insurance proceeds on plant and equipment – Trident Steel	**(8)**	**(8)**	–	–
Fair value adjustment on properties and disposal groups classified as Held for Sale*	**–**	**–**	(81)	(81)
Headline (loss) / earnings		**(950)**		308
Diluted Headline (loss) / earnings		**(950)**		308
HEPS from continuing & discontinued operations				
Headline earnings per share – basic (cents)		**(753)**		252
Headline earnings per share – diluted (cents)		**(753)**		238
Issued shares		**131,3**		129,5
Weighted average shares		**126,1**		122,5
Diluted shares		**126,1**		129,4

* Excludes R155 million of depreciation released on reclassification of Trident Steel to continuing operations for Headlines earnings. Refer to note 10: Assets and liabilities classified as Held for Sale.

9. CONTRACT ASSETS / (LIABILITIES)

	2023 Rm	2022 Rm
Uncertified claims and variations (underclaims)[1]	**1 955**	1 225
Contract contingencies	**(160)**	(81)
Progress billings received (including overclaims and early customer receipts)[2/5]	**(2 165)**	(1 699)
Uncertified claims and variations less progress billings received	**(370)**	(555)
Contract receivables[3]	**3 381**	2 427
Provision for expected credit loss	**(2)**	(3)
Retention receivables[4]	**128**	58
Net contract assets	**3 137**	1 927
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations[1]	**1 955**	1 225
Contract contingencies	**(160)**	(81)
Contract receivables	**3 381**	2 427
Retention receivables	**128**	58
Provision for expected credit losses	**(2)**	(3)
Contract assets	**5 302**	3 626
Progress billings received (including overclaims and amounts received in advance)[2/5]	**(2 165)**	(1 699)
Contract liabilities	**(2 165)**	(1 699)
Net contract assets	**3 137**	1 927

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.
5 Advances are amounts received from the customer before the related work is performed.
These conditions are anticipated to be fulfilled within the following 12 months.

10. 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
- *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 5: Discontinued Operations*.

Sales finalised in the current year

Manufacturing and Processing

Trident Steel

At 31 December 2022, management concluded that the Trident Steel business met the criteria of Held for Sale under *IFRS 5 Non-current assets Held for Sale and Discontinued Operations* and was classified as such.

At this date, the Group measured the Trident Steel business at the lower of fair value less costs of disposal and the carrying amount. The fair value less costs of disposal exceeded its carrying amount. No fair value adjustment was required.

The Group completed the disposal of Trident Steel as a going concern for cash proceeds of R1,2 billion (including the ticking fee), with an effective date of 28 April 2023. The transaction constituted a Category 1 transaction in terms of the JSE Listings Requirements. Refer to the Circular distributed to shareholders on 2 December 2022 as well as *note 15. Disposal of assets Held for Sale* for further details relating to the transaction.

Construction and Engineering: South Africa

Infrastructure assets and equity-accounted investments

The disposal of investments in Firefly Investments 238 Proprietary Limited ("Firefly") and Oakleaf investment Holdings 86 Proprietary Limited ("Oakleaf") have been completed in the current year. The disposals do not require separate disclosure in terms of the JSE Listings Requirements.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

	Notes	2023 Rm	2022 Rm
Assets Held for Sale		**59**	144
Liabilities Held for Sale		**–**	(16)
		59	128
Movement during the period			
Opening Balance		**128**	414
Movements in:			
Non-current assets		**11**	(110)
Current assets		**748**	110
Non-current liabilities		**23**	86
Current liabilities		**(156)**	108
Sale of assets Held for Sale		**(1 398)**	(92)
Adjustment to fair value less cost of disposal*	10.1	**–**	(74)
Transferred to / from:			
Transfer to assets classified as Held for Sale		**285**	136
Transfer from liabilities / (assets) classified as Held for Sale		**418**	(450)
Net assets Held for Sale		**59**	128

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

10.1 Adjustment to fair value less cost of disposal

	2023 Rm	2022 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
Total Trident Steel	**–**	(52)
Other adjustments		
Fair value loss on investments classified as Held for Sale	**–**	(16)
Fair value loss on disposal groups classified as Held for Sale	**–**	(6)
Total other adjustments	**–**	(22)
	–	(74)

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 2023	Total Rm
ASSETS	
Non-current assets	
Imvelo Concessions investment	**59**

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

30 June 2022	Equity-accounted and Infrastructure Investments Rm	Manufacturing 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

11. EXTERNAL BORROWINGS AND OTHER LIABILITIES

	Notes	2023 Rm	2022 Rm
Borrowings held at amortised cost comprise:			
Credit and term facilities		**314**	478
– within one year		**314**	250
– between two and five years		**–**	228
Asset-backed financing arrangements		**706**	3
– within one year		**202**	2
– between two and five years		**504**	1
Total borrowings held at amortised cost		**1 020**	481
Interest rate structure			
Fixed and variable (interest rates)			
Fixed – long-term		**–**	1
Fixed – short-term		**26**	2
Variable – long-term		**504**	228
Variable – short-term		**490**	250
		1 020	481

Description	Terms	Rate of interest	Rm	Rm
Credit and term facilities				
Restructured term facility (ZAR)	Settled April 2023	3M JIBAR + 7,17%	**–**	478
Short-term debt facility (AUD)	Repayable June 2024	Variable interest rate at BBSY + 4%	**290**	–
Short-term financing (AUD)	Monthly instalment ending March 2024	Fixed interest rate of 7,7%	**24**	–
Asset-backed financing arrangements				
Facilities denominated in AUD	Monthly instalment ending February 2025	Fixed range of 2,99% to 6,41%	**2**	3
Hire purchase agreement (USD)	Monthly instalments ending February 2027	South African Prime + 1,75%	**567**	–
Hire purchase agreement (ZAR)	Monthly instalments ending March 2027	South African Prime	**137**	–
Total interest-bearing borrowings			**1 020**	481

* Amount less than R1 million.

Unutilised borrowing facilities

At 30 June 2023, the Group had available R388 million (includes bank overdraft facilities of R205 million) (2022: R205 million (includes bank overdraft facilities of R205 million)) of unutilised borrowing facilities.

11. EXTERNAL BORROWINGS AND OTHER LIABILITIES continued

Asset-backed financing arrangements

Construction and Engineering: Australasia and Asia

The business 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 AUD0,2 million (2022: AUD0,3 million). The amount outstanding on these facilities as at year end was AUD0,2 million (2022: AUD0,3 million) and is equivalent to R2 million (2022: R3 million). These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R3 million (2022: R4 million).

Mining

The business 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 R887 million. The amount outstanding on these facilities as at year end was R704 million. These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R604 million.

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

	2023 Rm	2022 Rm
Asset-backed financing arrangements are payable as follows:		
Minimum payments due		
– within one year	**280**	2
– in two to five years	**609**	1
Less: future finance charges	**(183)**	–
Present value of minimum payments	**706**	3

12. LEASE LIABILITIES

	2023 Rm	2022 Rm
Opening balance	**1 039**	519
New leases	**430**	88
Lease instalments	**(370)**	(344)
Interest on lease liabilities	**97**	106
Classified as Held for Sale – transferred in	**–**	657
Derecognitions	**(67)**	–
Unrealised foreign exchange movements	**25**	13
Closing balance	**1 154**	1 039
Maturity analysis		
Lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	**372**	300
– in two to five years	**960**	987
– more than five years	**–**	21
Less: future finance charges	**(178)**	(269)
Present value of minimum lease payments	**1 154**	1 039
Non-current lease liabilities	**854**	773
Current lease liabilities	**300**	266

The total cash outflow related to leases for the year amounts to R533 million (2022: R533 million).

13. 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:

	2023 Rm	2022 Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**82**	325
Parent company guarantees (ZARm)	**116**	87
	198	412
Australasia and Asia		
Guarantees and bonds (AUDm)	**436**	346
Parent company guarantees (AUDm)	**2**	2
	438	348

Bank guarantees issued by joint ventures and associates

The Group's share of bank guarantees issued by its joint ventures and associates is R16 million (June 2022: R 82 million).

Claims and disputes in the ordinary course of business

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

13. CONTINGENT LIABILITIES AND ASSETS continued

Claims and disputes in the ordinary course of business continued

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

Based on internal and/or external assessments and/or advice from legal advisers (where appropriate, including counsel), the Board believes that there is significant uncertainty as to whether a future exposure or liability will arise in respect of normal course of business claims or disputes, and as such these are on balance considered to be remote.

The Board believes that Aveng has realistic defences against normal course of business claims and legal disputes, and any adverse decisions in relation to contingent liabilities in this regard will not have a material adverse effect on the financial position of the Group.

Specific claims and 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 and a claim relating to basement penalties. 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 from the client was received, which Aveng Africa has disputed and since referred to arbitration. Aveng Africa is represented in the matter by specialist legal advisers, including senior counsel. The abovementioned claims are in various stages of dispute resolution processes and will have an impact on the final account dispute. Having regard to the advice received from its advisers, the Board is of the view 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 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. Aveng Africa is represented in the matter by specialist legal advisers, including senior counsel. Having regard to the advice received from its advisers, the Board is 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 anticompetitive practices by Aveng Africa would be settled. As a result, Aveng Africa agreed to make 12 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. Summons was issued against Aveng Africa and others, and the parties are defending the matter. The matter is ongoing. Aveng Africa is represented in the matter by specialist legal advisers, including senior counsel.

On the 21 December 2022, the Equity Division of the Supreme Court of New South Wales delivered its judgement in relation to the claims brought by a plant leasing company and its liquidator against McConnell Dowell. The court dismissed the plaintiff's claim and ruled that the plaintiff had failed to establish its case. The matter remains ongoing as the plaintiff is of the view that they have grounds for appeal. McConnell Dowell is represented in the matter by specialist legal advisers.

McConnell Dowell and its joint venture partner, along with its insurers, are defending a claim from a client, in which it is alleged that a defect exists on a project in New South Wales. McConnell Dowell is represented in the matter by specialist legal advisers.

14. TAXATION

Major components of the taxation expense	2023 Rm	2022 Rm
Current taxation		
Local income taxation – current period – continuing operations	**1**	–
Local income taxation – current period – discontinued operations	**12**	–
Foreign income taxation or withholding taxation – current period	**32**	44
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	**10**	4
	55	48
Deferred taxation		
Deferred taxation – current period	**(96)**	(19)
Deferred taxation – arising from prior period adjustments	**(4)**	–
	(100)	(19)
	(45)	29

The South African income tax rate has been decreased to 27% (2022: 28%) 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 inacted. Taxation in other jurisdictions is calculated at the prevaling rates.

15. DISPOSAL OF ASSETS HELD FOR SALE

On 28 April 2023, the Group concluded the disposal of Trident Steel, a division of Aveng Africa (Proprietary) Limited, as a going concern total cash proceeds of R1.2 billion (including ticking fee). This comprised R700 million in purchase consideration, the return of R264 million net cash to be retained by Aveng, the payment of an accumulated ticking fee equal to R75 million and the refund to Aveng of R183 million of additional liquidity that was previously provided to the Business to fund growth in the period after 30 June 2022.

Trident Steel formed part of the *Manufacturing and Processing* segment.

The transaction constituted a Category 1 transaction in terms of the JSE Listings Requirements. Refer to the Circular distributed to shareholders on 2 December 2022 for further details relating to the transaction.

A gain of R2 million was recognised on the disposal of Oakleaf, Firefly and remaining Infraset factories.

Gain / (loss) on disposal of assets Held for Sale and fair value adjustments	2023 Rm	2022 Rm
Trident Steel	**148**	–
Other assets Held for Sale	**2**	(22)
Fair value loss on disposal groups Held for Sale	**–**	(59)
	150	(81)

30 June 2023	Trident Steel Rm
Trident Steel	
Total assets	**2 846**
Property, plant and equipment	**209**
Right-of-use assets	**324**
Intangible assets	*****
Other non-current assets	**4**
Inventories	**1 481**
Trade and other receivables	**828**
Total liabilities	**1 515**
Employee-related payables	**28**
Lease liabilities	**6**
Trade and other payables	**1 481**
Net assets sold	**1 331**
Lease receivable recognised**	**418**
Total cash proceeds net of transaction costs	**1 073**
Purchase consideration	**1 222**
Less: Proceeds from ticking fee***	**(75)**
Less: Purchaser cash portion	**(37)**
Less: Transaction costs paid****	**(37)**
Gain before taxation (Subtotal)	**160**
Taxation	**(12)**
Gain on disposal of Trident Steel	**148**

* Amount less than R1 million.

** The headlease for certain IFRS 16 land and buildings to the value of R418 million remained with Group and was subleased to Trident Steel. A lease receivable was recognised for the same amount.

*** Included in other earnings.

**** Transaction costs incurred relating to the transaction were expenses.

16. CASH (UTILISED) / GENERATED BY OPERATING ACTIVITIES

	Notes	2023 Rm	2022 Rm
(Loss) / earnings before taxation from continuing operations		**(1 174)**	129
(Loss) / earnings before taxation from discontinued operations*		**(154)**	30
(Loss) / (earnings) before taxation		**(1 328)**	159
Finance earnings		**(83)**	(20)
Finance expenses		**294**	257
Dividend earnings		**(10)**	(21)
Share of loss from equity-accounted investment		**2**	5
Cash (utilised) / retained from operations		**(1 125)**	380
Non-cash and other movements	16.1	**121**	262
Depreciation		**797**	826
Amortisation		**–**	4
Cash (utilised) / generated from operations		**(207)**	1 472
Movements in working capital	16.2	**(214)**	(4)
		(421)	1 468

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

16.1 Non-cash and other movements

	2023 Rm	2022 Rm
Equity-settled share-based payment expense	**15**	34
Impairment loss on property, plant & equipment	**–**	106
Impairment loss on intangible assets	**–**	8
Impairment loss on equity-accounted investments	**3**	–
Reversal of impairment loss on long-term receivables	**–**	(26)
(Gain) / loss on sale of assets Held for Sale	**(162)**	22
Loss / (gain) on disposal of property, plant & equipment	**7**	(4)
Reversal of impairment of the right-of-use asset	**(24)**	–
Fair value adjustment on properties and disposal groups classified as Held for Sale	**–**	74
Unrealised foreign exchange losses on borrowings and other liabilities	**18**	14
Movements in foreign currency translation	**(226)**	(154)
Exchange differences on translating foreign operations reclassified to earnings and loss on derecognition	**436**	–
Movement in provisions	**(39)**	27
Derecognition of components included in property, plant & equipment	**93**	161
	121	262

16. CASH (UTILISED) / GENERATED BY OPERATING ACTIVITIES continued

16.2 Movements in working capital

	2023 Rm	2022 Rm
(Increase) / decrease in inventories	**(450)**	142
Increase in contract assets	**(1 676)**	(223)
Increase in trade and other receivables	**(110)**	(189)
Decrease in lease receivables	**–**	5
Increase in contract liabilities	**466**	40
Increase in trade and other payables	**1 691**	376
Increase in employee-related payables	**55**	54
Decrease in working capital Held for Sale	**(190)**	(209)
	(214)	(4)

17. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments

Infrastructure investments

The Group measures its remaining infrastructure investment, Dimopoint Proprietary Limited at fair value through profit or loss. The investment in Imvelo Concession Company Proprietary Limited was classified as Held for Sale in the prior year – refer to *note 10: Non-current assets and liabilities classified as Held for Sale.*

(i) Dimopoint Proprietary Limited (Dimopoint)

Methodology

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

Valuation parameters and assumptions

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

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

17. 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
2023					
Assets recognised at fair value					
Assets					
Infrastructure investments	**142**	**142**	**–**	**–**	**142**
Infrastructure investments (Held for Sale)	**59**	**59**	**–**	**59**	**–**
2022					
Assets recognised at fair value					
Assets					
Infrastructure investments	142	142	–	–	142
Infrastructure investments (Held for Sale)	120	120	–	120	–

The Group uses 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 or 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 earnings or loss	
			Increase Rm	Decrease Rm
2023				
Infrastructure investments				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	**16,0%**	**0,5%**	(4)	4
2022				
Infrastructure investments				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	**16,0%**	**0,5%**	(4)	4

18. 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:

18.1 Retirement and appointment of directors

The following directors retired from the board of directors:

- Ms May Hermanus – effective 17 July 2023
- Mr Michael Kilbride – effective 17 July 2023

Mr Nicholas Bowen was appointed as an independent non-executive director effective 17 July 2023. Mr Bowen is based in Sydney and has over 40 years of experience in contract mining, construction and quarrying in Australia and Southern Africa.

18.2 McConnell Dowell BLNG project settlement

Subsequent to year end, but before the date of this report, McConnell Dowell reached a commercial settlement with FGEN LNG on all contractual claims and has booked a full loss on the BLNG project, which is currently in the commissioning phase and will be completed in the coming months. McConnell Dowell and FGEN LNG have entered into a services agreement pursuant to which McConnell Dowell will utilise its expertise, experience, systems and capabilities to support FGEN LNG achieve full commissioning of the BLNG project.

18.3 Common Terms Agreement and new banking facilities

Subsequent to year end and following the settlement of all senior debt in April 2023, the Financial Institutions that have an interest in the Common terms Agreement, have reduced from six to two parties. The Group has entered into new banking facilities with The Standard Bank of South Africa Limited and the existing Common Terms Agreement will be amended and restated to reflect these changes.

Directors

PA Hourquebie*# (Chair),
SJ Flanagan (Group CEO),
AH Macartney (Group FD),
B Modise (Lead independent director)*#,
BC Meyer*#,
ZB Swanepoel*#, D Noko*#, N Bowen*#
*Non-executive #Independent

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