AVENG

Providing a better life

2022

Summarised consolidated annual financial statements

for the year ended 30 June 2022

Salient features – financial performance
for the year ended 30 June 2022

Core revenue
(McConnell Dowell and Moolmans)
R22,4 billion
Increase from R20,9 billion

Work in hand
R30,8 billion
Compared to R25,3 billion at June 2021

Operating earnings
R576 million
Increase from R536 million earnings for the year ended 30 June 2021

Operating free cash flow
R612 million
June 2021: R1,5 billion

Interest-bearing borrowings held at amortised cost
R481 million
Decreased by R398 million from R879 million in June 2021

Net cash position
R2,6 billion
R2,5 billion at 30 June 2021

Earnings attributable to equity-holders of the parent
R130 million
Decrease from R990 million earnings for the year ended 30 June 2021

Headline earnings
R308 million
Decrease from R751 million at 30 June 2021

Earnings per share
R1,06
Decrease from R13,37 per share (re-presented) at 30 June 2021

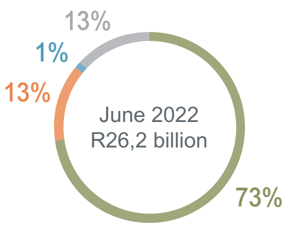
Headline earnings per share
R2,52
Movement from R10,16 per share (restated) at 30 June 2021

Salient features – segmental analysis
for the year ended 30 June 2022

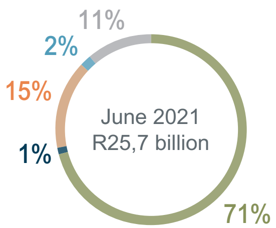
Operating earnings – segmental analysis

	FY22 Rm	FY21 Rm	Change %
Construction and Engineering: Australia and Asia	**385**	312	23
Mining	**207**	239	(13)
Construction and Engineering: South Africa and rest of Africa	**(67)**	(164)	59
Aveng Construction: South Africa	**(67)**	(164)	59
Manufacturing and Processing	**215**	271	(21)
Trident Steel	**220**	247	(11)
Aveng Manufacturing	**(5)**	24	(>100)
Other and Eliminations	**(164)**	(122)	34
Operating earnings	**576**	536	7

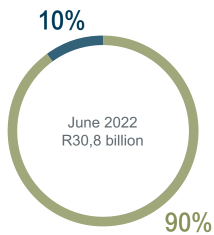
Revenue per operating group



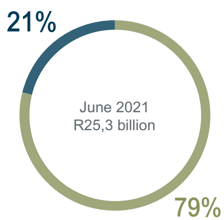
McConnell Dowell
Aveng Construction: South Africa
Moolmans
Aveng Manufacturing
Trident Steel



Work in hand per operating group



McConnell Dowell
Moolmans



Summarised statement of financial position
as at 30 June 2022

2021* AUDm	2022* AUDm		Notes	2022 Rm	2021 Rm
		ASSETS			
		Non-current assets			
9,3	**8,9**	Goodwill arising on consolidation		**100**	100
1,0	**0,1**	Intangible assets		**1**	11
230,0	**220,0**	Property, plant and equipment**		**2 479**	2 463
31,5	**53,8**	Right-of-use assets**		**606**	337
2,8	**0,5**	Equity-accounted investments		**6**	30
24,0	**12,6**	Infrastructure investments		**142**	257
67,7	**65,5**	Deferred taxation		**738**	725
3,5	**6,5**	Lease receivables		**73**	38
–	**0,8**	Other non-current assets		**9**	–
369,8	**368,7**			**4 154**	3 961
		Current assets			
19,7	**91,2**	Inventories		**1 028**	211
317,2	**321,8**	Contract assets	9	**3 626**	3 398
30,5	**74,3**	Trade and other receivables		**837**	327
3,5	**5,3**	Taxation receivable		**60**	37
0,3	**0,8**	Lease receivables		**9**	3
235,1	**232,2**	Cash and bank balances		**2 617**	2 519
606,3	**725,6**			**8 177**	6 495
185,7	**12,8**	Assets Held for Sale	10	**144**	1 989
1 161,8	**1 107,1**	**TOTAL ASSETS**		**12 475**	12 445
		EQUITY AND LIABILITIES			
		Equity			
443,1	**421,3**	Stated capital		**4 747**	4 747
79,1	**87,8**	Other reserves		**989**	847
(201,0)	**(179,5)**	Accumulated losses		**(2 023)**	(2 153)
321,2	**329,6**	Equity attributable to equity-holders of parent		**3 713**	3 441
0,7	**0,6**	Non-controlling interest		**7**	7
321,9	**330,2**	**TOTAL EQUITY**		**3 720**	3 448
		Liabilities			
		Non-current liabilities			
14,2	**10,7**	Deferred taxation		**121**	152
45,8	**20,3**	External borrowings and other liabilities	12	**229**	491
34,1	**68,6**	Lease liabilities	13	**773**	365
8,8	**8,3**	Provisions***		**94**	94
31,6	**33,5**	Employee-related payables		**377**	338
134,5	**141,4**			**1 594**	1 440
		Current liabilities			
154,7	**150,8**	Contract liabilities	9	**1 699**	1 657
36,2	**22,4**	External borrowings and other liabilities	12	**252**	388
14,4	**23,6**	Lease liabilities	13	**266**	154
25,8	**28,2**	Employee-related payables		**318**	276
287,5	**368,2**	Trade and other payables***		**4 149**	3 081
39,8	**40,0**	Provisions***		**451**	426
–	**0,9**	Taxation payable		**10**	–
558,4	**634,1**			**7 145**	5 982
147,0	**1,4**	Liabilities Held for Sale	10	**16**	1 575
840,0	**776,9**	**TOTAL LIABILITIES**		**8 755**	8 997
1 161,8	**1 107,1**	**TOTAL EQUITY AND LIABILITIES**		**12 475**	12 445

* *Supplementary non-IFRS information. Converted at a closing exchange rate of R11,27/AUD1 (2021 – R10,71 / 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.*

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

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

Summarised statement of comprehensive earnings

for the year ended 30 June 2022

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

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

* *Supplementary non-IFRS information. Converted at an average exchange rate of R11,11/AUD1 (2021 – R10,63/AUD1). The statement of comprehensive income 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 continued
for the year ended 30 June 2022

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

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

* *Supplementary non-IFRS information. Converted at an average exchange rate of R11,11/AUD1 (2021 – R10,63/AUD1). The statement of comprehensive income 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 presentation and changes to the Group accounting policies.*

** *On 8 December 2021 the Group underwent a share consolidation on the basis of 1-for-500 shares held. The number of shares in issue for the prior year have been adjusted retrospectively.*
Refer to note 11: Stated Capital for additional information.

*** *Earnings per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue.*
Refer to note 8: Earnings and headline earnings per share for additional information.

Summarised statement of changes in equity

for the year ended 30 June 2022

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm
Year ended 30 June 2021			
Balance at 1 July 2020	3 874	1 062	40
Earnings / (loss) for the period	–	–	–
Other comprehensive (loss) / earnings for the period	–	(267)	–
Total comprehensive (loss) / earnings for the period	–	(267)	–
Equity-settled share-based payment – shares granted	–	–	20
Equity-settled share-based payment – shares vested	8	–	(8)
Share issue – Rights to qualifying shareholders (19 March 2021)	759	–	–
Share issue – Class A shares (19 March 2021)	11	–	–
Share issue – Rights to qualifying shareholders (7 June 2021)	74	–	–
Share issue – Class A shares (7 June 2021)	21	–	–
Balance as at 30 June 2021	4 747	795	52
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**
Total contributions and distributions recognised	**–**	**–**	**35**
Balance at 30 June 2022	**4 747**	**902**	**87**
Note	11		

Total other reserves Rm	Accumulated losses Rm	Total attributable to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
1 102	(3 143)	1 833	7	1 840
–	990	990	(2)	988
(267)	–	(267)	2	(265)
(267)	990	723	–	723
20	–	20	–	20
(8)	–	–	–	–
–	–	759	–	759
–	–	11	–	11
–	–	74	–	74
–	–	21	–	21
847	(2 153)	3 441	7	3 448
847	(2 153)	3 441	7	3 448
–	130	130	–	130
107	–	107	–	107
107	130	237	–	237
35	–	35	–	35
35	–	35	–	35
989	(2 023)	3 713	7	3 720

Summarised statement of cash flows
for the year ended 30 June 2022

	Notes	2022 Rm	2021 Rm
Cash generated from operating activities	16	**1 468**	2 275
Finance expenses paid		**(288)**	(345)
Finance earnings received		**14**	19
Taxation paid		**(47)**	(37)
Cash inflow from operating activities		**1 147**	1 912
Acquisition of property, plant and equipment – expansion		**–**	(9)
Acquisition of property, plant and equipment – replacement		**(834)**	(810)
Proceeds on disposal of property, plant and equipment		**168**	174
Proceeds on disposal of assets Held for Sale		**106**	90
Capital expenditure net of proceeds on disposal		**(560)**	(555)
Dividends received		**21**	57
Advances in respect of other non-current assets		**(9)**	–
Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale		**1**	96
Cash outflow from investing activities		**(547)**	(402)
Financing activities with equity-holders			
Proceeds from shares issued		**–**	865
Financing activities with debt-holders			
Repayment of external borrowings		**(399)**	(870)
Proceeds from external borrowings		**–**	271
Payment of capital portion of lease liabilities		**(240)**	(262)
Payment of capital portion of lease liabilities – Held for Sale		**(4)**	(73)
Cash outflow from financing activities		**(643)**	(69)
Net (decrease) / increase in cash and bank balances before foreign exchange movements		**(43)**	1 441
Foreign exchange movements on cash and bank balances		**141**	(253)
Cash and bank balances at the beginning of the period		**2 519**	1 331
Total cash and bank balances at the end of the period		**2 617**	2 519

Notes to the summarised consolidated annual financial statements

for the year ended 30 June 2022

1. CORPORATE INFORMATION

The summarised consolidated annual financial statements (results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the period ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 22 August 2022.

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 was appointed as independent non-executive director with effect from 20 October 2021.

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

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

2.1 Basis of preparation

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

The summarised consolidated annual 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 2021, 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 annual financial results do not include all the information and disclosures required in the consolidated and separate annual financial statements, and should be read in conjunction with the Group's audited consolidated annual financial statements as at 30 June 2022 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 annual financial statements is derived from the information contained in the audited consolidated and separate annual 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 consolidated and separate annual financial statements, which is available on the website.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

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

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 summarised statement of financial position, at the average rate for the summarised statement of comprehensive earnings.

Disclaimer:

Australian dollar translations included in these financial statements constitutes pro-forma financial information in terms of the JSE Listing Requirements. The pro-forma financial information is the responsibility of the Board of directors and is presented for illustrative purposes only. Because of its nature, the pro-forma financial information may not fairly present Aveng's financial position, changes in equity, results of operations or cash flows. The underlying information, used in the preparation of the pro-forma financial information, has been prepared using accounting policies which comply with IFRS and are consistent with those applied in the published Group consolidated annual financial statements for the year ended 30 June 2022.

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 2021 but they do not have a material effect on the Group's annual financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the summarised consolidated annual 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 summarised consolidated annual 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 summarised consolidated annual 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

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)

The Group estimates the risk associated with the contract assets in order to classify these assets according to their maturity profile. Positions related to long outstanding contract positions have been judged in conjunction with legal advice and potential timeframes associated with legal action.

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

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

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

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

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rates used for extrapolation and terminal value purposes.

For further information refer to note 7: *Impairment*.

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 the output method in determining the satisfaction of the performance obligation through a contract that requires direct measurement.

The Group's technical experts, engineers and contract managers exercise their judgement in estimating progress based on performance on the contract or milestone achieved.

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

- the determination of the point in the progress toward complete satisfaction of the performance obligation;

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued
3.1 Judgements and estimation assumptions continued
3.1.4 Revenue recognition continued

- the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations;
- estimation of project production rates and programme through to completion; and
- the ability to deliver contracts within the requirements of each contract.

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

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

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

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

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

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

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

3.1.6 Loss making and onerous contracts
In determining whether a contract is loss making or onerous, management applies their professional judgement to assess the facts and circumstances specific to the relevant contract. The assessments are performed on a contract-by-contract basis.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.7 Uncertainty over income tax treatments

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

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

3.1.8 Held for Sale classification

Remaining Infraset factories and Investments classified as Held for Sale

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

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

Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of has been revised during the year.

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

Trident Steel

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

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

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.

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

Execution of plans

- Continued improvement in the operating performance of McConnell Dowell and Trident Steel and the sustained profitability of Moolmans resulted in further creation of underlying value and sustainability;
- Nearing completion of the non-core asset disposal plan:
  - The receipt of proceeds of R143 million for the year, including *Aveng Automation and Control Solutions (ACS)* and *Infraset factories*;
  - The conclusion of the sale of the remaining *Infraset factories* after year end, subject to regulatory approvals; and
  - The conclusion of the sale of *Oakleaf and Firefly* investments after year end.
- Updated budget to 31 December 2023 and business plans for post period-end up to 30 June 2025 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved;
- Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the SA Banking group, Australian banks or other financing agreements within the individual liquidity pools;
- The continued monitoring of the South African short-term liquidity forecast management process;
- Subsequent to year end, the Group entered into a new Trade Finance Facility of R450 million with two South African banks. The facility enables business growth at Trident Steel and supports the additional working capital required, matures on 1 October 2023 and will be secured by first ranking security over the inventory and accounts receivable of Trident Steel. This facility was approved in terms of the existing Common Terms Agreement; and
- The Group further agreed to accelerate the repayment profile of external debt and amended its covenants in line with its current forecasts. This was approved in terms of the existing Common Terms Agreement.

In the 2022 financial year, the Group reported earnings for the year of R130 million and an operating free cash inflow of R612 million. The Group's available cash resources benefitted from this performance. The Group continues to focus on improving operational performance, improving overhead efficiency and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded or are in progress.

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

4. GOING CONCERN AND LIQUIDITY continued

Liquidity, solvency and ongoing funding

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely McConnell Dowell and the South African liquidity pool. McConnell Dowell's liquidity benefited from the receipt of advance payments, the receipt of a long-outstanding claim previously subject to legal proceedings and a growing order book. As a result, McConnell Dowell reported a strong cash balance with sufficient cash and liquidity to support the growing order book and the growth opportunities that this market continues to present. The South African liquidity pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period. The Group continued to reduce external debt, having repaid R398 million in the financial year. In addition to existing term facilities and overdraft facilities, the Group arranged an additional Trade Finance Facility of R450 million subsequent to year end in order to support future planned working capital growth at Trident Steel.

Management updated the forecast for the 2023 financial year and the following year and prepared cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. Notably, the preparation of budgets, plans and forecasts include consideration of the impact of the COVID-19, which remains endemic. This included management's responses to the effects thereof. Management will continue to respond to the circumstances as they emerge. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

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

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

The forecasts indicate that the Group will have sufficient cash resources for the foreseeable future. The core businesses are performing in line with the plan and are therefore expected to generate sufficient cash to meet the external debt repayment profile. In addition, it is highly unlikely that the process to dispose of the Group's remaining non-core businesses (particularly Trident Steel) will be withdrawn. The disposals are expected to generate cash to repay the remaining external debt and improve available liquidity.

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

Refer to *notes 12: External borrowings and other liabilities* and *18: Events after the reporting period.*

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

5. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

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

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

Aveng Manufacturing

Aveng Manufacturing continues to be presented as a discontinued operation.

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

The remaining businesses included in the discontinued operations include the remaining *Infraset factories*, for which sales have been concluded, subject only to conditions precedent. Refer to note 18: *Events after the reporting period*.

Infrastructure and equity-accounted investments

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

5. DISCONTINUED OPERATIONS continued

Change to a plan of sale of non-core businesses

Trident Steel

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

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

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

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

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

* *Earnings per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue. Refer to note 8. Earnings and headline earnings per share for additional information.*

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

5. DISCONTINUED OPERATIONS continued

The earnings from discontinued operations are analysed as follows:

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

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

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 and rest of Africa;*
- *Manufacturing and Processing; and*
- *Other and Eliminations.*

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

Details on the reportable segments are as follows:

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 South East Asia.

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

6.1.2 Mining

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

6.1.3 Construction and Engineering: South Africa and rest of Africa

This segment includes Aveng Construction: South Africa

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

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

6.1.4 Manufacturing and Processing

This segment comprises Aveng Manufacturing and Trident Steel.

The Group disposed of a number of Aveng Infraset factories and the Aveng Automation and Control Solutions (ACS) business in the current year and only has a limited number of Aveng Infraset factories making up the Manufacturing business unit. These factories are classified as Held for Sale. Subsequent to year end, these factories have been disposed of. Refer to note 18: Events after reporting period for further details.

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

6.1.5 Other and Eliminations

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

6. SEGMENTAL REPORT continued

	Construction and Engineering: Australasia and Asia		Mining	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Assets				
Goodwill arising on consolidation	**100**	100	**–**	–
Intangible assets	**–**	–	**–**	11
Property, plant and equipment	**542**	511	**1 759**	1 941
Right-of-use assets	**167**	198	**82**	133
Equity-accounted investments	**3**	3	**3**	4
Infrastructure investments	**–**	–	**–**	–
Deferred taxation	**712**	723	**26**	–
Other non-current assets	**–**	–	**5**	–
Lease receivables	**–**	–	**–**	–
Inventories	**11**	14	**173**	197
Contract assets	**3 167**	2 963	**447**	396
Trade and other receivables	**298**	200	**114**	91
Taxation receivable / (payable)	**33**	25	**(8)**	(6)
Cash and bank balances	**2 368**	1 853	**255**	241
Assets Held for Sale	**–**	–	**–**	–
Total assets	**7 401**	6 590	**2 856**	3 008
Liabilities				
Deferred taxation	**113**	144	**–**	238
External borrowings and other liabilities	**3**	44	**–**	7
Lease liabilities	**208**	243	**133**	176
Employee-related payables	**523**	428	**78**	130
Trade and other payables	**2 733**	2 254	**446**	550
Provisions	**26**	32	**55**	56
Contract liabilities	**1 599**	1 558	**100**	94
Liabilities Held for Sale	**–**	–	**–**	–
Total liabilities	**5 205**	4 703	**812**	1 251

Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
–	–	–	–	–	–	100	100
–	–	1	–	–	–	1	11
–	–	173	–	5	11	2 479	2 463
–	–	356	–	1	6	606	337
–	–	–	–	–	23	6	30
–	–	–	–	142	257	142	257
–	–	–	2	–	–	738	725
–	–	4	–	–	–	9	–
–	–	–	–	82	41	82	41
–	–	844	–	–	–	1 028	211
12	39	–	–	–	–	3 626	3 398
52	–	332	–	41	36	837	327
(3)	–	5	(3)	23	21	50	37
17	24	320	285	(343)	116	2 617	2 519
–	–	24	1 989	120	–	144	1 989
78	63	2 059	2 273	71	511	12 465	12 445
–	–	–	–	8	(230)	121	152
–	–	–	–	478	828	481	879
–	–	551	–	147	100	1 039	519
–	1	34	–	60	55	695	614
54	162	834	–	81	115	4 148	3 081
161	134	2	–	301	298	545	520
–	5	–	–	–	–	1 699	1 657
–	–	16	1 575	–	–	16	1 575
215	302	1 437	1 575	1 075	1 166	8 744	8 997

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

6. SEGMENTAL REPORT continued

	Note	Construction and Engineering: Australasia and Asia 2022 Rm	2021 Rm	Mining 2022 Rm	2021 Rm
Revenue		**19 034**	16 911	**3 349**	4 009
Construction contract revenue		**19 034**	16 911	**3 339**	4 000
Sale of goods		**–**	–	**1**	1
Other revenue		**–**	–	**9**	8
Transport revenue		**–**	–	**–**	–
Cost of sales		**(17 656)**	(15 726)	**(2 940)**	(3 602)
Gross earnings / (loss)		**1 378**	1 185	**409**	407
Other earnings		**7**	42	**(13)**	12
Operating expenses		**(995)**	(912)	**(189)**	(180)
Loss from equity-accounted investments		**(5)**	(3)	**–**	–
Earnings / (loss) before non-recurring items		**385**	312	**207**	239
Impairment loss plant and equipment		**–**	–	**(106)**	(54)
Impairment loss on right-of-use assets		**–**	–	**–**	(27)
Impairment loss on intangible assets		**–**	–	**(8)**	–
Reversal of / (impairment) loss on long-term receivables		**–**	–	**–**	–
Gain / (loss) on disposal of property, plant & equipment		**16**	–	**(34)**	–
(Loss) / gain on disposal of assets Held for Sale		**–**	–	**–**	–
Gain on early redemption of borrowings		**–**	–	**–**	–
Fair value (loss) / gain on disposal groups classified as Held for Sale		**–**	–	**–**	–
Earnings / (loss) before financing transactions		**401**	312	**59**	158
Net finance (expenses) / income		**(28)**	(34)	**(18)**	(24)
Earnings / (loss) before taxation		**373**	278	**41**	134
Taxation		**(26)**	(24)	**4**	(61)
Earnings / (loss) for the year		**347**	254	**45**	73
Capital expenditure		**187**	170	**622**	649
Earnings / (loss) before non-recurring items		**385**	312	**207**	239
Depreciation		**278**	304	**450**	611
Amortisation		**–**	–	**3**	4
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)		**663**	616	**660**	854
Normalised earnings / (loss) for the year	6.2	**331**	254	**87**	100

Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
150	591	**3 651**	4 198	**(6)**	–	**26 178**	25 709
150	591	**–**	–	**–**	–	**22 523**	21 502
–	–	**3 585**	4 124	**(6)**	–	**3 580**	4 125
–	–	**42**	28	**–**	–	**51**	36
–	–	**24**	46	**–**	–	**24**	46
(162)	(747)	**(3 317)**	(3 765)	**9**	96	**(24 066)**	(23 744)
(12)	(156)	**334**	433	**3**	96	**2 112**	1 965
–	49	**113**	108	**33**	57	**140**	268
(55)	(38)	**(232)**	(270)	**(200)**	(275)	**(1 671)**	(1 675)
–	(19)	**–**	–	**–**	–	**(5)**	(22)
(67)	(164)	**215**	271	**(164)**	(122)	**576**	536
–	–	**–**	–	**–**	–	**(106)**	(54)
–	–	**–**	(102)		(58)	**–**	(187)
–	–	**–**	–	**–**	–	**(8)**	–
–	–	**–**	–	**26**	(26)	**26**	(26)
–	–	**3**	13	**19**	(3)	**4**	10
–	–	**–**	–	**(22)**	28	**(22)**	28
–	–	**–**	–	**–**	486	**–**	486
–	–	**(74)**	611	**–**	–	**(74)**	611
(67)	(164)	**144**	793	**(141)**	305	**396**	1 404
–	8	**(92)**	(104)	**(99)**	(221)	**(237)**	(375)
(67)	(156)	**52**	689	**(240)**	84	**159**	1 029
–	–	**(18)**	–	**11**	44	**(29)**	(41)
(67)	(156)	**34**	689	**(229)**	128	**130**	988
–	–	**24**	26	**1**	–	**834**	845
(67)	(164)	**215**	271	**(164)**	(122)	**576**	536
–	3	**95**	–	**3**	5	**826**	923
–	–	**1**	–	**–**	–	**4**	4
(67)	(161)	**311**	271	**(161)**	(117)	**1 406**	1 463
(67)	(156)	**105**	167	**(252)**	(299)	**204**	66

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

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

6.2 Normalised performance measures

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

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

6. SEGMENTAL REPORT continued

Detailed reconciliations of IFRS to normalised results are provided below:

	Notes	2022 Rm	2021 Rm
Earnings for the year		**130**	988
Excluding non-recurring items			
Impairment loss on right-of-use assets	7	**–**	187
Impairment loss on intangible assets	7	**8**	–
(Reversal of) / impairment loss on long-term receivables	7	**(26)**	26
Loss / (gain) on disposal of Held for Sale		**22**	(28)
Gain on disposal of property, plant and equipment		**(4)**	(10)
Gain on early redemption of borrowings and other liabilities		**–**	(486)
Fair value adjustment of disposal groups classified as Held for Sale	10	**74**	(611)
Normalised earnings for the year		**204**	66
Normalised earnings per share – basic (cents)[2]		**167**	89
Normalised earnings per share – diluted (cents)[3]		**158**	81

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

[2] *Normalised earnings per share – basic is calculated by dividing the normalised earnings for the year by the weighted average number of shares. Refer to note 8: Earnings and headline earnings per share for the determination of the weighted average number of shares.*

[3] *Normalised earnings per share – diluted is calculated by dividing the normalised earnings for the year by the diluted weighted average number of shares. Refer to note 8: Earnings and headline earnings per share for the determination of the weighted average number of shares.*

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

7. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2022. The test involved the assessment of internal and external qualitative factors for each CGU that may constitute an indicator of impairment. The test may be extended to individual assets in instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of the assets. For Held for Sale CGU's, the Group performed a subsequent impairment assessment whereby the carrying values of the CGU's were remeasured at the fair value less costs of disposal in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).*

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

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

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

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

As at 30 June 2022, management calculated the recoverable amount of the Held for Sale CGUs and investments to be the fair value less cost of disposal. As at 30 June 2022, a fair value loss of R74 million was recognised in the *Manufacturing and Processing* segment to reflect the remaining CGUs in the segment at fair value less cost of disposal. Refer to note 10: *Assets and Liabilities Classified as Held for Sale* for additional information on the fair value adjustment.

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

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

7. IMPAIRMENT continued

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

An impairment assessment was performed on:

- Property, plant & equipment at Moolmans, which is part of the *Mining* reportable segment. Management, through the use of an external evaluator, determined that an impairment of R106 million was required (30 June 2021: R54 million) relating to owned equipment and vehicles. The impairment arose from instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of specific items of owned equipment and vehicles. The fair value of these assets falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar assets within the market.
- Right-of-use assets at Moolmans, which is part of the *Mining* reportable segment. No impairment was required (30 June 2021: R27 million) on right-of-use land and buildings within the scope of *IAS 36 – Impairments.* The recoverable amount of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar rentals within the market.
- Intangible assets at Moolmans, which is part of the *Mining* reportable segment. As at 30 June 2022, the Group determined that there was an impairment of R8 million required (30 June 2021: Rnil) relating to computer software due to the software having no value in use. The recoverable amount of the computer software was based on the value in use.

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

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

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

7. IMPAIRMENT continued

7.5 Total impairment losses for the year

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

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

8. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2022		2021	
	Number of shares	**Weighted average number of shares**	Number of shares	Weighted average number of shares
Opening balance	**64 741 672 056**	**35 739 404 321**	19 394 498 220	19 394 498 220
Issue of shares – Rights offer (15 March 2021)	**–**	**22 358 997 268**	37 955 034 249	15 596 036 981
Issue of shares – Class A Shares (15 March 2021)	**–**	**427 370 106**	725 472 919	298 102 813
Issue of shares – Rights offer (7 June 2021)	**–**	**4 581 879 966**	4 914 149 950	332 269 984
Issue of shares – Class A Shares (7 June 2021)	**–**	**1 634 020 395**	1 752 516 718	118 496 323
Share consolidation (8 December 2021)	**(64 612 188 712)**	**(64 612 188 712)**	(64 612 188 712)	(35 667 925 512)
	129 483 344	**129 483 344**	129 483 344	71 478 809
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
Aveng Management Company (Pty) Ltd	**(788 684)**	**(788 684)**	(788 684)	(788 684)
Equity-settled share-based payment plan	**(3 500 186 838)**	**(3 500 186 838)**	(3 500 186 838)	(3 500 186 838)
Share consolidation (8 December 2021)	**3 499 979 920**	**3 499 979 920**	3 499 979 920	3 499 979 920
Total treasury shares	**(7 013 988)**	**(7 013 988)**	(7 013 988)	(7 013 988)
Rights issue – Bonus element (15 March 2021)*	**–**	**–**	–	3 313 124 926
Rights issue – Bonus element (7 June 2021)**	**–**	**–**	–	1 414 367 482
Share consolidation (8 December 2021)	**–**	**–**	–	(4 718 037 423)
Weighted average number of shares	**122 469 356**	**122 469 356**	122 469 356	73 919 806
Add: Shares issuable in terms of the equity-settled share-based payment plan	**3 488 000 000**	**3 488 000 000**	3 488 000 000	3 488 000 000
Share consolidation (8 December 2021)	**(3 481 024 000)**	**(3 481 024 000)**	(3 481 024 000)	(3 481 024 000)
Diluted weighted average number of shares	**129 445 356**	**129 445 356**	129 445 356	80 895 806
Note	11		11	

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

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

8. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

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

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

9. CONTRACT ASSETS / (LIABILITIES)*

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

* *This note was previously called amounts due from / (to) contract customers but was changed in the current year in order to enhance disclosure.*

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

1 *Includes revenue not yet certified – recognised over time / measurement and agreed variations, less provisions and deferred contract costs.*

2 *Progress billings are amounts billed for work performed above revenue recognised.*

3 *Amounts invoiced still due from customers.*

4 *Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified. These conditions are anticipated to be fulfilled within the following 12 months.*

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

Expected credit losses

Contract assets

As at 30 June 2022, the Group has contract assets of R 1 927 million (2021: R 1 741 million) which is net of the provision for expected credit loss of R 3 million (2021: R1 million).

Trade and other receivables

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

9. CONTRACT ASSETS / (LIABILITIES)* continued

Expected credit losses continued

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

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

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 rest of Africa; and*
- *Manufacturing and Processing.*

These non-core segments were initially recognised and presented as separately identifiable disposal groups and were disclosed as discontinued operations in the Group's statement of comprehensive earnings.

Sales finalised in the current year

Construction and Engineering: South Africa and the rest of Africa

Equity-accounted investments

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

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Manufacturing and Processing

Aveng Automation & Control Solutions

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

Aveng Infraset Effingham factory

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

Aveng Infraset Rossway factory

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

Changes to a plan of sale of non-core operating groups

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

Management has determined that there is not sufficient objective evidence to conclude that it is highly probable that the sale of Trident Steel will be concluded within the next 12 months.

Trident Steel

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

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

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

Assets transferred into assets Held for Sale

Infrastructure investments (Imvelo Concession Company Proprietary Limited, Firefly Investments 238 Proprietary Limited and Oakleaf Investment Holdings 86 Proprietary Limited) accounted for under the *Other and Eliminations reportable segment* were classified as Held for Sale in the current year. Sale and purchase agreements have been concluded in respect of these investments, subject to conditions precedent. The carrying amount of these investments exceeded their fair value less cost of disposal after being classified as Held for Sale leading to a fair value loss of R16 million. Refer to *note 10.1: Adjustment to fair value less cost of disposal.*

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

		Notes	2022 Rm	2021 Rm
	Assets Held for Sale		**144**	1 989
	Liabilities Held for Sale		**(16)**	(1 575)
			128	414
	Movement during the year			
	Opening Balance		**414**	258
	Movements in:			
	Non-current assets		**(110)**	(90)
	Current assets		**110**	29
	Non-current liabilities		**86**	51
	Current liabilities		**108**	(413)
	Sale of assets Held for Sale		**(92)**	(35)
	Adjustment to fair value less cost of disposal*	10.1	**(74)**	611
	Transferred to / from:			
	Transfer to assets classified as Held for Sale		**136**	–
	Transfer from assets classified as Held for Sale		**(450)**	3
	Net assets Held for Sale		**128**	414
10.1	**Adjustment to fair value less cost of disposal**			
	Trident Steel			
	Depreciation and amortisation previously not expensed under IFRS 5- released on reclassification to continuing operations		**(155)**	–
	Reversal of impairment loss previously recognised		**103**	–
	Fair value gain on disposal groups classified as Held for Sale		**–**	611
	Total Trident Steel		**(52)**	611
	Other adjustments			
	Fair value loss on investments classified as Held for Sale		**(16)**	–
	Fair value loss on disposal groups classified as Held for Sale		**(6)**	–
	Total other adjustments		**(22)**	–
			(74)	611

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

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2022, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2021, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

	Manufacturing and Processing-Disposal group Rm	Total Rm
30 June 2021		
ASSETS		
Non-current assets		
Intangible assets	7	7
Property, plant and equipment	776	776
	783	783
Current assets		
Inventories	726	726
Amounts due from contract customers	5	5
Trade and other receivables	475	475
	1206	1 206
TOTAL ASSETS	1989	1 989
LIABILITIES		
Non-current liabilities		
Borrowings and other liabilities	553	553
Employee-related payables	5	5
	558	558
Current liabilities		
Amounts due to contract customers	4	4
Borrowings and other liabilities	120	120
Employee-related payables	33	33
Trade and other payables	833	833
Derivative instruments	1	1
Provision for unallocated fair value adjustments	26	26
	1 017	1 017
TOTAL LIABILITIES	1 575	1 575
Net assets Held for Sale	414	414

11. STATED CAPITAL

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

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

** *The number of shares authorised and issued has been retrospectively presented for all prior periods for the effects of the share consolidation.*

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

11. STATED CAPITAL continued

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

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

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

** *The number of shares authorised and issued have been retrospectively presented for the prior year for the effects of the share consolidation. Refer to note 8: Earnings and headline earnings per share for further detail.*

11. STATED CAPITAL continued

	Number of shares	Holding %
The top ten beneficial shareholders (including Class A shares) of the Group as at 30 June 2022 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	**21 189 458**	**16,4**
Whitebox Advisors LLC (US)	**17 218 311**	**13,3**
Steyn Capital Management (Pty) Ltd (ZA)	**10 662 968**	**8,2**
ABSA Bank Ltd (ZA)	**9 251 092**	**7,1**
Standard Bank Issuer Services Settle Acc (ZA)	**6 187 103**	**4,8**
ATM Holding GmbH (DE)	**2 730 862**	**2,1**
Investec (ZA)	**1 992 913**	**1,5**
FirstRand Retirement Fund (ZA)**	**1 116 161**	**0,9**
Legae Peresec (ZA)	**1 109 530**	**0,9**
Rand Merchant Bank (ZA)**	**924 524**	**0,7**
	72 382 922	**55,9**
The top ten beneficial shareholders (including Class A shares) of the Group as at 30 June 2021 are entities (or clients of these entities in aggregate) listed below:* **		
Highbridge Capital Management LLC (US)	27 781 090	21,5
Whitebox Advisors LLC (US)	18 532 304	14,3
ABSA Bank Ltd (ZA)	9 159 914	7,1
Steyn Capital Management (Pty) Ltd (ZA)	6 686 555	5,2
Standard Bank Issuer Services Settle Acc (ZA)	6 187 104	4,8
ATM Holding GmbH (DE)	2 722 160	2,1
J.P. Morgan Securities Plc (UK)*	2 715 244	2,1
Personal Trust International (ZA)*	1 729 252	1,3
Investec (ZA)	1 584 901	1,2
Legae Peresec (ZA)	1 361 804	1,1
	78 460 328	60,7

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

12. EXTERNAL BORROWINGS AND OTHER LIABILITIES

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

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

Unutilised borrowing facilities

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

Trade finance facility

Refer to *note 18: Events after the reporting period* for details relating to new trade finance facility.

12. EXTERNAL BORROWINGS AND OTHER LIABILITIES continued

12.1 Borrowings held at amortised cost continued

Asset-backed financing arrangements

Construction and Engineering: Australasia and Asia

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

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

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

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

13. LEASE LIABILITIES

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

The total cash outflow related to leases for the year amounts to R538m (2021: R563 million).

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

14. CONTINGENT LIABILITIES AND ASSETS

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

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

Claims and legal disputes in the ordinary course of business

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

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

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

Specific claims and legal disputes

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

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

14. CONTINGENT LIABILITIES AND ASSETS CONTINUED

Specific claims and legal disputes continued

Aveng Africa along with six other South African contractors, entered into a settlement agreement with the South African Government in 2016 wherein claims for damages by Government departments/entities as a result of historical anti-competitive practices by Aveng Africa would be settled. As a result, Aveng Africa agreed to make twelve annual payments into a trust fund to be set up in terms of the settlement agreement and the purpose of which was to develop and enhance the construction industry including black owned emerging contractors. Aveng Africa has subsequently sold its Building and Civil Engineering business to a black owned consortium in October 2019 and assigned its obligations under the Government settlement agreement to that purchaser. The Government and its representing parties issued summons against Aveng Africa and the purchaser in June 2022 for R191 million. Aveng Africa is defending the matter. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

A plant leasing company and its liquidator has instituted two claims against McConnell Dowell (“MCD”). The first claim is for alleged voidable and insolvent transactions and unfair preference payments made by MCD and which appears to be between AUD46 million and AUD66.5 million (insolvency proceedings). The second claim is a subcontracted claim for monies allegedly owed to the subcontractor (in liquidation), (subcontract proceedings). It is expected that the amounts claimed in the insolvency proceedings will mostly overlap with the amounts claimed in the subcontract proceedings. In the subcontract proceedings, MCD has instituted a counterclaim relating to remeasured works performed by the subcontractor, back charges and the additional costs to complete the subcontract works after the subcontract was terminated for insolvency. The amount of MCD’s counterclaim has not yet been finalised but is presently estimated at AUD21 million. The proceedings are continuing with pleadings and evidence exchanges taking place during 2022. The claims and MCD’s counterclaim will be heard together and are listed for hearing in Australia for 30 days from 26 September 2022. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

15. TAXATION

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

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

16. CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	2022 Rm	2021 Rm
Earnings before taxation from continuing operations		**184**	1 024
(Loss)/earnings before taxation from discontinued operations*		**(25)**	5
Earnings before taxation		**159**	1 029
Finance earnings		**(20)**	(19)
Finance expenses		**257**	394
Dividend earnings		**(21)**	(57)
Share of loss from equity-accounted investment		**5**	22
Cash retained from operations		**380**	1 369
Non-cash and other movements	16.1	**262**	(649)
Depreciation		**826**	923
Amortisation		**4**	4
Cash generated from operations		**1 472**	1 647
Movements in working capital	16.2	**(4)**	628
		1 468	2 275

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

16. CASH GENERATED FROM OPERATING ACTIVITIES continued

		Notes	2022 Rm	2021 Rm
16.1	**Non-cash and other movements**			
	Equity-settled share-based payment expense		**34**	20
	Impairment loss on property, plant & equipment		**106**	54
	Impairment loss on right-of-use assets		**–**	187
	Impairment loss on intangible assets		**8**	–
	(Reversal of) / impairment loss on long-term receivables		**(26)**	26
	Loss / (gain) on sale of assets Held for Sale		**22**	(28)
	Gain on disposal of property, plant & equipment		**(4)**	(10)
	Gain on early settlement of borrowings and other liabilities		**–**	(486)
	Fair value loss / (gain) disposal groups classified as Held for Sale		**74**	(611)
	Unrealised foreign exchange losses on borrowings and other liabilities		**14**	(32)
	Movements in foreign currency translation		**(154)**	66
	Movements in provisions		**27**	–
	Non-cash working capital movement		**–**	(4)
	Derecognition of components included in Property, Plant & Equipment		**161**	169
			262	(649)
16.2	**Movements in working capital**			
	Decrease / (increase) in inventories		**142**	(6)
	Increase in contract assets		**(223)**	(627)
	(Increase)/decrease in trade and other receivables		**(189)**	43
	Decrease in leases receivables		**5**	–
	Increase in contract liabilities		**40**	367
	Increase in trade and other payables		**376**	475
	Decrease in derivative instruments		**–**	10
	Increase / (decrease) in employee-related payables		**54**	(20)
	(Decrease) / increase in working capital Held for Sale		**(209)**	386
			(4)	628

17. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments
- Forward exchange contracts (FECs)

Infrastructure investments

The Group measures its remaining infrastructure investment, Dimopoint Proprietary Limited at fair value through profit or loss. The investments in Imvelo Concession Company Proprietary Limited and Firefly Investments 238 Proprietary Limited were classified as Held for Sale in the current year – refer to *note 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 1 methodology, being the fair value of a non-binding offer to purchase.

(iii) Firefly Investments 238 Proprietary Limited (Firefly)

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

Forward exchange contracts (FECs)

Valuation methodology

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

Notes to the summarised consolidated annual financial statements continued
for the year ended 30 June 2022

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
2022					
Assets recognised at fair value					
Assets					
Infrastructure investments	**142**	**142**	**–**	**–**	**142**
Infrastructure investments (Held for Sale)	**120**	**120**	**120**	**–**	**–**
2021					
Assets recognised at fair value					
Assets					
Infrastructure investments	257	257	–	–	257
Forward exchange contracts (FECs) (Held for Sale)	1	1	–	1	–

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

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

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

17. FAIR VALUE OF ASSETS AND LIABILITIES continued

Sensitivity analysis: Financial assets valuations using observable and unobservable inputs

The following table shows the sensitivity of significant unobservable inputs used in measuring the fair value of infrastructure investments:

	Significant unobservable input	Reasonably possible changes to significant unobservable inputs	Potential effect recorded directly in profit and loss Increase Rm	Decrease Rm
2022				
Infrastructure investments				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	**16,0%**	**0,5%**	(4)	4
2021				
Infrastructure investments				
Risk-adjusted discount rate				
– Dimopoint Proprietary Limited	**16,0%**	**0,5%**	(4)	4

18. EVENTS AFTER THE REPORTING PERIOD

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

18.1 McConnell Dowell Bridgewater Bridge contract award

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

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

18.2 Moolmans Klipspruit contract award

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

18.3 Sale of remaining *Infraset factories* in Zambia and Mozambique

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

18.4 Sale of Infrastructure assets and equity accounted investments

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

18.5 Common Terms Agreement and new Trade Finance Facility

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

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

SALIENT FEATURES

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)

- **Group revenue at R26,2 billion (2021: R25,7 billion)**
- **Earnings before non-recurring items (operating earnings) of R576 million (2021: R536 million)**
- **Earnings of R130 million (2021: R988 million)**
- **Normalised earnings* of R204 million (2021: R66 million)**

RESULTS FOR THE YEAR ENDED 30 JUNE 2022

Aveng grew its continuing operations revenue and improved its operational performance in its businesses, enhancing gross margins, operating earnings and cash generation. This was achieved against the backdrop of a challenging business environment. In Southeast Asia, performance was impacted by COVID-19 related travel restrictions up until April 2022. In South Africa, riots and civil unrest in KwaZulu-Natal (KZN), industrial strike action within the South African steel industry and unscheduled furnace shutdowns at local steel mills affected the operating environment of Trident Steel. Ongoing load shedding continued to have an impact on the operations of South African businesses. Russia's invasion of Ukraine resulted in the global supply chain disruptions and inflationary pressures continued to exert pressure on our operations and that of our clients. Climate change played a key role in our Trident Steel operations with flooding in KZN, halting operations in the last quarter of the financial year and unseasonal rainfall affecting Moolmans operations in the Northern Cape.

Within this context, the Group performed well:

- Group revenue increased to R26,2 billion;
- Gross profit margin increased to 8,1% (2021: 7,6%);
- Earnings before non-recurring items (operating earnings) improved to R576 million;
- External debt (term and ABF) reduced by R398 million to R481 million (2021: R879 million);
- Generated operating free cash inflow of R612 million (2021: R1,5 billion inflow);
- Work in hand grew by 22% to R30,8 billion; and
- Disposed of non-core assets for R143 million in proceeds.

- **Operating free cash inflow of R612 million (2021: R1,5 billion)**
- **Cash and cash equivalents of R2,6 billion (2021: R2,5 billion)**
- **External debt reduced to R481 million (2022: R879 billion)**
- **Work in hand of R30,8 billion (2021: R25,3 billion)**

* *Excludes specific, significant non-recurring items*

The results were underpinned by our agile, resilient and diverse business model coupled with our committed and talented people who proactively responded to emerging threats and opportunities. Robust risk management processes and governance structures played a pivotal role in the navigation of market conditions.

STRATEGY IMPLEMENTATION

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

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

In FY22, the Group continued to de-risk the balance sheet through the repayment of R398 million of external debt (term and ABF) and the reduction of the South African performance guarantee exposure by 37% to R350 million (2021: R554 million). Proceeds from the disposal of non-core assets amounted to R143 million in the current year. The remaining *Infraset* factories and infrastructure & equity-accounted assets were sold post-year-end and are subject to regulatory approval. The Group remains in advanced negotiations, with a credible buyer, to dispose of *Trident Steel*.

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

Aveng settled and received payment of R282 million (AUD25 million) for a long-outstanding claim in Australia. The resolution of the claim resulted in additional liquidity that is retained in McConnell Dowell in support of growth. While we remained confident of our legal position in a civil claim by the City of Cape Town, the parties reached a settlement of R30 million, allowing the Group to focus on its core businesses.

McConnell Dowell continued to win work within its areas of specialist capability. The business won AUD2,4 billion in new work and grew work in hand by 33%, from AUD1,9 billion at 30 June 2021 to AUD2,5 billion at 30 June 2022. Post-year-end, McConnell Dowell has won a further AUD883 million in new work.

Moolmans continued to focus on the quality of revenue and project execution. Gross profit margin in the year improved from 10,2% in 2021 to 12,2% in 2022 on lower revenues. Fleet renewal remains a priority that requires investment in heavy mining equipment (HME) for both existing and new contracts. The analysis of the optimal age profile of HME has been completed and a disposal plan activated for sub-optimal equipment. Plans are underway to maximise the economic life of the existing fleet. Moolmans have confirmed a strategy with the Board for the acquisition of new equipment and negotiations are underway with OEMs and financiers to secure new equipment and related finance for new contracts.

Our sustainable growth agenda requires investment in our people and systems. Human resource capacity and capabilities remain a constraint in Australia and New Zealand. In response, we have enhanced and defined our employee value proposition, implemented an international recruitment campaign and expanded our internal development programmes. Similar resource constraints are experienced in South Africa, particularly skilled artisans required by Moolmans. This is being addressed by both external recruitment and internal training programmes. Succession planning has been implemented across the Group creating opportunities for our people. Our management team has been strengthened through the appointment of Group executives in IT and Risk and Assurance. We are focused on being an engineering led organisation in our skills, thinking and approach. The Group has planned investments of c.R25 million in technology and systems across the Group in FY23. Over and above this, projects currently under evaluation amount to c.R60 million.

Aveng developed and implemented its ESG framework, which is premised on its purpose and core values. Baseline metrics were established and an external readiness review conducted on processes and controls to ensure accurate reporting. Targets for FY23 have been finalised and the achievement of ESG KPIs forms 10% of management's short-term incentive for FY23.

OPERATIONAL PERFORMANCE

McConnell Dowell

McConnell Dowell has built a reputation as a highly technically skilled, engineering led contractor. The business has continued its profitable growth trajectory and continues to focus on specialised projects in Australia, New Zealand and Pacific Islands, and Southeast Asia.

McConnell Dowell achieved 17% growth in revenue to AUD1,7 billion, the highest in six years. Operating earnings increased by 23% to AUD34,5 million due to strong work in hand, particularly in Australia, and disciplined, consistent project performance. Earnings for the year increased by 36% from AUD23,1 million to AUD31,2 million. Approximately 85% of McConnell Dowell's projects operated at, or above, tender margins. A handful of projects, some of which have subsequently reached project completion, did not meet expectations and are being closely monitored and managed.

Operating free cash flow improved from AUD58 million to AUD64 million and the liquidity position remained strong, with cash reserves of AUD210 million, minimal debt and sufficient available guarantee facilities to meet growth aspirations.

Market conditions remain strong in the Australian construction sector with all levels of government using infrastructure investment to drive post-COVID recovery. The Australian business unit grew revenue by 17% and achieved an impressive 57% increase in operating earnings as the majority of projects delivered consistent operational performances. An increase in tendering resulted in significant growth in work in hand, with new contracts awarded in all states, across a range of project sizes and contract types in most of McConnell Dowell's specialist disciplines. This maintained a sound level of risk mitigating diversification.

Built Environs, the commercial building business unit of McConnell Dowell, increased its revenue by 20% and grew its work in hand following the award of projects in all its markets.

New Zealand and Pacific Islands had a slow start to the financial year as COVID-19 restrictions delayed project awards, resulting in a 9% reduction in revenue. Operating earnings remained in line with the prior year as the business unit successfully completed several major transport infrastructure and water supply projects. Renewed investment in infrastructure projects during the course of the year contributed to a material improvement in work in hand and liquidity. New work won included projects in the water/wastewater treatment, energy and marine infrastructure sectors.

The Southeast Asia business unit continued to be heavily impacted by COVID-19-related travel restrictions and lockdowns. Although conditions improved during the second half of the year this did not sufficiently mitigate the impact on certain projects, which contributed to an operating loss in the business unit. In line with the decision to suspend tendering activities, no new work was secured in the year. Tendering activities resumed in the last quarter as opportunities emerge post COVID-19. While the region remains challenging for McConnell Dowell, management is committed to the business unit and the region and is focused on promising longer-term opportunities.

McConnell Dowell recorded a 12-month rolling lost-time injury frequency rate (LTIFR) of 0,07 (2021: 0,06), against a target of 0,09 and total recordable injury frequency rate (TRIFR) of 0,54 (2021: 0,74) against a target of 1,00. No serious environmental incidents were recorded.

Moolmans

Moolmans, is a tier-one contract mining business operating in Africa, with a primary focus on open cast mining. Moolmans continued to focus on the quality of its contracts and enhancing project execution during the year. Operational performance has been improved through the investment in people in the disciplines of engineering, commercial and procurement. Extensive financial and engineering skills have been invested in support of fleet renewal.

Moolmans reported revenue of R3,3 billion for the year ended 30 June 2022 (2021: R4,0 billion). The decrease in revenue is due to the termination or completion of four projects during the year. The decrease in revenue was partially offset by extensions and expansions on other existing contracts. Subsequent to year end, a new contract was secured at Klipspruit in support of the rehabilitation of the mine.

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

Continuous improvement in Moolmans operational performance is reflected in an increase in its gross margin to 12,2% (2021: 10,2%; 2020: 5,4%). All but one of Moolmans projects were profitable. The underperforming project is receiving the requisite management attention with the goal of restoring the contract to a suitable profit level. Renewed focus and discipline in project execution, combined with improved risk management, fleet management, safety performance and procurement practices continue to drive these performance improvements.

Moolmans work in hand decreased to R3,1 billion (2021: R5,4 billion) due mainly to the deliberate termination of the Gamsberg contract, offset by a R1 billion contract extension for an existing client. Subsequent to year end, a new contract was secured at Klipspruit that increased work in hand.

Moolmans recorded a 12-month rolling LTIFR of 0,11 (2021: 0,14), against a target of 0,19 and TRIFR of 0,43 (2021: 0,59), against a target of 0,60. No major environmental issues were recorded. Following a slope failure at the Gamsberg mine in November 2020, Moolmans carried out extensive recovery operations. Sadly, in July 2022, we recovered the remains of our missing colleague. The board and management extend our condolences to the family and friends of our deceased colleague.

Trident Steel

Trident Steel continued to deliver strong results as a steel service centre business, primarily focused on the automotive sector. Despite a challenging operating environment that included the KwaZulu-Natal riots in July 2021, industrial action in the steel industry, the damages incurred by the KwaZulu-Natal floods in April 2022 and the ongoing global shortage of semi-conductors that impacted its OEM (original equipment manufacturer) clients, Trident Steel reported improvements in revenue, gross profit, EBITDA and safety performance. The KZN factory has since been restored to full production.

Revenue grew by 4% to R3,3 billion (2021: R3,2 billion) after being positively impacted by higher global steel prices, partially offset by lower sales volumes on the back of various business disruptions and the closure of the merchanting business in 2021. EBITDA increased by 21% to R301 million (2021: R247 million).

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

Trident Steel generated operating free cash flow of R160 million after investing in capital expenditure and working capital in the current year. The prior year operating free cash flow of R567 million included the once-off cash on disposal of merchanting inventory.

During the year, Trident Steel has received significant new component supply awards for the new Ford Ranger and VW Amarok.

While the strategy to dispose of Trident Steel remains unchanged, Aveng is required to continue to consider the application of *IFRS 5*. Following a technical evaluation, the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met at 30 June 2022. Consequently, Trident Steel was reclassified as a continuing operation in the current year.

The reclassification required the recognition of prior periods depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million in the current year.

This compares to a fair value gain of R611 million in the comparable year. These amounts have been included in the reported earnings. The reclassification and related non-cash charges and gains did not impact the trading activities or cash flow of Trident Steel. Normalised operating earnings, after incorporating the effects of the prior year *IFRS 5* depreciation, was R220 million (2021: R154 million), representing a 43% increase from prior year.

Aveng Manufacturing

Manufacturing recorded lower revenues and an operating loss of R5 million, in line with the disposal of the various operations during the year. Subsequent to year end, the Group entered into a sale for the remaining Infraset factories in Zambia and Mozambique, along with the related legal entities, as going concerns. The disposals do not require separate disclosure in terms of the JSE Listings Requirements and are subject to regulatory approvals. These are the final disposals of manufacturing businesses in the segment.

Project Management Office

The project management office continues to complete the significant task of closing out non-core asset disposals 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 operation recorded operating costs of R67 million and cash outflow of R164 million. The South African performance guarantee exposure continued to decrease from R554 million in the prior year to R350 million at June 2022.

FINANCIAL PERFORMANCE

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

Statement of comprehensive earnings

Group revenue grew by 2% to R26,2 billion (2021: R25, 7 billion). The revenue of the core businesses, Moolmans and McConnell Dowell increased by 7% to R22,4 billion (2021: R20,9 billion) and makes up 86% of total Group revenue (2021: 81% of total Group revenue).

Other earnings of R140 million (2021: R268 million) decreased mainly due to the recognition in the prior financial year of R60 million of COVID-19 subsidy income, a reduction of R36 million from dividends received and a reduction of R11 million from property rental income.

Earnings before non-recurring items (operating earnings) of R576 million (2021: R536 million), was mainly driven by:

- McConnell Dowell R385 million (2021: R312 million);
- Moolmans R207 million (2021: R239 million); and
- Trident Steel R220 million (2021: R247 million). Earnings before non-recurring items include depreciation and amortisation of R81 million in the current year, with no corresponding charge in the previous year.

Impairment loss on plant & equipment of R106 million (2021: R54 million) relates to individual assets at Moolmans that are underutilised, obsolete or physically damaged.

Impairment loss on right-of-use assets of Rnil compared to the prior year loss of R187 million on property leases, primarily associated with sale of non-core assets.

Fair value loss on disposal groups classified as Held for Sale of R74 million (2021: R611 million gain). R52 million was recognised in the current year on the reclassification of Trident Steel as a continuing operation. The remaining R22 million was recognised on other non-core assets.

Net finance charges reduced to R237 million (2021: R375 million). Finance expenses relating to financial institutions decreased by 46% to R151 million due to lower levels of debt, partially offset by rising interest rates in South Africa and *IFRS 16* interest decreased by 8%.

Earnings for the year of R130 million (2021: R988 million). The prior year included significant non-recurring items that included a once off R486 million gain on the early redemption of borrowings and a R611 million fair value gain on Trident Steel, previously classified as Held for Sale under *IFRS 5*.

Basic earnings per share of 106 cents was calculated using a weighted average number of shares of 122,5 million shares. As a result of the share consolidation, the prior year basic earnings per share (1 337 cents restated) was calculated using a weighted average number of shares of 73,9 million shares.

Commentary continued

Headline earnings of R308 million included Trident Steel depreciation and amortisation of R155 million recognised in the current year. The reversal of previously recognised impairment losses of R103 million was excluded from headline earnings.

Headline earnings per share of 252 cents, calculated using a pro-forma comparative weighted average number of shares of 122,5 million shares. As a result of the share consolidation, the prior year headline earnings per share (1 016 cents restated) was calculated using a weighted average number of shares of 73,9 million shares.

Normalised performance measures

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

- Impairment loss on right-of use assets and intangible assets;
- Impairment loss or reversal of impairment of long-term receivables;
- Gains or losses on disposal of non-core assets and PPE;
- Fair value adjustments; and
- Early redemption of borrowings.

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

Normalised operating earnings before non-recurring items of R576 million (2021: R443 million).

	FY 2022 Rm	Pro-forma# FY 2021 Rm	Change Rm
Earnings before non-recurring items	**576**	536	40
Depreciation and amortisation – Trident Steel*	**–**	(93)	93
Normalised earnings before non-recurring items	**576**	443	133

* *Following a technical evaluation on the application of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met during the year. Consequently, Trident Steel was reclassified as a continuing operation which resulted in a charge for the year. No depreciation and amortisation were recognised while Trident Steel was classified as Held for Sale.*

\# *The presentation of the pro-forma financial information and related reconciliation as detailed, is the responsibility of the directors of Aveng Limited. The pro-forma financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Aveng Limited. The pro-forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro-Forma Financial information. This pro-forma financial information for the year and prior comparative year has not been reviewed or reported on by the Group's auditor.*

Normalised earnings of R204 million (2021: R66 million).

	Pro-forma# FY 2022 Rm	FY 2021 Rm	Change Rm
Earnings for the year	**130**	988	(858)
Impairment loss on intangibles assets	**8**	–	(8)
Impairment loss on right-of-use assets	**–**	187	(187)
(Reversal of) / impairment loss on long-term receivables	**(26)**	26	(52)
Loss / (gain) on disposals of Assets Held for Sale	**22**	(28)	50
Gain on sale of property, plant & equipment	**(4)**	(10)	6
Fair value adjustment of disposal groups classified as Held for Sale**	**74**	(611)	685
Gain on early redemption of borrowings and other liabilities	**–**	(486)	486
Normalised earnings for the year	**204**	66	138

** *Following a technical evaluation on the application of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met during the year. Consequently, Trident Steel was reclassified as a continuing operation and this resulted in recognition of prior year' depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million. This compares to a fair value gain of R611 million in the prior year.*

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Normalised earnings per share was 167 cents (2021: 89 cents per share). The prior year was calculated using a pro-forma comparative weighting of 122,5 million shares and restated for the change in classification of Trident Steel as a continuing operation. This metric has been used for illustrative and comparative purposes only.

Statement of financial position

Property, plant and equipment of R2,5 billion remained in line with the prior year.

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

- R187 million (2021: R170 million) at McConnell Dowell, relating to specific projects across the business units; and
- R622 million (2021: R649 million) at Moolmans, primarily investment in components on existing fleet.

Right-of-use assets increased by R269 million to R606 million due to the inclusion of Trident Steel right-of-use assets of R574 million following the reclassification as a continuing operation, offset by additional depreciation of R147 million, not expensed while Trident Steel was classified as Held for Sale under *IFRS 5*.

Inventories increased by R817 million to R1,0 billion (2021: R211 million) largely due to the reclassification of Trident Steel as a continuing operation.

Contract assets for the Group increased to R3,6 billion (2021: R3,4 billion) due to an increase in McConnell Dowell's uncertified revenue offset by a reduction in contract receivables.

Assets Held for Sale decreased by R1,8 billion to R144 million (2021: R2,0 billion) due to the reclassification of Trident Steel as a continuing operation and the disposal of non-core assets. The remaining assets classified as Held for Sale comprise Infraset factories in the *Manufacturing and Processing* disposal group and infrastructure and equity investments that was sold subsequent to year end, subject to regulatory approvals.

External borrowings and other liabilities decreased by R398 million to R481 million (2021: R879 million) due to R350 million external debt repayments and the settlement of R41 million relating to asset-backed financing arrangements.

Lease liabilities increased by R520 million to R1,0 billion mainly due to the reclassification of Trident Steel as a continuing operation. In addition to the reclassification of Trident Steel, new leases of R88 million offset by R238 million of capital lease repayments.

Contract liabilities was in line with the prior year at R1,7 billion.

Liabilities Held for Sale decreased by R1,5 billion to R16 million (2021: R1,6 billion) due to the reclassification of Trident Steel as a continuing operation and the disposal of non-core liabilities. The remaining liabilities in Held for Sale comprise of the Infraset factories in the *Manufacturing and Processing* disposal group.

Operating free cash flow amounted to an inflow of R612 million (2021: R1,5 billion inflow) due to:

- McConnell Dowell – inflow of R676 million (2021: R711 million inflow);
- Moolmans – inflow of R91 million (2021: R480 million inflow);
- Trident Steel – inflow of R160 million (2021: R567 million inflow);
- Construction and Engineering: South Africa - outflow of R164 million (2021: R79 million outflow);
- R143 million of proceeds from disposal of non-core assets;
- Net finance expenses paid of R274 million; and
- Taxation paid of R47 million.

Cash and bank balances (net of bank overdrafts) increased to R2,6 billion (2021: R2,5 billion). Cash in McConnell Dowell increased by R515 million mainly driven by the cash settlement of AUD25 million for a long outstanding legacy claim and growth in working capital. This was offset by R398 million debt repayments, debt service costs and additional working capital requirements in South Africa.

Net cash position remained in line with prior year at R1,1 billion.

- Cash and bank balances increased by R98 million;
- External borrowings decreased by R398 million following scheduled repayment of external debt; and
- Offset by an increase of R520 million in *IFRS 16* lease liabilities following the reclassification of Trident Steel as a continuing operation.

OUTLOOK

McConnell Dowell's revenue is expected to grow, supported by work in hand of AUD3,2 billion as at July 2022, representing 91% of FY23 revenue. Projects in preferred bidder status amounted to AUD1,7 billion following the successful conversion and award of the Bridgewater Bridge and Epping contracts. A further AUD2,5 billion of outstanding tenders await award and are followed by AUD1,3 billion of tenders currently in preparation for submission. This strong opportunity pipeline continues to facilitate strategic selection of projects in support of profitable growth. Margin performance is expected to improve on the back of current strong execution, the mix in work in hand and the extent of collaborative contracting.

Inflation pressure has been experienced globally and has been amplified by pent-up consumer demands after the COVID-19 pandemic, the Russian invasion of Ukraine, logistics constraints and high levels of employment in developed markets. Increases in interest rates, energy, materials and shipping costs pose challenges to our businesses in the form of cost escalation, tender award slippage due to customer budget pressures and subcontractor insolvency, amongst others. Our operations have employed a series of mitigating strategies to manage the impact of inflationary pressures. These include commercial agreements in contracts to allow for cost reimbursement, rise and fall measures and repricing of elements of contracts. Procurement is a second element and is proactively managed to ensure cost certainty through early and advanced awards of subcontracts and material supply agreements. Contingency allowances are used to manage residual risk.

Australian market conditions remain strong as private and public sector infrastructure investment continues to be driven by the mining and energy sectors in particular. Lingering COVID-19 effects continue to impact labour availability and mobility, following a two-year cessation of inbound skills migration. Human resource capacity and capability in the engineering and construction sector presents both risk and opportunity.

New Zealand and Pacific Islands experienced growth in project awards as the momentum of public sector investment, stalled by COVID-19 restrictions, was renewed. Border restrictions have been largely lifted but lagging impacts on labour availability and rising costs remain matters of concern going forward. Southeast Asia's addressable market remains strong but the competitive and operational landscape remains challenging.

Fleet renewal is core to the outlook for Moolmans as this ultimately creates value for both our customers and Moolmans. This renewal will be executed in a phased and disciplined manner to ensure an attractive return to shareholders. The renewal includes the purchase of new equipment and negotiations are underway to secure and finance equipment. The second leg to the renewal is the disposal plan for sub-optimal equipment and is targeted for H1 of 2023.

Moolmans work in hand, as at July 2022, increased to R3,5 billion after securing a R576 million contract for a new coal rehabilitation project at Klipspruit. 78% of FY23 revenue has been secured. Moolmans addressable market remains strong with opportunities present in various commodities across the African continent. Moolmans is currently a preferred bidder on contracts valued at R11,4 billion, has R17,7 billion worth of outstanding tenders and R28,8 billion contracts in preparation for submission.

Following a new first tier component supply award, to Trident Steel, by major OEMs (Ford and VW) and increased levels of planned production on existing contracts, prospects for growth remain positive. On 13 June 2022, a cautionary announcement on the JSE Stock Exchange News Service (SENS) was published informing shareholders that the company is in advanced negotiations, with a credible buyer, to dispose of Trident Steel, a division of Aveng Africa (Proprietary) Limited, as a going concern. This cautionary announcement has been renewed and negotiations are ongoing. Management is committed to concluding the transaction as soon as possible.

The value of the transaction is expected to exceed Trident Steel's reported net asset value as per the 2022 Aveng interim results. The proceeds from the transaction will be utilised to settle remaining external debt in South Africa, create further liquidity and strengthen the financial position of Aveng.

Given its work in hand, strong tender pipeline and current market conditions, McConnell Dowel is expected to continue its growth trajectory. Revenue and operating earnings are expected to increase in the coming year. Moolmans is expected to deliver a steady profit performance in the coming year as it focuses on securing new contracts and renewing its fleet. Trident Steel's revenue and operating earnings are expected to increase on increased volumes and higher steel prices, although this will require increased investment in working capital. Corporate costs are expected to remain steady as the future growth strategy is implemented.

Commentary continued

KEY MESSAGES

Balance sheet optimisation

- External legacy debt reduced from R879 million to R481 million in FY22; and
- Balance of the external legacy debt to be extinguished in FY23.

McConnell Dowell

- Strong growth in work in hand;
- Improved operational performance and cash generation;
- Engineering led focus on risk management; and
- Focus on recruitment and development of people.

Moolmans

- Improving performance by an engineering led approach to procurement, maintenance and operational performance;
- Investment in fleet optimisation and renewal linked to size and quality of our work in hand;
- New debt to be incurred in support of investment in fleet; and
- Focus on recruitment and development of people.

Trident

- Strong growth prospects delivered by higher OEM volumes and new component awards;
- Investment in working capital required; and
- Disposal at an advanced stage of negotiation.

ESG

- Baseline metrics established; and
- FY23 performance targets tracked and form part of management remuneration.

Capital markets

- Current share price trading at a discount to the net asset value; and
- Alternative options under consideration to:
  - offer value to shareholders
  - secure access to capital and liquidity with a firm nexus to the majority of our assets.

The Group's financial performance continues on a path of sustainably profitable growth. As they implement long-term growth strategies, the core businesses are continuously improving their operational performances and are both cash generative, while Trident Steel delivers high performance in the most challenging of conditions. The Group has good growth opportunities, notably in the Australian operations and Moolmans.

Disclaimer

The financial information on which any outlook statements are based has not been reviewed or reported on by the external auditor. These forward-looking statements are based on management's current belief and expectations and are subject to uncertainty and changes in circumstances. The forward-looking statements involve risks that may affect the Group's operations, markets, products, services and prices.

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