



2023

Audited consolidated and separate annual financial statements for the year ended 30 June 2023



Providing a better life

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

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GENERAL INFORMATION

Country of incorporation and domicile	South Africa	
Directors	Mr Philip Hourquebie (Independent non-executive chairman) Mr Sean Flanagan (Group chief executive officer) Mr Adrian Macartney (Group finance director and chief financial officer) Ms Bridgette Modise (Lead independent director) Mr Bradley Meyer* Mr Bernard Swanepoel Mr David Noko Ms May Hermanus Mr Michael Kilbride Mr Nicholas Bowen*	Resigned as independent non-executive director with effect from 31 March 2023 Appointed as independent non-executive director with effect from 31 March 2023 Retired as independent non-executive director with effect from 17 July 2023 Retired as independent non-executive director with effect from 17 July 2023 Appointed as independent non-executive director with effect from 17 July 2023
	* Mr Bradley Meyer and Mr Nicholas Bowen are Australian	
Auditors	KPMG Incorporated	
Company Secretary	Ms Edinah Mandizha	
Company registration number	1944/018119/06	
Level of assurance	These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 (as amended) of South Africa.	
Supervised by	The audited consolidated and separate annual financial statements were prepared by: Gregory Beevers CA(SA) under the supervision of: Adrian Macartney CA(SA), Group finance director and chief financial officer	
Address of registered office	3 rd Floor 10 The High Street Melrose Arch Johannesburg 2076	
Published	22 August 2023	

AUDIT COMMITTEE REPORT

Performance of duties

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

Evaluation of the finance director

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

Evaluation of the financial reporting procedures

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

Statement on internal financial controls

Based on information from and discussions with management and the Group internal audit function, the audit committee confirms that it has no reason to believe that there were any material breakdowns in the design or operating effectiveness of internal financial controls during the financial year under review which have not been addressed or are not in the process of being addressed. The financial records can therefore be relied on for preparation of the consolidated annual financial statements.

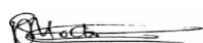
Liquidity and going concern

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

The audit committee has interrogated the key assumptions used in determining the cash flow forecasts used in the going concern assessment, the operating cash flows of its businesses and other initiatives already embarked on by the Group. The audit committee was satisfied that the assumptions are supportable. The audit committee was further satisfied with the post year end events, going concern and liquidity disclosures in the directors' report and with the notes to the financial statements.

Statement on internal control and risk management

The risk management processes provide the basis for identifying, evaluating, mitigating and monitoring potential risks throughout the Group. Management is primarily responsible for implementing and executing appropriate controls to mitigate risks and ensure that the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements. The internal audit function reviews the effectiveness of the overall internal control environment and makes recommendations to management and the audit committee on any deficiencies in design and operational effectiveness of the internal financial controls. The board has concluded, based on the recommendations of the audit committee and their own understanding, that there is no reason to believe that there were any material internal financial control shortcomings during the current financial year that have not been addressed or are in the process of being addressed.



Bridgette Modise

Chair of audit committee

21 August 2023

CERTIFICATE OF THE COMPANY SECRETARY

I, the undersigned, Edinah Mandizha, in my capacity as company secretary, certify that:

- ▶ the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act 71 of 2008 (as amended) of South Africa; and
- ▶ all such returns are true, correct and up to date.



Edinah Mandizha

Company Secretary

21 August 2023

DIRECTORS' REPORT CONTINUED

The directors submit their report for the year ended 30 June 2023.

Review of activities

Nature of business

The consolidated annual financial statements (results) comprise the financial results of Aveng Limited and its subsidiaries (the Group) at 30 June 2023. Aveng Limited (the Company) is a South African registered and listed company, included in the Construction and Materials – Heavy Construction sector of the Johannesburg Stock Exchange (JSE) (Listing reference: AEG) with interests in construction and contract mining.

Aveng is structured to deliver its projects through its two subsidiaries, McConnell Dowell and Moolmans, across four operating geographies, namely Australia, New Zealand & Pacific Islands, Southeast Asia and South Africa.

The financial year has been a year of transition, characterised by a normalisation of operating activities as we emerged from the global Covid-19 pandemic, rapid growth of McConnell Dowell as revenue, work in hand and people numbers grew, the awarding of new contracts at Moolmans and the related investment in, delivery and commissioning of heavy mining equipment. Both McConnell Dowell and Moolmans invested in systems in the areas of new business and human capital management. The Group continued its journey to develop both enterprise risk management and ESG frameworks. The sale of Trident Steel and settlement of the legacy term debt brought the 2018 restructuring strategy to a conclusion. New financing facilities were arranged in support of the investment in new equipment and the partial funding of a project guarantee following its encashment, together with new general banking facilities for the South African operations. These activities provide the foundation for a focused business and balance sheet as we build for the future.

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

Disposal of Trident Steel and non-core asset disposal plan

The Group reported in May 2023 that all conditions precedent to the disposal of Trident steel were fulfilled and/or waived and that the sale of Trident Steel had been completed.

Total cash inflow to the Group from the disposal amounted to R1,2 billion. This comprised R700 million in purchase consideration, the return of R264 million net cash to be retained by Aveng, the payment of an accumulated ticking fee of R75 million and the refund of R183 million of additional liquidity provided to the business to fund growth in the period after 30 June 2022. A pre-tax gain on disposal of R160 million, with an effective date of 28 April 2023 was recognised. Refer to note 32: Disposal of Trident Steel for further details.

As part of the disposal, Aveng provided a R210 million loan, to a separate company, in order to subscribe for 30% in the equity of the new Trident Steel business to facilitate a future BBBEE transaction. The option holder exercised the call option and Aveng received payment in full on 2 June 2023. The payment contributed positively towards the Group's liquidity and continued strengthening of the balance sheet.

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

Group financial results

Revenue from continuing operations increased to R28,9 billion (2022: R22,5 billion). An operating loss from continuing operations of R1,1 billion was recognised, compared to a prior year operating profit of R360 million. The Group reported a headline loss of R950 million or 753 cents per share (2022: Headline earnings of R308 million or 252 cents per share). The loss for the period amounted to R1,3 billion or 1 017 cents per share (2022: R130 million earnings or 106 cents per share) whereas normalised earnings decreased from R204 million in the prior year to a normalised loss of R1 billion.

DIRECTORS' REPORT CONTINUED

Review of activities continued

Overall trading performance

McConnell Dowell

McConnell Dowell has built a reputation as being a highly skilled, engineering-led contractor in its area of operation. The business achieved a 25% growth in revenue to R26 billion (AUD2,2 billion), but reported an operating loss of R815 million (AUD66 million) compared to an operating profit of R385 million (AUD35 million) in the prior year. This is mainly driven by significant underperformance in the Southeast Asia business unit as a result of the Batangas LNG terminal project ("BLNG project") in the Philippines that contributed R1,2 billion (AUD 104 million) to the operating loss.

McConnell Dowell's Australian business unit reported strong operating earnings of R717 million (AUD60 million) compared to prior year operating earnings of R700 million (AUD63 million) as a result of healthy market conditions in the Australian infrastructure sector, which is supported by infrastructure investments from all levels of government. The New Zealand & Pacific business unit reported increased operating earnings of R222 million (AUD17 million) in comparison to the prior year of R59 million (AUD7 million) following the resumption of new contract awards that were delayed in the previous year due to COVID-19 restrictions. This improved performance is overshadowed by the substantial loss in Southeast Asia of R1,6 billion (AUD129 million). Total losses booked on the BLNG project in the current year, amounted to R1 243 million (AUD104 million). This includes the recognition of a loss following the encashment of the project guarantee of R529 million (AUD43 million).

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

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

Overheads grew by 12% to R1,2 billion (AUD101 million), representing 4.7% of revenue. This was higher than the prior year overheads of R1 billion (AUD90 million) representing 5.2% of revenue.

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

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

Moolmans

Moolmans, is a tier-one contract mining business offering specialised services to the mining industry, specifically open cast mining and reported revenue of R2,9 billion compared to R3,3 billion in the prior year.

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

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

DIRECTORS' REPORT CONTINUED

Review of activities continued

Group financial results continued

Overall trading performance continued

Moolmans continued

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

Aveng Construction: South Africa

The Project Management Office (PMO) continues to wind-down and finalise the remaining contracts not sold as part of the disposals process. The close out of the remaining contracts contributed to an operating loss of R59 million (June 2022: R67 million). All contracts have been completed and are in defects liability period. As a consequence, guarantees related to this legacy business have reduced to R82 million (2022: R350 million).

Normalised performance measures

In evaluating Company performance, the Board excludes the effects of specific non-recurring items relating to the capital gains and losses associated with non-core assets, IFRS 5 adjustments and adjustments in respect of non-core assets. Normalised performance 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. A normalised loss of R1 billion (June 2022: R204 million earnings) was recorded. Normalised loss per share was 802 cents (June 2022: 167 cents earnings per share). Refer to *note 6: Segmental report* for further details.

Exchange differences on translating foreign operations reclassified to earnings and loss on derecognition

Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition recognised in earnings, relates to the derecognition of cumulative foreign currency translations held in the foreign currency translation reserve (FCTR), following the substantive liquidation and winding up of foreign legacy operations. This charge of R436 million (2022: Rnil) to earnings is offset by the equal and opposite cumulative amount recognised in OCI. This results in a previously recognised translation difference being transferred from FCTR to profit or loss in the current year. This reclassification had no cash flow effect and no impact on the net asset value of the Group.

Gain on disposal of Assets Held for Sale

Gain on disposal of assets Held for Sale and fair value adjustment of R150 million (2022: R81 million loss) includes a pre-tax gain of R160 million on the disposal of Trident Steel. In the prior year, a fair value loss on disposal groups classified as Held for Sale amounted to R59 million. Refer to *note 32: Disposal of Held for Sale* for further details.

Balance sheet

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

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

The Group reduced South African performance guarantees to from R350 million to R82 million.

Capital expenditure

The Group incurred replacement capital expenditure of R751 million for the year (2022: R834 million) and expansionary capital expenditure of R614 million (2022: Rnil). The majority of the amount was spent as follows:

- R225 million (AUD18 million) at McConnell Dowell, relating to specific projects across the business units; and
- R1,1 billion at Moolmans, primarily investment in new heavy mining equipment and components on existing fleet.

DIRECTORS' REPORT CONTINUED

Liquidity, solvency, ongoing funding, and going concern

The Group has cash of R2,4 billion (30 June 2022: R2,6 billion) on 30 June 2023, of which R996 million (30 June 2022: R605 million) is held in joint arrangements. Unutilised facilities amounted to R388 million (30 June 2022: R205 million).

The Group has a net cash position of R1,4 billion, excluding IFRS16, after taking into account positive cash on hand of R2,4 billion and debt of R1 billion.

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

The debt of R1 billion is made up of R706 million in new asset-backed financing at Moolmans with a remaining term of 44 months and R290 million (AUD23 million) term loan with a remaining term of 12 months at McConnell Dowell.

The South African Group liquidity pool remains tightly managed. The Group settled the South African legacy debt of R478 million and short-term trade finance facility of R450 million.

Subsequent to year end the Group entered into new banking facilities with The Standard Bank of South Africa Limited and the existing Common Terms Agreement will be restated and amended to reflect this change.

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

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

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

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

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

For further information on all of the disclosures included above, refer to *note 5: Going concern* and *note 48: Events after the reporting period* in the financial statements.

Events after the reporting period

In addition to the items discussed under liquidity and solvency, refer to *note 48: Events after the reporting period*.

Directors

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

- Mr. Philip Hourquebie
- Ms. Bridgette Modise

The following appointments were made to the Board of directors:

- Mr. David Noko – appointed as an independent non-executive director effective 31 March 2023
- Mr. Nicholas Bowen – appointed as an independent non-executive director effective 17 July 2023

The following resignations from the Board of directors were received in the current year:

- Mr. Bernard Swanepoel – resigned as an independent non-executive director effective 31 March 2023
- Ms. May Hermanus – retired as an independent non-executive director effective 17 July 2023
- Mr. Michael Kilbride – retired as an independent non-executive director effective 17 July 2023

Details of the directors' remuneration and interests are set out in *note 45: Directors' emoluments and interests* of the consolidated annual financial statements.

DIRECTORS' REPORT CONTINUED

Directors continued

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

Stated capital

Details pertaining to the authorised and issued share capital of the Company at 30 June 2023 are contained in *note 18: Stated Capital of the consolidated annual financial statements*.

Change in management

Jerome Govender, the Managing Director for Moolmans, tendered his resignation in order to pursue opportunities outside the Group. In the interim, Sean Flanagan the Group Chief Executive Officer has assumed the role of executive chairman of Moolmans and a search for a new Moolmans Managing Director is underway. Sean will continue performing his duties as Group Chief Executive Officer. Further, Mr. Rod Dixon joined Moolmans as Operations Director with effect from 1 June 2023 and Ms. Tumi Smith joined on 1 July 2023 as HR Executive. Both Rod and Tumi are members of the Moolmans executive.

Auditors

KPMG Inc. ("KPMG") continued in office as the external auditor of the Group. Shareholders will be requested to appoint KPMG as the Group's external auditors for the 2024 financial year at the next AGM.

Shareholders

The following information is available on 22 August 2023 on the Group's website:

- Shareholders' diary.

Directors' responsibility relating to the consolidated and separate annual financial statements

The directors of the Company are responsible for maintaining adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the year ended 30 June 2023.

After due, careful and proper consideration, the directors acknowledge that the audited consolidated annual financial statements have been prepared in accordance with *International Financial Reporting Standards* (IFRS) of the *International Accounting Standards Board* (IASB), the *IFRIC interpretations* as issued by the *International Financial Reporting Interpretations Committee* (IFRIC), the *South African Institute of Chartered Accountants* (SAICA) *Financial Reporting Guides* as issued by the *Accounting Practices Committee* (APC), the *Financial Reporting Pronouncements* as issued by the *Financial Reporting Standards Council*, the requirements of the *Companies Act 71 of 2008 (as amended) of South Africa*, and the *Listings Requirements* of the JSE Limited.

The directors acknowledge that they are responsible for the system of internal financial control established by the Group and Company and place considerable importance on maintaining a strong control environment. These controls are designed to provide reasonable, but not absolute assurance, as to the reliability of financial records and the consolidated annual financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatements and losses. To enable the directors to meet these responsibilities, the Board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework; effective accounting procedures; and adequate segregation of duties which are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

DIRECTORS' REPORT CONTINUED

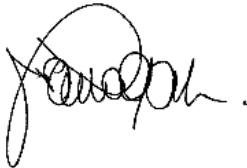
Directors' responsibility relating to the consolidated and separate annual financial statements continued

The Board of directors have reviewed the Group's cash flow forecast up to the year ending 30 June 2025 and in light of this review and the current financial position, is satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the consolidated annual financial statements are prepared on a going concern basis.

The external auditor is responsible for reporting on the Group's and Company's consolidated annual consolidated and separate financial statements. Its unmodified report to the shareholders of the Group and Company is set out on pages 11 to 15.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of the Group for the year ended 30 June 2023 set out on pages 16 to 112, which have been prepared on the going concern basis, were approved by the Board of directors on 21 August 2023 and were signed on its behalf by:



Sean Flanagan

Group chief executive officer
Authorised Director



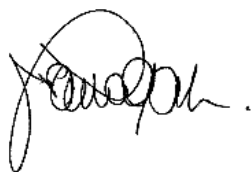
Adrian Macartney

Group Finance director and chief financial officer
Authorised Director

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

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

- the annual financial statements set out on pages 16 to 112, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remediated the deficiencies; and
- we are not aware of any fraud involving the directors.



Sean Flanagan

Group chief executive officer

21 August 2022



Adrian Macartney

Group finance director and chief financial officer

21 August 2022

INDEPENDENT AUDITORS' REPORT

To the shareholders of Aveng Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Aveng Limited (the Group and Company) set out on pages 16 to 112, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of comprehensive earnings, consolidated and separate statements of changes in equity and the consolidated and separate statement of cash flows for the year then ended, accounting policies and notes to the consolidated and separate annual financial statements, excluding the supplementary financial information denominated in the Australian Dollar (AUD) and accounting policy 1.3.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Aveng Limited as at 30 June 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

Estimation uncertainty involved in accounting for revenue and costs from contracts with customers.

Refer to accounting policy note 2.11, significant accounting judgements and estimates note 3.1.4 and note 27 to the consolidated annual financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The construction and engineering and mining segments of the Group are characterised by contract risk with significant judgements involved in the assessment of the anticipated final contract outcomes.</p> <p>Management uses a high degree of estimation and judgement in their assessment of the revenue recognition resulting from:</p> <ul style="list-style-type: none">the contract stage of completion;estimation of total contract revenue and total contract costs;contract variations and claims; andthe ability to deliver contracts within the requirements of each contract. <p>The measurement of contract revenue and costs includes uncertainty that will depend on the outcome of future events. Changes in any of the</p>	<p>We performed the following procedures to address this key audit matter:</p> <p>We selected a sample of contracts based on value and various risk factors including:</p> <ul style="list-style-type: none">significant loss-making contractscontracts with significant claimscontracts with uncertain outcomes <p>For the contracts selected, our procedures included the following:</p> <ul style="list-style-type: none">We discussed and evaluated the status of the selected contracts with senior management, finance and technical, project and engineering management to consider the risks and judgements applied by management to determine the progress of performance obligations.We performed site visits to gain and confirm our understanding of the contracts including the status and progress.<ul style="list-style-type: none">We evaluated whether:<ul style="list-style-type: none">the expected total revenue reconciled to signed contracts and variation orders;

INDEPENDENT AUDITORS' REPORT CONTINUED

To the shareholders of Aveng Limited

Estimation uncertainty involved in accounting for revenue and costs from contracts with customers.

Refer to accounting policy note 2.11, significant accounting judgements and estimates note 3.1.4 and note 27 to the consolidated annual financial statements.

Key audit matter

significant judgements may result in a material variance in the amount of profit or loss recognised from individual contracts.

The estimates and judgements made by the directors in respect of contract revenue and contract costs can have a material impact on the consolidated financial statements and accordingly the estimation uncertainty involved in accounting for revenue and costs from contracts with customers is considered a key audit matter in the audit of the consolidated financial statements.

How the matter was addressed in our audit

- the appropriate costs were included in work in progress; and
- variation orders and claims were appropriately recognised when determining the valuation of contract assets and the resulting financial impact on the contracts.
- We recalculated the revenue per contract based on the input method. We agreed the adjustments between certified progress revenue and revenue recognised to the amounts due to/from contract customers.
- Where revenue is calculated on the output method, we have evaluated signed customer certificates and provisional revenue calculations supported by technical measurements.

For revenue recognised for variable considerations, including claims and variation orders:

- We inspected supporting documents to verify that the revenue was recognised only when the requirements of IFRS 15, *Revenue from Contracts with Customers* and the Group's accounting policy have been met, namely when it is highly probable that no significant reversal of revenue will take place in a subsequent period;
- Where applicable, we inspected correspondence with customers concerning variation orders and claims and obtained third-party assessments from legal counsel contracted by the Group, to assess whether the information was consistent with the estimates made by management;
- For high risk and loss-making contracts, we included our engineering specialists to consider the completeness of the forecasted costs to complete and the judgements made to estimate the potential risks and opportunities on each contract, and
- We undertook inquiries with internal and external legal counsel, financial staff and directors in respect of ongoing claims and proceedings on contractual disputes to determine the probability of an unfavorable outcome.

INDEPENDENT AUDITORS' REPORT CONTINUED

To the shareholders of Aveng Limited

Liquidity and compliance with covenants

Refer to note 5, note 19, note 46.2 and note 48 to the consolidated annual financial statements (relates to both the Group and Company).

Key audit matter

The Group and Company continue to actively manage the liquidity and cash flow of two distinct liquidity pools, namely McConnell Dowell in Australia and the South African liquidity pool.

McConnell Dowell has debt covenant restrictions that need to be complied with while the South African liquidity pool continues to be tightly managed. The mining operations have to adhere to covenants relating to the acquisition and financing of new equipment.

There is judgement involved in forecasting liquidity requirements covering a minimum of twelve months from the date of approval of these consolidated and separate financial statements and ensuring that loan covenants are complied with. The assessment made by management included evaluating available cash resources, facilities and operating cash flows.

Furthermore, because of the effort required from the audit team to evaluate managements judgement, liquidity and compliance with covenants has been identified as a key audit matter in the audit of the consolidated and separate financial statements.

How the matter was addressed in our audit

To address the key audit matter, we performed the following audit procedures:

Our team included senior audit team members, who understand the Company and Group's funding requirements, the Group's business, industry and the economic environment in which it operates in and we:

- Critically evaluated management's going concern assessment, focusing on the short-term liquidity requirements and whether the assessment includes all relevant information that has come to our attention during the audit;
- Evaluated the Group's historic and forecasted results including recent and future profitability and cash generation performance together with the net current asset and net asset position;

We have assessed the available cash facilities and operating cash flows of the Group through:

- Evaluating whether substantially all budgeted revenue is secured at projected positive margins for at least the next twelve months from the date of this report;
- Stress tested managements assumptions, covering a minimum of 12 months from the date of these financial statements, in respect of the operating cash flow forecasts and assessed the reasonableness of the key assumptions and the related sensitivity analyses performed by management by performing our own sensitivity analyses;
- Evaluating the probability and success of the sale of the remaining assets held for sale;
- Evaluating the forecast cash balances prepared by management to ensure sufficient headroom is available to meet short term liquidity levels including complying with debt covenants;
- Evaluating managements group risk report and the formal disputes report and the possible impact thereon on projected cash flows;
- Evaluating the Group's continuing ability to generate a substantial cash balance and a positive working capital position on the contract portfolio;
- Evaluating the continuing ability to raise bonding facilities/project guarantees for existing and future contracts and whether there are sufficient facilities for future work; and
- Evaluated the extent and timing of new banking facilities.

Furthermore, we have evaluated and assessed events subsequent to the year-end up to the date of this report that would impact the available cash resources, facilities and operating cash flows.

We also considered the adequacy and appropriateness of the Group and Company's disclosures in respect of going concern in the financial statements in accordance with IAS 1, *Presentation of financial statements*.

INDEPENDENT AUDITORS' REPORT CONTINUED

To the shareholders of Aveng Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Aveng Limited consolidated and separate financial statements for the year ended 30 June 2023", which includes the Directors' Report, the Audit Committee's Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, the supplementary financial information denominated in the Australian Dollar (AUD), accounting policy 1.3 and the assurance report thereon, which we obtained at the date of this report, and the 2023 Integrated Report, which is expected to be made available after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT CONTINUED

To the shareholders of Aveng Limited

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

- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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



KPMG Inc.
Per FHC von Eckardstein
Chartered Accountant (SA)
Registered Auditor
Director

21 August 2023

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

2022* AUDm	2023* AUDm		Notes	2023 Rm	2022 Rm
		ASSETS			
		Non-current assets			
8,9	8,0	Goodwill arising on consolidation	9	100	100
220,0	236,5	Property, plant and equipment	7	2 968	2 479
53,8	39,0	Right-of-use assets	8	489	606
12,6	11,3	Infrastructure investments	10	142	142
65,5	80,2	Deferred taxation	11	1 006	738
6,5	31,9	Lease receivables	15	400	73
1,4	1,6	Other non-current assets		20	16
368,7	408,5			5 125	4 154
		Current assets			
91,2	20,9	Inventories	14	262	1 028
321,8	422,4	Contract assets	12	5 302	3 626
74,3	34,0	Trade and other receivables	13	427	837
5,3	2,2	Taxation receivable	41	27	60
0,8	6,5	Lease receivables	15	81	9
232,2	189,7	Cash and bank balances	16	2 381	2 617
725,6	675,7			8 480	8 177
12,8	4,7	Assets Held for Sale	17	59	144
1 107,1	1 088,9	TOTAL ASSETS		13 664	12 475
		EQUITY AND LIABILITIES			
		Equity			
		Stated capital	18	4 776	4 747
		Other reserves		1 678	989
		Accumulated losses		(3 305)	(2 023)
329,6	250,9	Equity attributable to equity-holders of parent		3 149	3 713
0,6	0,5	Non-controlling interest		6	7
330,2	251,4	TOTAL EQUITY		3 155	3 720
		LIABILITIES			
		Non-current liabilities			
10,7	17,4	Deferred taxation	11	218	121
20,3	40,2	External borrowings and other liabilities	19	504	229
68,6	68,0	Lease liabilities	20	854	773
8,3	6,9	Provisions	22	86	94
33,5	35,5	Employee-related payables	23	446	377
141,4	168,0			2 108	1 594
		Current liabilities			
150,8	172,5	Contract liabilities	12	2 165	1 699
22,4	41,1	External borrowings and other liabilities	19	516	252
23,6	23,9	Lease liabilities	20	300	266
28,2	22,6	Employee-related payables	23	284	318
368,2	375,9	Trade and other payables	21	4 716	4 149
40,0	33,5	Provisions	22	420	451
0,9	-	Taxation payable	41	-	10
634,1	669,5			8 401	7 145
1,4	-	Liabilities Held for Sale	17	-	16
776,9	837,5	TOTAL LIABILITIES		10 509	8 755
1 107,1	1 088,9	TOTAL EQUITY AND LIABILITIES		13 664	12 475

* Supplementary non-IFRS information. Converted at a closing exchange rate of R12.55/AUD1 (2022: R11.27/AUD1). The statement of financial position has been translated from Rand to Australian Dollar to assist in the interpretation of the financial performance in a universally measured currency. This constitutes pro forma financial information in terms of the JSE Listings Requirements and should be read in conjunction with note 1: Presentation of consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS

for the year ended 30 June 2023

2022 AUDm*	2023 AUDm*		Notes	2023 Rm	(Re-presented) ¹ 2022 Rm
		Continuing operations			
2 028,2	2 405,4	Revenue	27	28 865	22 527
(1 868,1)	(2 366,6)	Cost of sales	28	(28 422)	(20 749)
160,1	38,8	Gross earnings		443	1 778
2,4	9,0	Other earnings	29	109	27
(129,6)	(134,4)	Operating expenses	30	(1 610)	(1 440)
(0,5)	(0,2)	Loss from equity-accounted investments	13	(2)	(5)
32,4	(86,8)	Operating (loss) / earnings		(1 060)	360
(7,8)	0,7	Capital earnings / (expenses)	31	9	(87)
0,7	6,6	Finance earnings		77	8
(13,6)	(17,0)	Finance expenses	33	(200)	(152)
11,7	(96,4)	(Loss) / earnings before taxation		(1 174)	129
(2,6)	4,7	Taxation	34	57	(29)
9,1	(91,7)	(Loss) / earnings from continuing operations		(1 117)	100
		Discontinued operations			
10,1	10,2	Earnings from discontinued operations, net of taxation	35	120	111
-	(35,8)	Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition		(436)	-
(7,3)	13,4	Gain / (loss) on disposal of assets Held for Sale and fair value adjustment	32	150	(81)
2,8	(12,2)	(Loss) / earnings from discontinued operations		(166)	30
11,9	(103,9)	(Loss) / earnings for the year		(1 283)	130
		Other comprehensive earnings			
		Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
-	35,3	Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition		436	-
9,6	21,6	Exchange differences on translating foreign operations		267	107
9,6	56,9	Other comprehensive earnings for the period, net of taxation		703	107
21,5	(47,0)	Total comprehensive (loss) / earnings for the period		(580)	237

¹ Refer to note 35: Discontinued operations for the reclassification of Trident Steel from continuing operations to discontinued operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at a weighted average exchange rate of R12.34/AUD1 (2022: R11.11/AUD1). The statement of comprehensive earnings has been translated from Rand to Australian Dollars to assist in the interpretation of the financial performance in a universally measured currency. This constitutes pro forma financial information in terms of the JSE Listings Requirements and should be read in conjunction with note 1: Presentation of consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS CONTINUED

for the year ended 30 June 2023

2022 AUD*	2023 AUD*		Notes	2023 R	(Re-presented) ¹ 2022 R
		Total comprehensive (loss) / earnings for the period attributable to:			
21,5	(46,9)	Equity-holders of the parent		(579)	237
-	(0,1)	Non-controlling interest		(1)	-
21,5	(47,0)			(580)	237
		(Loss) / earnings for the period attributable to:			
11,9	(103,8)	Equity-holders of the parent		(1 282)	130
-	(0,1)	Non-controlling interest		(1)	-
11,9	(103,9)			(1 283)	130
		Other comprehensive earnings for the period, net of taxation			
9,6	56,9	Equity-holders of the parent		703	107
9,6	56,9			703	107
		Results per share (cents)			
		Basic (loss) / earnings per share			
7,4	(72,7)	Continuing operations		(886)	82
2,2	(9,7)	Discontinued operations		(131)	24
9,6	(82,4)			(1 017)	106
		Diluted (loss) / earnings per share			
7,0	(72,7)	Continuing operations		(886)	77
2,1	(9,7)	Discontinued operations		(131)	23
9,1	(82,4)			(1 017)	100
		Number of shares (millions)			
129,5	131,3	In issue	37	131,3	129,5
122,5	126,1	Weighted average	37	126,1	122,5
129,4	126,1	Diluted weighted average	37	126,1	129,4

¹ Refer to note 35: Discontinued operations for the reclassification of Trident Steel from continuing operations to discontinued operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at a weighted average exchange rate of R12.34/AUD1 (2022: R11.11/AUD1). The statement of comprehensive earnings has been translated from Rand to Australian Dollars to assist in the interpretation of the financial performance in a universally measured currency. This constitutes pro forma financial information in terms of the JSE Listings Requirements and should be read in conjunction with note 1: Presentation of consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm	Total other reserves Rm	Accumulated losses Rm	Total attributable to equity holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
Year ended 30 June 2022								
Balance at 1 July 2021	4 747	795	52	847	(2 153)	3 441	7	3 448
Earnings for the period	-	-	-	-	130	130	-	130
Other comprehensive earnings for the period (net of taxation)	-	107	-	107	-	107	-	107
Total comprehensive earnings for the period	-	107	-	107	130	237	-	237
Equity settled share-based payment - shares granted	-	-	35	35	-	35	-	35
Balance as at 30 June 2022	4 747	902	87	989	(2 023)	3 713	7	3 720
Year ended 30 June 2023								
Balance at 1 July 2022	4 747	902	87	989	(2 023)	3 713	7	3 720
Loss for the period	-	-	-	-	(1 282)	(1 282)	(1)	(1 283)
Other comprehensive earnings for the period (net of taxation)	-	267	-	267	-	267	-	267
Exchange differences on translating foreign operations reclassified to earnings and loss on derecognition	-	436	-	436	-	436	-	436
Total comprehensive loss for the period	-	703	-	703	(1 282)	(579)	(1)	(580)
Equity settled share-based payment - shares granted	-	-	15	15	-	15	-	15
Equity settled share-based payment - shares vested	29	-	(29)	(29)	-	-	-	-
Total contributions and distributions recognised	29	-	(14)	(14)	-	15	-	15
Balance as at 30 June 2023	4 776	1 605	73	1 678	(3 305)	3 149	6	3 155
Note	18		24					

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Note	2023 Rm	2022 Rm
Cash flow from operating activities			
Cash (utilised) / generated from operating activities	38	(421)	1 468
Finance expenses paid	39	(295)	(288)
Finance earnings received	40	82	14
Taxation paid	41	(47)	(47)
Cash (outflow) / inflow from operating activities		(681)	1 147
Cash flow from investing activities			
Acquisition of property, plant and equipment – expansion	7	(614)	-
Acquisition of property, plant and equipment – replacement	7	(751)	(834)
Proceeds on disposal of property, plant and equipment		82	168
Proceeds on disposal of Trident Steel	32	1 073	-
Proceeds on disposal of other assets Held for Sale		74	106
Capital expenditure net of proceeds on disposal		(136)	(560)
Advance of short-term loan		(210)	-
Repayment of short-term loan		210	-
Dividends received	29	10	21
Advances in respect of other non-current assets		(7)	(9)
Cash movement in investing activities classified as Held for Sale		(10)	1
Cash outflow from investing activities		(143)	(547)
Cash flow from financing activities			
Financing activities with debt-holders			
Repayment of external borrowings	43	(619)	(399)
Proceeds from external borrowings	43	1 165	-
Receipt of capital portion of lease receivable		19	-
Payment of capital portion of lease liabilities	20/43	(273)	(240)
Proceeds from Trade Finance Facility - Held for Sale		450	-
Repayment of Trade Finance Facility - Held for Sale		(450)	-
Payment of capital portion of lease liabilities - Held for Sale		-	(4)
Cash inflow / (outflow) from financing activities		292	(643)
Net decrease in cash and bank balances before foreign exchange movements		(532)	(43)
Foreign exchange movements on cash and bank balances		296	141
Cash and bank balances at the beginning of the period		2 617	2 519
Total cash and bank balances at the end of the period	16	2 381	2 617

ACCOUNTING POLICIES

for the year ended 30 June 2023

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

1.1 Basis of preparation

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

The consolidated and separate financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest million (Rm) except when otherwise indicated. The accounting policies adopted are consistent with those of the previous year as well as the Group's interim results as at and for the period ended 31 December 2022 except for the new standards and interpretations disclosed in *note 4: Standards and interpretations effective and not yet effective*.

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

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

1.3 Supplementary information

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

Disclaimer:

Australian dollar translations included in these financial statements constitutes pro forma financial information in terms of the JSE Guidance Letter: *Presentation of pro forma financial information dated 4 March 2010*. The pro forma financial information is the responsibility of the board of directors and is presented for illustrative purposes only. The Directors believe the pro forma information can assist stakeholders in interpreting the financial performance of the Group in a universally measured currency. Because of its nature, the pro forma financial information may not fairly present Aveng's financial position, changes in equity, results of operations or cash flows. The underlying information, used in the preparation of the pro forma financial information, has been prepared using accounting policies which comply with IFRS and are consistent with those applied in the published group consolidated and separate annual financial statements for the year ended 30 June 2023. This pro forma information has been reported on by the group's auditors, KPMG Incorporated. Their unmodified reporting accountant's report prepared in terms of the *International Standard on Assurance Engagements (ISAE) 3420* is available on page 113 to 114.

1.4 Statement of compliance

The consolidated and separate financial statements of Aveng Limited and its subsidiaries have been prepared on a going concern basis in accordance with the IFRS as issued by the International Accounting Standards Board (IASB), *International Financial Reporting Interpretations committee (IFRIC)*, the *South African Institute of Chartered Accountants (SAICA)* Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council, the *Johannesburg Stock Exchange Limited (JSE)* Listings Requirements, and the requirements of the *Companies Act 71 of 2008 (as amended) of South Africa*.

1.5 Approval of consolidated and separate annual financial statements

The consolidated and separate financial statements of the Group for the year ended 30 June 2023, which have been prepared on the going concern basis, were approved by the Board of directors on 21 August 2023.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES

2.1 Basis of consolidation

Business combination and goodwill

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

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

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

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

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

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

Common control

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

Subsidiaries

The results of any subsidiaries acquired or disposed of during the year are included from the effective dates of acquisition and up to the effective dates of disposal respectively, being the dates on which the Group obtains or ceases to have control. Control is achieved when the Group has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Non-controlling interests (NCI)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

The Group does not have subsidiaries that have a significant non-controlling interest and accordingly detailed non-controlling interest disclosure is not required in terms of *IFRS 12 Disclosure of Interests in Other Entities* in the current year.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.1 Basis of consolidation continued

Loss of control

If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any gain or loss is recognised in earnings or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Equity-accounted investments

Equity-accounted investments consist of investments in associates and joint ventures.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of more than 20% of the voting rights.

Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. The Group's interest in joint arrangements are either classified as joint operations or joint ventures.

A joint operation is a joint arrangement whereby the Group has rights to the assets and obligations for the liabilities, relating to the joint arrangement. The joint operators have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangements require unanimous agreement for financial and operating decisions among the joint operators. The Group recognises its interest in a joint operation by recognising its interest in the assets and liabilities of the joint operation as well as its share in the expenses that it incurs and its share of the earnings that it earns from the sale of goods or services by the joint operation.

A joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the earnings or loss and other comprehensive earnings or loss of the associates and joint ventures, until the date significant influence or joint control ceases.

When the Group's share of losses in associates or joint ventures equals or exceeds its interest in that entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. The total carrying amount of associates and joint ventures is evaluated when there is an indication of impairment.

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

Transactions eliminated on consolidation

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

Should a subsidiary, associate or joint arrangement apply accounting policies that are materially different to those adopted by the Group, adjustments are made to the consolidated financial statements to align the accounting policies.

All inter-group transactions and balances are eliminated on consolidation. Unrealised earnings or losses are also eliminated, unless it reflects impairment in the assets so disposed.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.2 Foreign currency transactions and balances

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

Transactions denominated in foreign currencies are initially translated at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the ZAR rate of exchange ruling at the reporting date. All differences are taken to earnings.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the ZAR rate of exchange ruling on the later of acquisition or revaluation dates. Gains or losses on translation are credited or charged against earnings.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group (ZAR) at the rate of exchange ruling at the reporting date. The income and expenses of foreign operations are translated at the average exchange rates for the year. Equity is stated at historical rates.

Foreign currency differences arising on the translation are recognised in other comprehensive earnings and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is reclassified from other comprehensive earnings to earnings.

2.3 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, identified as executive management, monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating earnings and is measured consistently with operating earnings in the consolidated financial statements.

The Group financing (including finance earnings) and income taxes are allocated to operating segments (refer to *note 6: Segmental information*).

Revenue and expenses are attributed directly to the segments to which they relate. Segment assets include all operating assets used by a segment, and consist principally of property, plant and equipment, trade and other receivables and contract assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables and contract liabilities.

2.4 Property, plant and equipment

Property, plant and equipment, including right-of-use assets, are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Land is not depreciated.

Buildings and other items of property, plant and equipment are depreciated on a straight-line basis over their useful lives to an estimated residual value. Right-of-use assets recognised under *IFRS 16* are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Where significant components of an item have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.4 Property, plant and equipment continued

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to earnings or loss during the reporting period in which they are incurred. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to be realised from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in earnings or loss in the year in which the item is derecognised.

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

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

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

2.5 Inventories

Inventories are valued at the lower of cost and net realisable value generally determined on the first-in first-out (*FIFO*) basis and weighted average in respect of certain stock categories. The cost of manufactured goods and work-in-progress, in addition to direct materials and labour, include a proportion of production overheads based on normal operating capacity and the appropriate stage of completion.

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

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

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

Impairment losses are recognised in the Statement of Comprehensive Earnings in expense categories consistent with the function of the impaired asset.

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

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.7 Stated capital

Treasury shares

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

2.8 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.9 Share based payments

The Group operates a share incentive plan for the granting of shares and/or share options to executives and senior employees as consideration for services rendered. Shares and/or share options are offered to executives and senior employees at the market price, upon recommendation by the remuneration and nominations committee. Shares and/or share options awarded to executives and senior employees are awarded over a period of two or three years.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of performance conditions, other than conditions linked to the market value of the Company's shares. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate as to the number of equity instruments that will ultimately vest. The earnings charge or credit for a period represents the movement in cumulative expense recognised at the beginning and at the end of each reporting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Provided that all other performance conditions are satisfied, these awards are treated as vested irrespective of whether or not the market condition is satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified.

In addition, an expense is recognised for any modification, which increases the consolidated total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

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

Cash-settled transactions

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.9 Share based payments continued

Subsidiaries

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

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

2.10 Employee benefits

Short-term employee benefits

All short-term benefits are charged as an expense in the period in which the related service is rendered by employees. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and this amount can be estimated reliably. The liability under short term benefits is accounted for as the undiscounted amount expected to be paid in exchange for the services received.

Post-retirement benefits

The Group has a defined contribution plan for its eligible employees. South African funds are governed by the Pension Funds Act, 1956 as amended. Other funds are governed by the respective legislation of the country concerned.

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The risks pertaining to the defined contribution plans does not lie with the Group regarding the sufficiency of the plan assets or returns on these assets.

Defined contribution plans

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

Other long-term employee benefits

Other long-term employee benefits include items such as the Group's long-term disability benefits as well as the portion of the Group's leave pay benefits not expected to be settled wholly within twelve months after the annual reporting period in which the employees render the related service.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

2.11 Revenue from contracts with customers

Construction and mining contracts

The Group recognises revenue from construction contracts over time as the customer receives the benefits associated to the revenue.

The Group is the principal in its construction contract revenue arrangements, because it typically controls the delivery of construction contracts over time. Anticipated losses to completion are immediately recognised as an expense in contract costs.

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

Where contract costs incurred to date plus recognised earnings, less recognised losses exceed progress billings, the surplus is reflected as contract assets for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits, less recognised losses, the surplus is reflected as contract liabilities for contract work.

Amounts received before the related work is performed are included as a liability in the consolidated statement of financial position, as progress billings received (including overclaims and early customer receipts) in contract liabilities.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.11 Revenue from contracts with customers continued

Construction and mining contracts continued

Amounts billed for work performed but not collected from customers are included as contract receivables under contract assets. Variations in contract work, claims and incentive payments are included as part of uncertified claims and variations as follows:

Claims impact on transaction price

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

Variations to a contract

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

Incentive payments

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

Revenue is measured at the consideration at which the Group is expected to be entitled to, excluding discounts, rebates and Value-Added Taxation (VAT).

Combining and segmenting construction contracts

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely inter-related or inter-dependent in terms of their design, technology and function. In certain circumstances, the Group measures revenue over a period of time for each separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or group of contracts.

Assets covered by a single contract are treated as separate performance obligations when:

- separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the Group and customer have been able to accept or reject that part of the contract relating to each asset; and
- the costs and revenues of each asset can be identified.

A group of contracts is treated as a single construction contract when:

- the group of contracts is negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract;
- the contracts are so closely inter-related that they are, in effect, part of a single project with an overall positive margin; or
- the contracts are performed concurrently or in a continuous sequence

Practical expedients

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

Significant financing component

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

2.12 Interest earnings

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

2.13 Other earnings

Dividends received are included in earnings or loss when the Group's right of payment has been established. The right of payment has been established when the dividend has been appropriately authorised and is no longer at the entity declaring the dividend's discretion.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.14 Fair value of assets and liabilities

Financial and non-financial assets

The Group measures certain financial instruments, including infrastructure investments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Each method of determining fair value can be analysed into the following categories:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis or other valuation models.

Financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.15 Financial instruments

Financial assets continued

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

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

Financial investments / infrastructure investments

The Group holds investments in the equity interest of a number of non-listed entities, which are subsequently measured at fair value through profit or loss.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

Cash and bank balances

Cash and bank balances comprise cash on hand and bank balances that are subsequently measured at amortised cost. Cash held in joint arrangements are available for use by the Group with the approval of the joint arrangement partners. Bank overdrafts are offset against positive bank balances where a legally enforceable right of offset exists and there is an intention to settle the overdraft and realise the net cash. For the purposes of the statement of cash flows, cash and bank balances consist of cash and bank balances defined above net of outstanding bank overdrafts.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The impairment model applies to financial assets measured at amortised cost and contract assets but not to investments in equity instruments.

Under *IFRS 9*, Expected Credit losses (ECLs) are recognised in either of the following stages:

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

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

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

Presentation of impairment

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

Financial assets continued

Measurement of ECLs

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

Credit-impaired financial assets

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

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

Accordingly, this accounting policy relates to *note 12: Contract assets / (liabilities)*, *note 13: Trade and other receivables* and *note 16: Cash and bank balances*.

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as default or the counterparty has failed to make a payment when that payment was contractually due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Financial liabilities

Initial recognition and measurement

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

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

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

Borrowings and other liabilities

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

Trade and other payables

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

Bank overdraft

Bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.16 Financial instruments continued

Financial liabilities continued

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in earnings.

2.17 Contract assets and liabilities

Contract assets

Contract assets are carried at cost plus margin recognised, less billings and recognised losses at the reporting date in accordance with the revenue recognition policy in *section 2.11 Revenue from contracts with customers*.

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

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

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

Contract liabilities

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

2.18 Tax

Current taxation

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

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

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

Deferred taxation

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

Deferred taxation is not recognised for:

- Taxable temporary differences that arise from the initial recognition of goodwill;
- Temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profits nor taxable income; and
- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.18 Tax continued

Deferred taxation

Deferred taxation assets are recognised for all deductible temporary differences, carry forward of unused taxation credits and unused taxation losses, to the extent that it is probable that taxable income will be available against which they can be used in the foreseeable future.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates that are expected to apply to the year when the asset is realised or the liability is settled based on enacted or substantively enacted taxation rates at the reporting date.

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

The effect on deferred taxation of any changes in taxation rates is recognised in earnings, except to the extent that it relates to items previously recognised in other comprehensive earnings or credited directly to equity. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related taxation benefit will be realised. Unrecognised deferred taxation assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable income will allow the deferred taxation asset to be recovered.

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

Withholding tax

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

Other taxes

Revenues, expenses and assets are recognised net of Value Added Tax except for:

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

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

2.19 Leases

Group as a lessee

Determining the lease term

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

Short-term leases and leases of low value assets

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

Separation of lease components

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.19 Leases

Group as a lessee continued

Right-of-use assets

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

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

Lease payments

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

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

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

Remeasurement

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

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

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets (refer to note 8: Right-of-use assets) and a lease liability in lease liabilities (refer to note 20: Lease liabilities) in the statement of financial position.

Group as a lessor

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

Leases whereby the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rental is recognised as revenue during the period in which it is earned.

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

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

Sub-leases

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

ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2023

2. ACCOUNTING POLICIES continued

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contract performance guarantees issued by the parent company on behalf of the group companies are calculated based on the probability of the guarantee being called.

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

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

2.22 Non-current assets Held for Sale and disposal groups

Non-current assets and disposal groups are classified as Held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as having been met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within the next 12 months.

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

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

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

2.23 Discontinued operations

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

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate line of business or geographic area of operations; and
- Is a subsidiary acquired solely with a view to resell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be Held for Sale. When an operation is classified as a discontinued operation, the Statement of Comprehensive Earnings is presented as if the operation had been discontinued from the beginning of the comparative period.

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

Additional disclosures are provided in Note 35: *Discontinued operations*. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.24 Investments in Group companies

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

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

A number of new standards and interpretations are effective from 1 July 2022. Management's assessment determined that the new standards and interpretations will not have a material effect on the Group's financial statements. Refer to note 4. *Standards and interpretations effective and not yet effective*.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the annual consolidated and separate financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgements and estimation assumptions

In the process of applying the Group's accounting policies, the Group has made judgements relating to certain items recognised, which have the most significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated and separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.1.1 Deferred taxation

Deferred taxation assets are recognised for all unused taxation losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred taxation assets that can be recognised, based upon the likely timing and level of future taxable earnings. If the deferred taxation assets and the deferred taxation liability relate to income taxation in the same jurisdiction, and the law allows net settlement, they have been offset in the statement of financial position.

Refer to *note 11: Deferred taxation* for further detail.

3.1.2 Contract assets / (liabilities)

Positions related to long outstanding contract positions have been judged in conjunction with legal advice and potential timeframes associated with legal action.

Refer to *note 12: 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 in respect of the cash generating unit (CGU) of the Group.

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

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

For further information refer to *note 36. Impairments*.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.4 Revenue recognition

In the *Construction and Engineering: Australasia and Asia* segment, the Group uses the input method in determining the satisfaction of the performance obligation over a period of time in accounting for its construction contracts.

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

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

- the determination of the point in the progress toward complete satisfaction of the performance obligation;
- the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations;
- estimation of project production rates and programme through to completion;
- the ability to deliver contracts within the requirements of each contract; and
- an estimate of potential risks and opportunities on 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 and estimates employed. Cost and revenue estimates are reviewed and updated monthly, and more frequently as determined by events or circumstances.

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

3.1.5 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.

For further information refer to *note 44: Contingent liabilities and assets*.

3.1.6 Loss making and onerous contracts

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

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 will reassess the tax treatment if facts and circumstances change.

3.1.8 Held for Sale classification

Trident Steel

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

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

The Group completed the disposal of Trident Steel as a going concern for total cash proceeds of R1,2 billion (including ticking fee of R75 million), with an effective date of 28 April 2023. The transaction constituted a Category 1 transaction in terms of the JSE Listings Requirements. Refer to the Circular distributed to shareholders on 2 December 2022 for further details relating to the transaction, as well as the SENS announcement to shareholders on 3 May 2023 upon completion of the disposal.

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE

Standards and interpretations effective in the current year

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

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendment)

(Effective 1 January 2022)

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

- The incremental costs
- An allocation of other direct costs

The Group has assessed the amendments to *IAS 37*. The Group recognises the incremental costs and other direct costs that relate to fulfilling an onerous contract in accordance with this amendment. The amendment does not have a significant impact on the Group's consolidated financial statements.

IAS 16 Property, Plant and Equipment (amendment)

(Effective 1 January 2022)

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

The Group does not have any items of property, plant and equipment that is sold before it is available for use

The amendment to *IAS 16* do not have a significant impact on the Group's consolidated financial statements.

IFRS 3 Definition of a Business (amendments)

(Effective 1 January 2022)

Provides clarity on the definition of business and reduces the element of judgement when determining what a business is.

The amendment to *IFRS 3* does not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE

Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2023. All other standards and interpretations that are not disclosed have been assessed and are not applicable to the Group.

IAS 8 Definition of an accounting estimate (amendments)

(Effective 1 January 2023)

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

Developing an accounting estimate includes both:

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

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

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

IFRS 17 Insurance contracts (new standard and amendments)

(Effective 1 January 2023)

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

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the Group also applies *IFRS 9* and *IFRS 15* on or before the date it first applies *IFRS 17*.

A number of amendments were made to the following aspects of *IFRS 17*:

- ▶ Scope of *IFRS 17*
- ▶ Measuring the contractual service margin (CSM)
- ▶ Transition to *IFRS 17*
- ▶ Accounting for direct participating contracts
- ▶ Accounting for reinsurance contracts held
- ▶ Presentation and disclosure requirements

Management has performed a high-level assessment of the impact of the standard on its consolidated financial statements. The new *IFRS 17* standard is not expected to have a significant impact on the Group's consolidated financial statements. Management continues to assess potential changes.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

Standards and interpretations not yet effective continued

IFRS 17 and IFRS 9 – Comparative information (amendment)

(Effective 1 January 2023)

The Board has decided to remove the restriction proposed that would have allowed the classification overlay to be applied only to a financial asset held for an activity connected with contracts in the scope of IFRS 17. Instead, the classification overlay would apply to all financial assets regardless of whether they are, or were, held in respect of insurance activities. This means that an insurer can choose to apply this approach to all financial assets on an instrument-by-instrument basis.

Insurers that have already adopted IFRS 9 are eligible for the new transition option

The Board has also decided to expand eligibility for the classification overlay approach to those insurers that have adopted IFRS 9 before adopting IFRS 17. This would allow them to reduce any accounting mismatches relating to financial assets that are derecognised in the comparative period.

Management has performed a high-level assessment of the impact of the amendments on its consolidated financial statements. The amendments are not expected to have a significant impact on the Group's consolidated financial statements. Management continues to assess potential changes.

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

(Effective 1 January 2023)

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

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

The key amendments to *IAS 1* include:

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

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

The amendments are consistent with the refined definition of material

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

Standards and interpretations not yet effective continued

IAS 1 Non-current liabilities with covenants and classification of liabilities as current or non-current (amendments) (Effective 1 January 2024)

Non-current liabilities with covenants

After reconsidering certain aspects of the 2020 amendments, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

Covenants with which the company must comply after the reporting date (i.e., future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g., convertible debt.

When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

The group has taken note of the updated definition and will consider and apply going forward. At 30 June 2023, the Group no longer has any long-term debt with covenants or any liability with a conversion to equity option.

Classification of liabilities as current or non-current

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

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

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

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (Effective 1 January 2023)

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences arising on initial recognition of a lease and a decommissioning provision.

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

IFRS 16 Lease liability in a sale-and-leaseback (amendments)

(Effective 1 January 2024)

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The Group has assessed that the following amendment to the standards do not have an impact on the Group currently, it will be reconsidered in future as and when it does become applicable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

4. STANDARDS AND INTERPRETATIONS EFFECTIVE AND NOT YET EFFECTIVE continued

Standards and interpretations not yet effective continued

IAS 7 and IFRS 7 Supplier finance arrangements

(effective 1 January 2024)

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

The Group has assessed that the following amendment to the standards do not have an impact on the Group currently, it will be reconsidered in future as and when it does become applicable.

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

(Optional amendment)

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

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

5. GOING CONCERN AND LIQUIDITY

As detailed in *note 1: Presentation of consolidated and separate financial statements* and *note 48: 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 profitability in the operating performance of McConnell Dowell's Australian and New Zealand & Pacific business units and breakeven position of Built Environs. This improved performance is overshadowed by the substantial loss in Southeast Asia, primarily from the Batangas LNG terminal project and poor operational performance at Moolmans;
- ▶ Moolmans committed to investing R900 million in new heavy mining equipment, with expansion capital expenditure of R614 million in the current year. The delay in delivery of equipment to site, negatively impacted the current year result;
- ▶ Full settlement of the remaining South African legacy debt of R478 million and short-term trade finance facility of R450 million;
- ▶ Completion of the non-core asset disposal plan:

Current year

- The conclusion of the sale of Trident Steel for total cash proceeds of R1,2 billion (including the ticking fee of R75 million) at a pre-tax profit of R160 million;
- The conclusion of the sale of the Oakleaf and Firefly investments; and
- The conclusion of the sale of the remaining Infraset factories
- The last remaining investment in Imvelo Concessions Company Proprietary Limited has been sold and is awaiting government approval, expected in the next 12 months. This will complete the non-core asset disposal plan.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

5. GOING CONCERN AND LIQUIDITY continued

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

In the 2023 financial year, the Group reported a loss for the year of R1,3 billion and an operating free cash outflow of R824 million. As a result of these losses, the Group's available cash resources were negatively impacted. The Group continues to focus on improving operational performance, improving overhead efficiency and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded or are in progress.

The Group has cash (net of bank overdraft facilities) of R2,4 billion at 30 June 2023 (30 June 2022: R2,6 billion), of which R996 million (30 June 2022: R605 million) is held in joint arrangements. After taking into account debt of R1 billion, the Group has net cash of R1.4 billion. Unutilised facilities amounted to R388 million (30 June 2022: R205 million).

Liquidity, solvency and ongoing funding

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

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

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

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

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

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

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

The directors have considered all of the above, including detailed consideration of the current position of all businesses, all business plans and forecasts, including all available information, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the Group and Company financial statements, and that sufficient liquidity will be available to support the ongoing operations of the Group, and that the realisation of assets and the settlement of liabilities, including contingent liabilities and commitments, will occur in the ordinary course of business. Refer to notes 19: *External borrowings and other liabilities* and 48: *Events after the reporting period and pending transactions*.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

6. SEGMENTAL REPORT

The reportable segments of the Group are components:

- ▶ that engage in business activities from which they earn revenues and incur expenses; and
- ▶ have operating results that are regularly reviewed by the Group's chief operating decision-makers to make decisions about resources to be allocated to the segments and in the assessment of their performance as required per *IFRS 8 Operating Segments*.

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

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

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

Details on the reportable segments are as follows:

6.1.1 Construction and Engineering: Australasia and Asia

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

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

6.1.2 Mining

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

6.1.3 Construction and Engineering: South Africa

This segment includes Aveng Construction: South Africa

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

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

6.1.4 Manufacturing and processing

This segment comprised of Aveng Manufacturing and Trident Steel.

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

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

6.1.5 Other

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

6. SEGMENTAL REPORT continued

	Note	Construction and Engineering: Australasia and Asia		Mining		Construction and Engineering: South Africa		Other		Manufacturing and Processing		Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
		Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Continuing operations													
Revenue		25 950	19 034	2 897	3 349	18	150	-	(6)	-	-	28 865	22 527
Gross earnings / (loss)		398	1 378	100	409	(41)	(12)	(14)	3	-	-	443	1 778
Operating (loss) / earnings		(815)	385	(110)	207	(59)	(67)	(76)	(165)	-	-	(1 060)	360
Capital earnings / (expenses)		-	16	(13)	(148)	1	-	21	45	-	-	9	(87)
Finance earnings		56	6	11	2	-	-	10	1	-	-	77	9
Finance expenses		(16)	(34)	(50)	(20)	(2)	-	(132)	(99)	-	-	(200)	(153)
(Loss) / earnings before taxation		(775)	373	(162)	41	(60)	(67)	(177)	(218)	-	-	(1 174)	129
Taxation		-	(26)	53	4	-	-	4	(7)	-	-	57	(29)
(Loss) / earnings for the period		(775)	347	(109)	45	(60)	(67)	(173)	(225)	-	-	(1 117)	100
Discontinued operations													
(Loss) / earnings for the period		-	-	-	-	-	-	(286)	(81)	120	111	(166)	30
Continuing and discontinued operations													
(Loss) / earnings before interest, taxation, depreciation and amortisation													
Operating (loss) / earnings		(815)	385	(110)	207	(59)	(67)	(76)	(164)	204	215	(856)	576
Depreciation		312	278	436	450	-	-	3	3	44	95	795	826
Amortisation		-	-	-	3	-	-	-	-	1	1	1	4
(Loss) / earnings before interest, taxation, depreciation and amortisation (EBITDA)		(503)	663	326	660	(59)	(67)	(73)	(162)	249	311	(60)	1 405
Normalised earnings for the period	6.2	(774)	331	(154)	87	(60)	(67)	(150)	(252)	127	105	(1 011)	204
Total assets		9 341	7 401	3 590	2 856	43	78	690	71	-	2 059	13 664	12 465
Total liabilities		7 757	5 205	1 651	812	164	215	937	1 075	-	1 437	10 509	8 744
Capital expenditure		224	187	1 087	622	-	-	2	1	52	24	1 365	834

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

6. SEGMENTAL REPORT

The Group operates in five principal geographical areas:

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

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

6.2 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. Impairment of plant and equipment, although non-recurring, is included in normalised earnings as management considers this important to the underlying sustainable performance of the Group. Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature.

Normalised measures are additional measures used by management and should 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

6. SEGMENTAL REPORT continued

6.2 Normalised performance measures continued

Management is responsible for managing performance, underlying risks and the effectiveness of operations. Internally, management uses these normalised performances as measures of segment performance and to make decisions regarding the allocation of resources.

Detailed reconciliation of earnings for the period under IFRS to normalised results are provided below:

	Note	2023 Rm	2022 Rm
Earnings for the period		(1 283)	130
Continuing operations		(1 117)	100
Discontinued operations		(166)	30
Non-recurring items			
Impairment loss on equity-accounted investments		3	-
Impairment loss on intangible assets		-	8
Reversal of impairment loss on long-term receivables		-	(26)
Reversal of impairment loss on right-of-use assets		(24)	
(Gain) / loss on disposal of Held for Sale		(150)	22
Loss / (gain) on disposal of property, plant and equipment		7	(4)
Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition		436	-
Fair value loss on disposal groups classified as Held for Sale	17	-	74
Normalised (loss) / earnings for the period¹		(1 011)	204
Normalised (loss) / earnings per share - basic (cents)²		(802)	167
Normalised (loss) / earnings per share - diluted (cents)³		(802)	158

1 Normalised (loss) / earnings for the period adjusts the earnings for the period for the impact of non-recurring items such as impairment losses, reversal of impairment losses, fair value adjustments of disposal groups classified as Held for Sale and gains or losses recognised on the sale of Held for Sale CGUs and exchange differences on translating foreign operations reclassified to earnings or loss on derecognition. The adjustments for non-recurring items are not expected to re-occur on a continuing basis.

2 Normalised (loss) / earnings per share - basic is calculated by dividing the normalised (loss) / earnings for the period by the weighted average number of shares. Refer to note 37: Earnings and Headline Earnings for the determination of the weighted average number of shares.

3 Normalised (loss) / earnings per share - diluted is calculated by dividing the normalised (loss) / earnings for the period by the diluted weighted average number of shares. Refer to note 37: Earnings and Headline Earnings for the determination of diluted weighted average number of shares.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

7. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment

	Land and buildings Rm	Equipment and vehicles Rm	Total Rm
2023			
Cost			
Opening balance	77	5 180	5 257
Additions	-	1 352	1 352
Disposals	(3)	(435)	(438)
Classified as Held for Sale - transferred out	-	(932)	(932)
Foreign exchange movements	1	325	326
	75	5 490	5 565
Accumulated depreciation and impairment			
Opening balance	(19)	(2 759)	(2 778)
Current year depreciation*	-	(577)	(577)
Disposals	2	268	270
Classified as held for Sale - transferred out	-	735	735
Foreign exchange movements	5	(252)	(247)
	(12)	(2 585)	(2 597)
	63	2 905	2 968
2022			
Cost			
Opening balance	80	7 163	7 243
Additions	-	834	834
Disposals	(8)	(1 111)	(1 119)
Transfers	(1)	(2 734)	(2 735)
Classified as Held for Sale - transferred in	-	901	901
Foreign exchange movements	6	127	133
	77	5 180	5 257
Accumulated depreciation and impairment			
Opening balance	(18)	(4 762)	(4 780)
Current year depreciation*	-	(569)	(569)
Depreciation previously not recognised**	-	(6)	(6)
Impairment	-	(106)	(106)
Disposals	-	791	791
Transfers	1	2 734	2 735
Classified as Held for Sale - transferred in	-	(730)	(730)
Foreign exchange movements	(2)	(111)	(113)
	(19)	(2 759)	(2 778)
	58	2 421	2 479

* Depreciation included in cost of sales amounted to R559 million (2022: R548million) and depreciation included in operating expenses amounted to R9 million (2022: R9 million). Refer to note 28: Cost of sales and note 30: Operating expenses. An amount of R10 million is included in the discontinued operations cost of sales and operating expenses for the period to 31 December 2022, before Trident Steel was classified as Held for Sale.

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

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered offices of the operating entities within the Group.

Pledged as security

The Group has pledged certain plant and machinery as security for certain interest-bearing borrowings (refer to note 19: Borrowings and other liabilities).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

8. RIGHT-OF-USE ASSETS

Reconciliation of right-of-use assets

	Land and buildings Rm	Plant, equipment and vehicles Rm	Total Rm
2023			
Cost			
Opening balance	1 035	126	1 161
Additions	249	177	426
Derecognitions**	(24)	(73)	(97)
Classified as Held for Sale - transferred out	(563)	-	(563)
Foreign exchange movements	(107)	(24)	(131)
	590	206	796
Accumulated depreciation and impairment			
Opening balance	(511)	(44)	(555)
Current year depreciation*	(76)	(143)	(219)
Reversal of impairment previously recognised	24	-	24
Derecognitions**	-	48	48
Classified as Held for Sale - transferred out	241	-	241
Foreign exchange movements	77	77	154
	(245)	(62)	(307)
	345	144	489
2022			
Cost			
Opening balance	445	195	640
Additions	64	24	88
Derecognitions**	(22)	(45)	(67)
Transfers	(3)	(45)	(48)
Classified as Held for Sale - transferred in	574	-	574
Foreign exchange movements	(23)	(3)	(26)
	1 035	126	1 161
Accumulated depreciation and impairment			
Opening balance	(240)	(63)	(303)
Current year depreciation*	(167)	(76)	(243)
Depreciation previously not recognised***	(147)	-	(147)
Derecognitions**	9	45	54
Transfers	3	45	48
Foreign exchange movements	31	5	36
	(511)	(44)	(555)
	524	82	606

* Depreciation included in cost of sales amounted to R131 million (2022: R125 million) and depreciation included in operating expenses amounted to R54 million (2022: R50 million). Refer to note 28: Cost of sales and note 30: Operating expenses. An amount of R34 million is included in the discontinued operations cost of sales and operating expenses for the period to 31 December 2022, before Trident Steel was classified as Held for Sale.

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

9. GOODWILL ARISING ON CONSOLIDATION

	Notes	2023 Rm	2022 Rm
Cost			
Opening balance		1 122	1 122
		1 122	1 122
Accumulated impairment			
Opening balance		(1 022)	(1 022)
		(1 022)	(1 022)
Carrying amount		100	100
Allocation of goodwill to CGUs			
The carrying amount of goodwill has been allocated to the following CGU:			
<i>Construction and Engineering: Australia and Asia - McConnell Dowell</i>		100	100
10. INFRASTRUCTURE INVESTMENTS			
South African infrastructure investments			
Financial investments		142	142
Opening balance		142	257
Classified as Held for Sale - transferred out*		-	(115)
		142	142
Reconciliation of investments			
Dimopoint Proprietary Limited (Dimopoint)		142	142
Imvelo Concession Company Proprietary Limited (Imvelo)*		-	56
Firefly Investments 238 Proprietary Limited (Firefly)*		-	59
		142	257
Classified as Held for Sale - transferred out*		-	(115)
		142	142

* In the prior year, the investments in Imvelo and Firefly met the classification requirements to be Held for Sale and were classified as Held for Sale. Refer to Note 17. Assets and liabilities classified as Held for Sale.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

11. DEFERRED TAXATION

	2023 Rm	2022 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	738	725
Recognised in earnings or loss - current year	183	(2)
Foreign currency translation movement and other	86	15
Reallocation from deferred taxation liability	(1)	-
	1 006	738
Reconciliation of deferred taxation liability		
At the beginning of the year	(121)	(152)
Recognised in earnings or loss - current year	(87)	21
Recognised in earnings or loss - adjustment for prior year	3	-
Reallocation to deferred taxation asset	1	-
Foreign currency translation movement and other	(14)	10
	(218)	(121)
Deferred taxation asset balance at year-end comprises		
Accelerated capital allowances	22	13
Provisions	188	149
Contracts	65	37
Other	111	79
Assessed losses carried forward	620	460
	1 006	738
Deferred taxation liability balance at year-end comprises		
Accelerated capital allowances	(18)	(5)
Contracts	(13)	-
Other	(187)	(116)
	(218)	(121)

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

As at June 2023 the Group had unused taxation losses of R11 377 million (2022: R11 480 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R2 265 million (2022: R1 555 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R9 112 million (2022: R9 925 million) due to the uncertainty of future taxable profits in the related legal entities.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The full impact of the Global Pillar Two model is still being assessed, including considerations relating to the timing and mechanics of the enactment of regulations in various jurisdictions, particularly Australia and South Africa.

Unused tax losses

The Group performed a five-year forecast for the financial years 2024 to 2028, which is the key evidence that supports the recognition of deferred taxation assets. The forecast specifically focused on Aveng Australia Holdings consolidated group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

12. CONTRACT ASSETS / (LIABILITIES)

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

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

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

³ Amounts invoiced still due from customers.

⁴ Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified.

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

Expected credit losses

Contract assets

As at 30 June 2023, the Group has contract assets of R3,1 billion (2022: R1,9 billion) which is net of the provision for expected credit loss of R2 million (2022: R3 million).

Trade and other receivables

As at 30 June 2023, the Group has financial assets of R376 million (2022: R790 million). The provision for expected credit loss relating to financial assets is R2 million (2022: R13 million).

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

	2023 Rm	2022 Rm
Provision for expected credit losses		
Opening Balance	16	17
Movement in the current year	(12)	(1)
	4	16
Attributable to:		
Contract assets	2	3
Trade and other receivables	2	13
	4	16

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

13. TRADE AND OTHER RECEIVABLES

	2023 Rm	2022 Rm
Financial assets		
Trade receivables	-	302
Sundry receivables	376	488
Provision for expected credit losses	(2)	(13)
Non-financial assets		
Prepayments	53	60
	427	837

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

Credit terms

Trade and other receivables comprise amounts owing to the Group in the normal course of business. Terms vary in accordance with contracts of supply and service and across business units but are generally on 30-to-60-day terms from date of invoice. Indebtedness is generally interest free while within the terms of the original contract. No customers had sales larger than 10% of total revenue.

Refer to *note 46: Risk management* for further details regarding the credit risk exposure.

Expected credit losses on Trade and other receivables

Refer to *note 12: Contract assets / (liabilities) - Expected Credit Losses* for additional information.

14. INVENTORIES

	2023 Rm	2022 Rm
Raw materials	-	479
Work-in-progress	-	1
Finished goods	-	332
Consumables	269	229
Allowance for obsolete inventory	(7)	(13)
	262	1 028
Reconciliation of movement in allowance for obsolete inventory		
Opening balance	13	50
Allowance created	4	194
Allowance released	(10)	(231)
	7	13
Inventories utilised in cost of sales during the year	3 312	5 312

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

15. LEASE RECEIVABLE

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

Finance sublease receivable (net investment in a finance lease) amounts to R481 million (2022: R82 million) as at 30 June 2023. The interest income recognised in the current period is R15 million (2022: R5 million).

Maturity profile of lease receivables

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

	2023 Rm	2022 Rm
Future minimum lease payments in relation to non-cancellable finance subleases are receivable as follows:		
- year one	128	18
- year two	138	19
- year three	149	21
- year four	161	23
- year five	26	26
- beyond five years	-	1
Less: future finance income	(121)	(26)
Present value of minimum lease	481	82
Non-Current Asset	400	73
Current Asset	81	9

16. CASH AND BANK BALANCES

Cash and bank balances	2 381	2 617
	2 381	2 617

Cash and bank balances at the end of the period include the following cash and bank balances that are restricted from immediate use by the general Group, and is only available for use by the respective joint operations:

Group share of cash held by joint operations	996	605
--	-----	-----

Finance earnings

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

Notional bank overdrafts

The notional bank overdraft arises as a result of the pooling of cash approach adopted at a South African Group liquidity Level. In terms of this approach, entities within the South African liquidity group may have positive bank balances or notional overdrafts. At a South African Group liquidity level, a positive cash balance is noted. Refer to *note 46: Risk management* for further disclosure on the Group's exposure to credit risk.

Expected credit losses

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

17. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

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

These non-core segments were initially recognised and presented as separately identifiable disposal groups and were disclosed as discontinued operations in the Group's statement of comprehensive earnings. Refer to *note 35: Discontinued Operations*.

Sales finalised in the current year

Manufacturing and Processing

Trident Steel

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

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

The Group completed the disposal of Trident Steel as a going concern for cash proceeds of R1,2 billion (including the ticking fee), with an effective date of 28 April 2023. The transaction constituted a Category 1 transaction in terms of the JSE Listings Requirements. Refer to the Circular distributed to shareholders on 2 December 2022 as well as *note 32: Disposal of Trident Steel* for further details relating to the transaction.

Construction and Engineering: South Africa

Infrastructure assets and equity-accounted investments

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

	Note	2023 Rm	2022 Rm
Assets Held for Sale		59	144
Liabilities Held for Sale		-	(16)
		59	128
Movement during the period			
Opening Balance		128	414
Movements in:			
Non-current assets		11	(110)
Current assets		748	110
Non-current liabilities		23	86
Current liabilities		(156)	108
Sale of assets Held for Sale		(1 398)	(92)
Adjustment to fair value less cost of disposal*	17.1	-	(74)
Transferred to / from:			
Transfer to assets classified as Held for Sale		285	136
Transfer from liabilities / (assets) classified as Held for Sale		418	(450)
Net assets Held for Sale		59	128

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

17. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

	Note	2023 Rm	2022 Rm
17.1 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
Total Trident Steel		-	(52)
Other adjustments			
Fair value loss on investments classified as Held for Sale		-	(16)
Fair value loss on disposal groups classified as Held for Sale		-	(6)
Total other adjustments		-	(22)
		-	(74)

The disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

30 June 2023

	Total Rm
ASSETS	
Non-current assets	
Imvelo Concessions Investment	59

30 June 2022

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

18. STATED CAPITAL

	2023 Rm	2022 Rm
Authorised		
Ordinary shares		
Number of shares - no par value	361 764 068	361 764 068
Value (Rm)	9 044	9 044
Class A shares		
Number of shares - no par value	1 000 000 000	1 000 000 000
Value (Rm)	5 000	5 000
Issued		
Ordinary shares		
Number of shares - no par value	127 135 041	124 527 364
Value (Rm)	4 745	4 710
Class A shares		
Number of shares - no par value**	4 155 979	4 955 979
Value (Rm)	31	37
Stated capital (Rm)	4 776	4 747
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
- Number of shares	12 037	12 037
- Market value (Rm)	*	*
Shares held by the Aveng Management Company Proprietary Limited		
- Number of shares	1 577	1 577
- Market value (Rm)	*	*
Shares held in terms of equity-settled share-based payment plan		
- Number of shares	5 343 186	7 000 374
- Market value (Rm)	65	52
Reconciliation of number of shares issued	Number of shares	Number of shares
Opening balance	129 483 343	64 741 672 056
Share consolidation (8 December 2021)	-	(64 612 188 713)
Share issue - Equity-settled share-based payment plan (29 June 2023)	1 807 677	-
Closing balance	131 291 020	129 483 343
Less: treasury shares	(5 356 800)	(7 013 988)
Number of shares in issue excluding treasury shares	125 934 220	122 469 355

* Amounts less than R1 million

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

18. STATED CAPITAL continued

	Number of shares	Holding
The top ten beneficial shareholders (including Class A shares) of the Group as at 30 June 2023 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	20 389 458	15,5%
Whitebox Advisors LLC (US)	17 218 311	13,1%
ABSA Bank Ltd (ZA)	9 214 115	7,0%
Steyn Capital Management (Pty) Ltd (ZA)	7 658 307	5,8%
Standard Bank Issuer Services Settle Acc (ZA)	5 956 420	4,5%
Ninety One (formerly Investec) (ZA)	5 651 730	4,3%
ATM Holding GmbH (DE)	2 730 862	2,1%
Macartney, Adrian Henry (ZA)** / ***	1 259 743	1,0%
Flanagan, Sean Joseph (ZA)** / ***	1 257 555	1,0%
Firststrand Retirement Fund (ZA)	1 122 146	0,9%
	72 458 647	55,2%
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%
Firststrand 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%

* Shareholder no longer in the top 10.

** Shareholder was not in the top 10 in prior year.

*** Executive director of Aveng Limited.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

19. EXTERNAL BORROWINGS AND OTHER LIABILITIES

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

Description	Terms	Rate of interest	Rm	Rm
Credit and term facilities				
Restructured term facility (ZAR)	Settled April 2023	3M JIBAR + 7,17%	-	478
Short-term debt facility (AUD)	Repayable June 2024	Variable interest rate at BBSY + 4%	290	-
Short-term financing (AUD)	Monthly instalment ending March 2024	Fixed interest rate of 7,7%	24	-
Asset-backed financing arrangements				
Facilities denominated in AUD	Monthly instalment ending February 2025	Fixed range of 2.99% to 6.41%	2	3
Hire purchase agreement (USD)	Monthly instalments ending February 2027	South African Prime + 1,75%	567	-
Hire purchase agreement (ZAR)	Monthly instalments ending March 2027	South African Prime	137	-
Total interest-bearing borrowings			1 020	481

* Amount less than R1 million

Unutilised borrowing facilities

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

19. BORROWINGS AND OTHER LIABILITIES continued

19.1 Borrowings held at amortised cost continued

Asset-backed financing arrangements

Construction and Engineering: Australasia and Asia

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

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

Mining

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

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

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

	2023 Rm	2022 Rm
Asset-backed financing arrangements are payable as follows:		
Minimum payments due		
- within one year	280	2
- in two to five years	609	1
Less: future finance charges	(183)	-
Present value of minimum payments	706	3
20. LEASE LIABILITIES		
Opening balance	1 039	519
New leases	430	88
Lease instalments	(370)	(344)
Interest on lease liabilities	97	106
Classified as Held for Sale - transferred in	-	657
Derecognitions	(67)	-
Unrealised foreign exchange movements	25	13
Closing balance	1 154	1 039
Maturity analysis		
Lease liabilities are payable as follows:		
Minimum lease payments due		
- within one year	372	300
- in two to five years	960	987
- more than five years	-	21
Less: future finance charges	(178)	(269)
Present value of minimum lease payments	1 154	1 039
Non-current lease liabilities	854	773
Current lease liabilities	300	266

The total cash outflow related to leases for the year amounts to R533 million (2022: R533 million). Refer to *note 28: Cost of Sales* and *note 30: Other expenses for* the expense recognised for short-term and low-value leases.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

21. TRADE AND OTHER PAYABLES

	2023 Rm	2022 Rm
Trade payables	921	1 415
Subcontractors	279	199
Accrued expenses	3 515	2 270
Income received in advance	1	1
Promissory notes	-	264
	4 716	4 149

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

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

22. PROVISIONS

	Contract provisions Rm	Right-of-use contract provisions Rm	Other provisions Rm	Total Rm
Carrying amount at 30 June 2022	416	63	66	545
Recognised	53	6	4	63
Utilised	(17)	(2)	-	(19)
Unutilised amounts reversed	(72)	-	(14)	(86)
Foreign exchange movements	3	-	-	3
Carrying amount at 30 June 2023	383	67	56	506

	2023 Rm	2022 Rm
Non-current liabilities	86	94
Current liabilities	420	451
	506	545

Contract provisions

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

Right-of-use contract provisions

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

Other provisions

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

23. EMPLOYEE-RELATED PAYABLES

Employee entitlements

Employee entitlements are obligations raised for the various employee incentive plans in place throughout the Group. Included in employee entitlements are short and medium-term incentive plan obligations, along with statutorily determined retrenchment commitments.

Leave pay benefits

Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at year end. The discounting element of these obligations was realised through earnings or loss in the current year.

The total employee related payables are disclosed as follows:

	2023 Rm	2022 Rm
Non-current	446	377
Current	284	318
Total employee-related payables	730	695

Reconciliation of employee-related payables

	Opening balance Rm	Recognised/ (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Classified as Held for Sale - transferred (out) / in Rm	Total Rm
2023						
Employee entitlements	308	462	(426)	(57)	(15)	272
Leave pay benefits	387	56	(19)	38	(4)	458
	695	518	(445)	(19)	(19)	730
2022						
Employee entitlements	254	150	(97)	(17)	18	308
Leave pay benefits	360	11	(8)	17	7	387
	614	161	(105)	-	25	695

24. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

The Group has forfeitable share plans in place under which certain senior executives, prescribed officers and senior management have been granted shares in the Company. A description of the plans as well as the terms and conditions relating to awards made are disclosed in the remuneration report, available on the Group's website.

Details of awards made to Directors are disclosed in *note 45: Directors' emoluments and interests*.

	2023 Rm	2022 Rm
Opening balance	87	52
Equity-settled share-based payment expense*	15	35
Equity-settled share-based payment vested	(29)	-
	73	87

* The equity-settled share-based payment expense recognised in the current year relates to the shares granted in the current year in accordance with the Management Incentive Plan 2021 (MIP) and Long Term Incentive Plan 2022(LTIP) rules. The equity-settled share-based awards vest when certain retention and non-market performance conditions are met. At 30 June 2023, the Group expects that all participants will meet the retention and performance conditions as established in the MIP plan. Refer to note 28: Share-based payments for additional information on the performance and retention conditions.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

25. SHARE-BASED PAYMENTS

Equity-settled share-based payment plan

Management Incentive Plan 2021

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

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

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

There was no remaining contractual life for the shares outstanding at 30 June 2023.

The weighted average fair value of shares outstanding at 30 June 2023 was R7.50.

The movements during the year were as follows:

	2023 Number of shares	2022 Number of shares
Opening balance	6 976 000	6 976 000
Shares granted	-	-
Shares vested / exercised*	(3 308 121)	-
Shares forfeited	(337 611)	-
	3 330 268	6 976 000
Fair value of shares granted to participant (R per share)	7,50	7,50
Total value of unvested shares to participants (Rm)	25	52

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

25. SHARE-BASED PAYMENTS continued

Equity-settled share-based payment plan continued

Long Term Incentive Plan 2022

In terms of the Long Term Incentive Plan 2022 ("LTIP 2022"), senior executives of the Group, are granted shares in the Group for no consideration. The provision of shares will serve as a retention mechanism and an incentive mechanism over a three-year period.

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

The fair value of the shares are estimated at the grant date taking into account the terms and conditions contained in the LTIP2022 rules as well as the rights associated with these shares to participate in dividends and shareholder rights from grant date. The shares are subject to forfeit if the employee leaves the employment of the Group prior to the vesting dates and/or if performance conditions are not met. On resignation, retirement, retrenchment or dismissal, all unvested awards of the participant will be forfeited immediately on the date on termination of the employment. Where the employment of the participant is terminated as a result of death, all of a participant's unvested awards will vest on the date of termination of employment. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been or will be cash-settled.

The movement during the year was as follows:

	2023 Number of shares	2022 Number of shares
Opening balance	1 567 100	-
Shares granted	3 795 400	1 567 100
Shares vested / exercised	(288 680)	-
Shares forfeited	(24 660)	-
	5 049 160	1 567 100
Fair value of shares granted to participant (R per share)	13,48	13,41
Total value of forfeitable shares to participants (Rm)	68	21

26. POST-EMPLOYMENT BENEFITS

	2023 Number of Employees	2022 Number of Employees
Defined contribution plan		
Aveng Group and industry retirement plans	1 859	2 436
McConnell Dowell Corporation Limited plan	3 186	2 757
Number of covered employees	5 045	5 193
Number of employees not covered	150	17
Total number of employees	5 195	5 210
Cover Ratio	97,1%	99,7%
The Group's retirement expense (Rm)	414	280

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

27. REVENUE

The Group's revenue is derived from contracts with customers. Revenue can be classified into the following categories: construction contracts, mining contracts, sale of goods and other revenue.

	Construction and Engineering: Australasia and Asia Rm	Mining Rm	Construction and Engineering: South Africa and the rest of Africa Rm	Other Rm	Total Rm
Year ended 30 June 2023					
Construction and mining contract revenue	25 950	2 895	18	-	28 863
Other revenue	-	2	-	-	2
	25 950	2 897	18	-	28 865
Year ended 30 June 2022					
Construction and mining contract revenue	19 034	3 339	150	-	22 523
Sale of goods	-	1	-	(6)	(5)
Other revenue	-	9	-	-	9
	19 034	3 349	150	(6)	22 527

28. COST OF SALES

	2023 Rm	2022 Rm
Short-term and low value lease charges*	151	179
Earnings from contract-related property, plant and equipment	(17)	(26)
Depreciation of property, plant and equipment	559	548
Depreciation of right-of-use property, plant and equipment	131	125
Loss on derecognition of components included in property, plant and equipment	93	161
Employee cost	4 993	3 556
Employee benefits	84	91
Outsourced labour	130	128
Materials	4 085	3 255
Sub-contractors	12 581	9 625
Plant costs	2 523	1 248
Project costs	1 946	1 070
Repairs and maintenance	840	779
Other	323	10
	28 422	20 749

Batangas LNG Terminal Project ("BLNG")

McConnell Dowell (100% subsidiary of Aveng) was responsible for the execution of the BLNG project in Philippines. Expenses amounting to R1,2 billion (AUD104 million) were recognised in cost of sales in the current year. This comprises of operational expenditure of R732 million (AUD61 million) which include costs to date and a provision for costs to complete, as well as an additional R529 million (AUD43 million) expenditure arising from the project guarantee being called by the client.

* The Group recognised rent expense from short-term leases of R136 million (2022: R169 million), leases of low-value assets of R15 million (2022: R10 million) and no variable lease payments for the year ended 30 June 2023.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

29. OTHER EARNINGS

	2023 Rm	2022 Rm
Dividends received	10	22
Net foreign exchange losses*	(2)	(3)
Rent received	11	-
Ticking fee**	75	-
Other income	15	8
	109	27

* Includes gains on forward exchange contracts.

** Ticking fee of R7.45 million per month (1 July 2022 – 28 April 2023) earned as set out in the Sale of Business Agreement of Trident Steel.

30. OPERATING EXPENSES

	2023 Rm	2022 Rm
Employee costs	821	627
Computer costs	201	155
Consulting fees	168	152
Short-term and low value lease charges*	12	10
Depreciation of property, plant and equipment	9	9
Depreciation of right-of-use property, plant and equipment	54	50
Amortisation of intangible assets	-	5
Share-based payment expense	15	35
Employee benefits	14	42
Auditor's remuneration	54	41
Tender expenses	75	155
Insurance	24	9
Municipal Rates, Water, Electricity and Sanitation	19	14
Legal expenses	19	25
Other	125	111
	1 610	1 440

* The Group recognised rent expense from short-term leases of R12 million (2022: R10 million), no leases of low-value assets (2022: Rnil) and no variable lease payments for the year ended 30 June 2023.

31. CAPITAL EARNINGS / (EXPENSES)

	2023 Rm	2022 Rm
Impairment loss on property, plant & equipment	-	(106)
Reversal of impairment loss on right-of-use assets	24	-
Impairment of intangible assets	-	(8)
Impairment of equity-accounted investments	(3)	-
Reversal of / (Impairment) loss on long-term receivables	-	26
(Loss) / Gain on disposal of property, plant & equipment and intangible assets	(12)	1
	9	(87)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

32. DISPOSAL OF ASSETS HELD FOR SALE

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

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

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

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

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

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

* Amount less than R1 million

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

*** Included in other earnings. Refer to note 29: Other earnings.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

33. FINANCE EXPENSES

	2023 Rm	2022 Rm
Interest on debt instruments	96	82
Commitment fees and other costs	45	29
Interest on lease liabilities	59	41
	200	152

34. TAXATION

Major components of the taxation expense

Current taxation

Local income taxation - current period – continuing operations	1	-
Local income taxation - current period – discontinued operations	12	
Foreign income taxation or withholding taxation - current period	32	44
Foreign income taxation or withholding taxation - recognised in the current taxation for prior periods	10	4
	55	48

Deferred taxation

Deferred taxation - current period	(96)	(19)
Deferred taxation - arising from prior period adjustments	(4)	-
	(100)	(19)
	(45)	29

	2023 %	2022 %
Reconciliation of the taxation expense		
Effective taxation rate on earnings	3,4	18,3
Exempt income and other non-taxable income	(8,4)	105,6
Utilisation of previously unrecognised Deferred Tax Assets	(14,0)	-
Deferred taxation asset not recognised	-	317,6
Disallowable charges	33,4	(315,9)
Foreign tax rate differential and other	9,8	(83,3)
Prior year adjustment	0,4	(2,4)
Withholding taxation	2,4	(11,9)
	27,0	28,0

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

35. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

35. DISCONTINUED OPERATIONS continued

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

	2023 Rm	(Re-presented)* 2022 Rm
Revenue**	4 070	3 651
Cost of Sales	(3 712)	(3 317)
Gross earnings	358	334
Other earnings	15	113
Operating expenses	(169)	(231)
Operating earnings	204	216
Gain on disposal of property, plant and equipment	5	3
Fair value adjustments on properties and disposal groups classified as Held for Sale	-	(15)
Net finance expenses	(89)	(93)
Earnings before taxation	120	111
Taxation	-	-
Earnings for the period	120	111
Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition	(436)	-
Gain / (loss) on disposal of assets Held for Sale and fair value adjustment	150	(81)
(Loss) / earnings from discontinued operations	(166)	30
Attributable to:		
Equity-holders of the parent	(166)	30
Items by nature		
Capital expenditure	52	34
Cash flow from discontinued operations:		
Cash outflow from operating activities	(339)	(29)
Cash outflow from investing activities	(52)	(1)
Cash outflow from financing activities	(47)	(4)

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

** Revenue mostly consists of the sale of goods.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

36. IMPAIRMENT

The Group performed an annual impairment test at 30 June 2023. The test involved the assessment of internal and external qualitative factors for each CGU that may constitute an indicator of impairment. The test may be extended to individual assets in instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of the assets.

36.1 Assets in the scope of IAS 36 – Impairments

Goodwill arising on consolidation

A compulsory impairment assessment of goodwill allocated to the McConnell Dowell CGU is performed annually. The McConnell Dowell CGU falls under the *Construction and Engineering: Australasia and Asia* reportable segment. The recoverable amount of the CGU, being the value-in-use based on a discount rate of 15,7% (2022: 14,22%), materially exceeded the carrying amount of the CGU and hence no goodwill impairment loss was recognised in the current year.

Other individual assets in the scope of IAS 36 - Impairments

An impairment assessment was performed on:

- ▶ **Property, plant & equipment at Moolmans, which is part of the Mining reportable segment.** Management, through the use of an external evaluator, determined that no impairment was required in the current year (30 June 2022: R106 million) relating to owned equipment and vehicles. The prior year impairment arose from instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of specific items of owned equipment and vehicles. The fair value of these assets falls within *Level 2* of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar assets within the market.
- ▶ **Intangible assets at Moolmans, which is part of the Mining reportable segment.** As at 30 June 2023, the Group determined that no impairment was required (30 June 2022: R8 million) relating to computer software due to the software having no carrying value. The recoverable amount of the computer software was based on the value in use.

36.2 Total impairment losses for the year

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

37. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2023		2022	
	Number of shares	Weighted number of	Number of shares	Weighted number of shares
Opening balance	129 483 343	129 483 343	64 741 672 056	35 739 404 321
Issue of shares - Equity-settled share-based payment plan (29 June 2023)	1 807 677	14 858	-	-
Issue of shares - Rights offer (15 March 2021)	-	-	-	22 358 997 268
Issue of shares - Class A Shares (15 March 2021)	-	-	-	427 370 106
Issue of shares - Rights offer (7 June 2021)	-	-	-	4 581 879 966
Issue of shares - Class A Shares (7 June 2021)	-	-	-	1 634 020 395
Share consolidation (8 December 2021)	-	-	(64 612 188 713)	(64 612 188 713)
	131 291 020	129 498 201	129 483 343	129 483 343
<i>Less: Treasury shares</i>				
Aveng Limited Share Purchase Trust	(12 037)	(12 037)	(6 018 386)	(6 018 386)
Aveng Management Company (Pty) Ltd	(1 577)	(1 577)	(788 684)	(788 684)
Equity-settled share-based payment plan	(5 343 186)	(3 418 430)	(3 500 186 838)	(3 500 186 838)
Share consolidation (8 December 2021)	-	-	3 499 979 920	3 499 979 920
Total treasury shares	(5 356 800)	(3 432 045)	(7 013 988)	(7 013 988)
Weighted average number of shares	125 934 220	126 066 156	122 469 355	122 469 355
<i>Add: Shares issuable in terms of the equity-settled share-based payment plan</i>	-	-	3 488 000 000	3 488 000 000
<i>Less: Shares issued in terms of the Share consolidation (8 December 2021)</i>	-	-	(3 481 024 000)	(3 481 024 000)
Diluted weighted average number of shares*	125 934 220	126 066 156	129 445 355	129 445 355
Note	18		18	

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

37. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

	2023		2022	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings				
(Loss) / earnings for the period attributable to equity holders of parent		(1 282)		130
Impairment of intangible assets	-	-	8	8
Impairment of property, plant and equipment	-	-	106	81
Impairment of equity accounted investments	3	3	-	-
Loss / (Gain) on disposal of assets Held for Sale	(2)	(2)	22	22
Gain on disposal of Trident Steel	(160)	(148)	-	-
Loss / (Gain) on disposal of property, plant and equipment	7	7	(4)	(4)
Reversal of impairment loss on right-of-use assets	(24)	(24)	-	-
Loss on derecognition of components	93	68	161	152
Exchange differences on translating foreign operations reclassified to earnings or loss on derecognition	436	436	-	-
Insurance proceeds on plant and equipment - Trident Steel	(8)	(8)	-	-
Fair value adjustment on properties and disposal groups classified as Held for Sale*	-	-	(81)	(81)
Headline (loss) / earnings		(950)		308
Diluted Headline (loss) / earnings		(950)		308
HEPS from continuing & discontinued operations				
Headline earnings per share - basic (cents)		(753)		252
Headline earnings per share - diluted (cents)		(753)		238
Issued shares		131,3		129,5
Weighted average shares		126,1		122,5
Diluted shares		126,1		129,5

* Excludes R155 million of depreciation released on reclassification of Trident Steel to continuing operations for Headline earnings. Refer to note 17: Assets and liabilities classified as Held for Sale.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

38. CASH (UTILISED) / GENERATED BY OPERATING ACTIVITIES

	Notes	2023 Rm	2022 Rm
(Loss) / earnings before taxation from continuing operations		(1 174)	129
(Loss) / earnings before taxation from discontinued operations*		(154)	30
(Loss) / (earnings) before taxation		(1 328)	159
Finance earnings		(83)	(20)
Finance expenses		294	257
Dividend earnings		(10)	(21)
Share of loss from equity-accounted investment		2	5
Cash retained from operations		(1 125)	380
Non-cash and other movements	38.1	121	262
Depreciation		797	826
Amortisation		-	4
Cash generated from operations		(207)	1 472
Movements in working capital	38.2	(214)	(4)
		(421)	1 468

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

38.1 Non-cash and other movements

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

38.2 Movements in working capital

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

39. FINANCE EXPENSES PAID

	Note	2023 Rm	2022 Rm
Amount charged to the statement of comprehensive earnings	33	(200)	(257)
Finance expenses - discontinued operations		(95)	-
Movement in finance expenses unpaid		-	(31)
		(295)	(288)

40. FINANCE EARNINGS RECEIVED

Amount charged to the statement of comprehensive earnings		77	20
Finance earnings - discontinued operations		6	-
Movement in accrued finance earnings		(1)	(6)
		82	14

41. TAXATION PAID

Amounts overpaid at the beginning of the period		50	37
Amounts charged to the statement of comprehensive earnings - normal tax	34	(55)	(48)
Amounts overpaid at the end of the period		(27)	(50)
Amounts relating to foreign currency translation movement		(15)	14
		(47)	(47)

42. COMMITMENTS

Authorised capital expenditure			
- Contracted		120	77
Total capital expenditure		120	77

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening balance Rm	Net cash flow movement Rm	Unrealised foreign exchange (gains) / losses Rm	Lease liabilities non-cash movements* Rm	Closing balance Rm
2023					
Interest bearing loans and borrowings held at amortised cost	481	546	(7)	-	1 020
Lease liabilities	1 039	(273)	25	363	1 154
	1 520	273	18	363	2 174
Note			38.1		
Current liabilities					816
Non-current liabilities					1 358
					2 174
2022					
Interest bearing loans and borrowings held at amortised cost	879	(399)	1	-	481
Lease liabilities	519	(240)	13	747	1 039
	1 398	(639)	14	747	1 520
Current liabilities					518
Non-current liabilities					1 002
					1 520

* The lease liabilities non-cash movements relates to new lease liabilities of R430 million (30 June 2022; R88 million) entered into in the current year, derecognition of lease liabilities for lease arrangements which expired in the year and right-of-use assets returned to the vendor of R67 million, and transfers from Held for Sale of R658 million in the prior year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

44. CONTINGENT LIABILITIES AND ASSETS

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

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

Bank guarantees issued by joint ventures and associates

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

Claims and disputes in the ordinary course of business

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

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

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

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

Specific claims and disputes

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

Aveng Africa, in joint venture with its partner terminated a contract with its client on 30 January 2019, which entitlement to terminate is disputed by the client. On 23 November 2020, the client demanded payment of the performance bond and retention guarantee to the value of R235 million. The insurer paid the client and Aveng Africa repaid the insurer for their portion. Aveng Africa is represented in the matter by specialist legal advisors, including senior counsel. Having regard to the advise received from its advisors, the Board is of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

44. 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 anticompetitive 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. Summons was issued against Aveng Africa and others, and the parties are defending the matter. The matter is ongoing. Aveng Africa is represented in the matter by specialist legal advisors, including senior counsel.

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

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

45. DIRECTORS' EMOLUMENTS AND INTERESTS

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

Executive directors	Year	Short-term Management incentive plan				Total ⁵ R'000
		Salary ¹ R'000	Retirement fund ² R'000	incentive (STI) ³ R'000	incentive plan (MIP) ⁴ R'000	
SJ Flanagan	2023	9 168	-	890	13 257	23 315
	2022	8 709	-	6 995	-	15 704
AH Macartney	2023	5 875	296	599	13 257	20 027
	2022	5 581	281	4 708	-	10 570

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

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

³ STI awards were approved by the Remuneration and Nominations Committee on 17 August 2023 and accrued for the year ended 30 June 2023. Prior year awards were restated in order to reflect final amounts approved by the Remuneration and Nominations Committee.

⁴ MIP awards were approved by the Remuneration and Nominations Committee on 17 August 2023 and accrued for the year ended 30 June 2023.

⁵ The Total reflected includes all cash payments made to the Executive Director in the Financial Year.

The Single Figure of Remuneration reflected in Part 3 of the Remuneration Report will differ based on the requirements of King IV™.

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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

45. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Management incentive plan

	Date from which exercisable	Date on which expires	Number entitled to at 1 July 2022	Number forfeited during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2023
SJ Flanagan	June 2022	June 2023	960 000	-	(912 830)	47 170
	June 2023	June 2023	960 000	-	-	960 000
AH Macartney	June 2022	June 2023	960 000	-	(912 830)	47 170
	June 2023	June 2023	960 000	-	-	960 000
L Tweedie	June 2022	June 2023	128 000	-	(121 710)	6 290
	June 2023	June 2023	128 000	-	-	128 000
J Govender*	June 2022	June 2023	320 000	(17 161)	(302 839)	-
	June 2023	June 2023	320 000	(320 000)	-	-
R Engelbrecht	June 2022	June 2023	160 000	-	(151 194)	8 806
	June 2023	June 2023	160 000	-	-	160 000
SC Cummins ^(Aus)	June 2022	June 2023	640 000	-	(604 779)	35 221
	June 2023	June 2023	640 000	-	-	640 000
D Morrison ^(Aus)	June 2022	June 2023	320 000	-	(302 389)	17 611
	June 2023	June 2023	320 000	-	-	320 000
			6 976 000	(337 161)	(3 308 571)	3 330 268

Long Term Incentive Plan

	Date from which exercisable	Date on which expires	Number entitled to at 1 July 2022	Number granted during the year	Number redeemed or taken up or forfeited during the year	Number entitled to at 30 June 2023
SJ Flanagan	June 2024	June 2024	-	468 450	-	468 450
	June 2025	June 2025	-	468 450	-	468 450
AH Macartney	June 2024	June 2024	-	315 300	-	315 300
	June 2025	June 2025	-	315 300	-	315 300
L Tweedie	June 2024	June 2024	-	105 500	-	105 500
	June 2025	June 2025	-	105 500	-	105 500
R Engelbrecht	June 2024	June 2024	-	121 050	-	121 050
	June 2025	June 2025	-	121 050	-	121 050
SC Cummins ^(Aus)	June 2024	June 2024	-	640 750	-	640 750
	June 2025	June 2025	-	640 750	-	640 750
D Morrison ^(Aus)	June 2024	June 2024	-	246 650	-	246 650
	June 2025	June 2025	-	246 650	-	246 650
			-	3 795 400	-	3 795 400

* J Govender, the Managing Director of Moolmans, tendered his resignation before he was entitled to receive shares.

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for the year ended 30 June 2023

45. DIRECTORS' EMOLUMENTS AND INTEREST continued

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

	Ordinary shares 2023	Ordinary shares 2022
Executive directors		
SJ Flanagan	1 257 555	755 505
AH Macartney	1 259 743	757 693
Non-executive directors		
MJ Kilbride	4 588	4 588
P Hourquebie	50 000	50 000
Prescribed officers		
L Tweedie	167 674	100 734
J Govender	239 777	73 468
RV Engelbrecht	119 888	36 734
S Cummins	751 715	146 936
D Morrison	401 257	98 868
	4 252 197	2 024 526

Non-executive directors

	Directors' fees R'000	Lead independent directors fees R'000	Chairperson fees R'000	Committee fees R'000	Other fees R'000	Total R'000
2023						
MA Hermanus	-	627	437	144	89	1 297
MJ Kilbride	477	-	560	452	89	1 578
B Modise	477	-	335	396	89	1 297
B Swanepoel¹	380	-	-	265	89	734
D Noko²	96	-	-	86	-	182
	1 430	627	1 332	1 343	356	5 088
B Meyer (\$) ³	85	-	-	1	-	86
PA Hourquebie (£) ⁴	94	-	18	11	4	127
2022						
MA Hermanus	30	495	411	137	-	1 073
MJ Kilbride	445	-	423	643	-	1 511
B Modise	415	-	315	369	-	1 099
B Swanepoel¹	268	-	-	319	-	587
	1 158	495	1 149	1 468	-	4 270
B Meyer (\$) ³	79	-	-	-	-	79
PA Hourquebie (£) ⁴	89	-	17	16	-	122

¹ B Swanepoel resigned as an independent non-executive director and as a member of the Risk Committee and the Safety, Health and Environment Committee on 31 March 2023

² D Noko was appointed as an independent non-executive director and as a member of the Risk Committee, Safety, Health and Environment Committee and the Tender Risk Committee on 31 March 2023

³ B Meyer fees are disclosed in United States Dollars (\$)

⁴ PA Hourquebie fees are disclosed in British Pounds (£)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

45. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Annual review of non-executive directors' fees

Management submits annually to the remuneration and nomination committee a proposal for the review of non-executive director fees. This proposal includes benchmarks from a minimum of two non-executive director remuneration surveys, as well as extracts and benchmarking data from annual reports of at least five medium businesses within the same industry sector. A comparison of the current and proposed fees against the market surveys and benchmarks informs the appropriate fee recommended by management. The services of independent remuneration consultants may also be used to obtain independent benchmarks for non-executive directors' fees.

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

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

Prescribed officers and other key management personnel

The Companies Act 71 of 2008 (as amended) of South Africa, defines a prescribed officer as a person who exercises general executive control over management of the whole, or a significant portion of, the business and activities of the Group; or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the Group. It excludes directors and does not refer, in any way, to title held by the person, rather the functions which they perform. The board has identified the prescribed officers of the Group.

	Year	Salary ¹ R'000	Retirement fund ² R'000	Short- term incentive (STI) ³ R'000	Management incentive plan (MIP) ⁴ R'000	Total ⁷ R'000
L Tweedie	2023	3 882	248	200	1 768	6 098
	2022	3 656	205	1 643	-	5 504
JN Govender	2023	5 396	297	-	4 392	10 085
	2022	5 079	280	2 000	-	7 359
RV Engelbrecht	2023	4 568	199	-	2 196	6 963
	2022	4 324	188	1 500	-	6 012
S Cummins (Aus)⁵	2023	1 196	178	-	759	2 133
	2022	1 163	173	680	-	2 016
D Morrison (Aus)⁶	2023	693	102	-	380	1 175
	2022	674	99	265	-	1 038

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

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

³ STI awards were approved by the remuneration and nominations committee on 17 August 2023 and accrued for the year ended 30 June 2023. Prior year awards were restated in order to reflect final amounts approved by the Remuneration and Nominations Committee.

⁴ MIP awards were approved by the remuneration and nominations committee on 17 August 2023 and accrued for the year ended 30 June 2023.

⁵ S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.

⁶ D Morrison earnings disclosed in AUD'000. Salary amount includes vehicle benefit allowance.

⁷ The Total reflected includes all cash payments made to the Prescribed Officer in the Financial Year. The Single Figure of remuneration reflected in Part 3 of the remuneration Report will differ based on the requirements of King IV™.

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46. RISK MANAGEMENT

The Group is exposed to capital, liquidity, interest rate, credit, foreign exchange, foreign currency and borrowing risks. In order to manage these risks, the Group may enter into transactions which make use of financial instruments. The Group has developed a risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments of excess liquidity.

The executive management is responsible for risk management activities within the Group. The executive management meets regularly to review market trends and develop strategies.

Group treasury is responsible for monitoring of currency, interest rate and liquidity risk under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating groups. The Group actively monitors the following risks:

46.1 Capital risk management

The primary objective of the Group's capital management policy is to ensure that the Group maintains a strong credit rating and healthy capital ratios, such as return on capital employed (ROCE), debt to equity and return on equity, in order to support its business.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2023 and 30 June 2022.

The Group includes within its net cash position, cash and bank balances less borrowings and other liabilities.

Capital includes equity attributable to the equity-holders of the parent of R3,1 billion (2022: R3,7 billion).

The ROCE ratio as at 30 June 2023 and 2022 was as follows:

	2023 Rm	2022 Rm
Operating (loss) / earnings	(856)	576
Capital employed	5 263	5 314
ROCE ratio (%)	(16,3)	10,9

A negative ROCE ratio was noted in the current year as a result of operating losses as compared to 2022. Following the balance sheet restructure and rights issue in the prior year, the capital risk management has decreased to being a medium risk.

46.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency, as and when they fall due. The Group manages its liquidity risk through its treasury function. Cash flow forecasting is performed by the operating units of the Group and consolidated by Group Treasury.

Credit and term facilities

All senior CTA debt was fully settled on 28 April 2023. In March 2023, the client on the BLNG project called the performance bond. Our bankers in Australia settled the performance bond, and in return, McConnell Dowell entered into a short-term debt facility with a balance of AUD23 million at year end. The maturity analysis for derivative and non-derivative financial liabilities has been included (refer to note 46.7: *Borrowing capacity*).

Cash and bank balances & overdrafts

At 30 June 2023, the Group had net cash of R1,4 billion (excluding lease liabilities) (30 June 2022: R2,1 billion) available; with further overdraft facilities of R205 million undrawn.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. For interest rate disclosure refer to *note 19: Borrowings and other liabilities*.

The Group's exposure to interest rate risk relates primarily to the Group's debt obligations with variable interest rates and the asset-backed finance which are repayable at a fixed interest rate in monthly and quarterly instalments.

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

Cash balances all carry interest at rates that vary in response to prevailing market rates in the respective geographical areas of the Group's operations.

No financial instruments were entered into to mitigate the risk of interest rates.

Interest rate sensitivity

The following table illustrates the effect on the Group's earnings and equity, all other factors remaining constant, of changes in the variable interest liabilities:

	2023 Rm	2022 Rm
Total variable borrowings	994	478
Effect on earnings after taxation - 50 basis points increase	(4)	(2)
Effect on earnings after taxation - 50 basis points decrease	4	2

46.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's material exposure to credit risk is in its receivables (refer to *note 13: Trade and other receivables*), deposits and cash balances (refer to *note 16: Cash and bank balances*), and contract assets (refer to *note 12: Contract assets / (liabilities)*).

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to contractual terms and credit verification procedures.

Cash balances are all kept at financial institutions with a high credit rating, as determined by credit rating agencies within a credit limit policy which is subject to regular review. Cash balances as per *note 16: Cash and bank balances* represent the maximum credit exposure.

The maximum exposure to credit risk at the reporting date is the carrying value of the contract assets as disclosed in *note 12: Contract assets / (liabilities)* and Trade receivables as disclosed in *note 13: Trade and Other Receivables*. The Group evaluates the concentration of risk with respect to amounts due from contract customers and trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group's performs a specific assessment on amounts that are past due and have indicators that there is no reasonable expectation of recovery and includes these in the provision for expected credit losses – specific debtors. These include amounts relating to financial assets that are written-off but are still subject to enforcement activity.

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

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for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.4 Credit risk continued

Expected credit losses on trade receivables and contract assets

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

Over the past 2 financial years the impairment and/or write-off of trade receivables and contract assets in the ordinary course of business from continuing operations (other than long-standing legacy claims) has been minimal despite a revenue of between R22,5 billion and R28,9 billion and a trade and contract receivables balance of between R2,7 billion and R3,5 billion.

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

46.4.1 Trade and other receivables

Ageing analysis of trade receivables

	<90 days Rm	90 days past due** Rm	Total Rm
2023			
Trade receivables	-	-	-
Sundry receivables	560	-	560
Provision for expected credit losses	(2)	-	(2)
Net book value	558	-	558
2022			
Trade receivables	301	1	302
Sundry receivables	488	-	488
Provision for expected credit losses	(13)	-	(13)
Net book value	776	1	777

* Amounts less than R1 million

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.4 Credit risk continued

46.4.1 Trade and other receivables continued

Trade and other receivables impaired

As at 30 June 2023, trade and other receivables with a nominal value of R2 million (2022: R13 million) (expected credit losses - specific debtors and expected credit losses) were provided for in a provision account.

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

	2023 Rm	2022 Rm
Trade and other receivables	560	790
Provision for expected credit losses	(2)	(13)
	558	777
Reconciliation of allowance for expected credit losses		
Opening balance	13	16
Raised during the year	-	14
Reversed	(11)	-
Utilised	-	(17)
	2	13

46.4.2 Contract assets / (liabilities)

The maximum exposure to credit risk in relation to contract assets/ (liabilities) is equal to the carrying value as presented in note 12: *Contract assets / (liabilities)*.

The ageing of contract and retention receivables and related provisions as at 30 June is as follows:

	<90 days Rm	90 days past due* Rm	Total Rm
2023			
Contract and retention receivables	3 641	15	3 656
Provision for expected credit losses	-	(2)	(2)
Net book value	3 641	13	3 654
2022			
Contract and retention receivables	2 472	13	2 485
Provision for contract receivables	-	(3)	(3)
Net book value	2 472	10	2 482

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.4 Credit risk continued

46.4.2 Contract assets / (liabilities) continued

Analysis of past due accounts

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

	2023 Rm	2022 Rm
Provision for expected credit losses		
Opening balance	3	1
Raised during the year	-	2
Utilised	(1)	*
	4	3
* Amounts less than R1 million.		
The contract assets / (liabilities) consist of:		
Uncertified claims and variations	1 808	1 225
Contract contingencies	(160)	(81)
Contract receivables	3 528	2 427
Provision for expected credit losses	(2)	(3)
Retention receivables	128	58
	5 302	3 626

46.4.3 Credit risk mitigation and collateral

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

The Group has credit risk mitigating policies in place for all its operating segments. Due to the significant credit risk associated with contract and retention receivables, it is the Group's policy to obtain unassignable security by bank guarantees or insurance bonds on large projects returnable on the expiration of the defect liability period or practical completion, where part security is returnable. The security is callable in relation to the debt under construction contracts.

Credit risk mitigating measures include builder's liens. The Group has right of retention over the constructed, enhanced or repaired building or structure (site) or portion thereof by means of retaining physical control of the site to secure payment of the contract price. The builder's lien is not waived and remains in effect until the completion of the contract or credit worthiness and payment record of the contracting party has been established. A builder's lien may be waived in lieu of a bank guarantee in accordance with the Group's commercial risk framework. The builder's lien in respect of claims is not waived and remains in effect until such time as the Group's claim has been satisfied or the Group has been provided with appropriate alternative security in respect of its claim.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.5 Foreign exchange risk

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

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

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

	Closing exchange rate at 30 June	Change in year end rate Increase of 5%	Change in year end rate Decrease of 5%	Effect of an increase of 5% (Rm)	Effect of a decrease of 5% (Rm)
2023					
Australian Dollar (AUD)	12,55	13,18	11,92	(54)	54
United States Dollar (USD)	18,86	19,81	17,92	*	*
Euro (EUR)	20,59	21,62	19,56	*	*
Effect on earnings before taxation**				(54)	54
2022					
Australian Dollar (AUD)	11,27	11,83	10,71	(48)	48
United States Dollar (USD)	16,39	17,21	15,57	*	*
Euro (EUR)	17,13	17,99	16,27	*	*
Effect on earnings before taxation**				(48)	48

* Amounts less than R1 million.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.6 Foreign currency risk

Monetary assets and liabilities below are at amortised cost. For assets and liabilities at fair value, refer to *note 47: Fair value of assets and liabilities*.

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

2023	Notes	Rand equivalent amount (Rm)				Total Rm
		ZAR Rm	AUD* Rm	USD Rm	Other Rm	
Monetary assets as per the statement of financial position						
Non-current assets						
		400	-	-	-	400
Lease receivables	15					
Other non-current assets		20	-	-	-	20
Current assets						
Contract assets	12	445	4 857	-	-	5 302
Lease receivables	15	81	-	-	-	81
Trade and other receivables	13	183	243	-	1	427
Cash and bank balances	16	151	2 227	2	1	2 381
		1 280	7 327	2	2	8 611
Monetary liabilities as per the statement of financial position						
Non-current liabilities						
External borrowings and other liabilities	19	504	-	-	-	504
Lease liabilities	20	619	235	-	-	854
Employee-related payables	23	-	446	-	-	446
Current liabilities						
Contract liabilities	12	84	2 081	-	-	2 165
External borrowings and other liabilities	19	200	316	-	-	516
Lease liabilities	20	151	149	-	-	300
Employee-related payables	23	103	181	-	-	284
Trade and other payables	21	619	4 092	1	4	4 716
		2 280	7 500	1	4	9 785
Net Exposure		(1 000)	(173)	1	(2)	(1 174)

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.6 Foreign currency risk continued

	Notes	Rand equivalent amount (Rm)				Total Rm
		ZAR Rm	AUD* Rm	USD Rm	Other Rm	
2022						
Monetary assets as per the statement of financial position						
Non-current assets						
Lease receivables	15	73	-	-	-	73
Other non-current assets		9	-	-	-	9
Current assets						
Contract assets	12	456	3 169	1	-	3 626
Lease receivables	15	9	-	-	-	9
Trade and other receivables	13	532	300	-	5	837
Cash and bank balances	16	198	2 368	45	6	2 617
Monetary assets classified as Held for Sale						
Trade and other receivables	17	9	-	-	10	19
		1 286	5 837	46	21	7 190
Monetary liabilities as per the statement of financial position						
Non-current liabilities						
External borrowings and other liabilities	19	228	1	-	-	229
Lease liabilities	20	642	131	-	-	773
Employee-related payables	23	42	334	1	-	377
Current liabilities						
Contract liabilities	12	100	1 598	-	1	1 699
External borrowings and other liabilities	19	250	2	-	-	252
Lease liabilities	20	189	77	-	-	266
Employee-related payables	23	129	189	-	-	318
Trade and other payables	21	1 407	2 732	1	9	4 149
Monetary liabilities classified as Held for Sale						
Employee-related payables	17	1	-	-	-	1
Trade and other payables	17	9	-	-	5	14
		2 997	5 064	2	15	8 078
Net Exposure		(1 711)	773	44	6	(888)

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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for the year ended 30 June 2023

46. RISK MANAGEMENT continued

46.7 Borrowing capacity

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

	2023 Rm	2022 Rm
The Group had the following undrawn facilities:		
Total borrowing facilities	1 203	481
Overdraft facilities	205	205
Current utilisation	(1 020)	(481)
Borrowing facilities available	388	205

Maturity profile of financial instruments

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

Financial Instruments	Less than one year Rm	One to five years Rm	More than five years Rm	Total Rm
2023				
Non-derivative financial liabilities				
Interest bearing borrowings	613	609	-	1 222
Lease liabilities	372	960	-	1 332
Trade and other payables	4 716	-	-	4 716
	5 701	1 569	-	7 270
2022				
Non-derivative financial liabilities				
Interest bearing borrowings	442	390	-	832
Lease liabilities	300	987	21	1 308
Trade and other payables	4 149	-	-	4 149
	4 891	1 377	21	6 289

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for the year ended 30 June 2023

47. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- ▶ Infrastructure investments

Infrastructure investments

The Group measures its remaining infrastructure investment, Dimopoint Proprietary Limited at fair value through profit or loss. The investment in Imvelo Concession Company Proprietary Limited was classified as Held for Sale in the prior year – refer to *note 10: Infrastructure investments* and *note 17: Non-current assets and liabilities classified as Held for Sale*.

(i) Dimopoint Proprietary Limited (Dimopoint)

Methodology

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

Valuation parameters and assumptions

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

- ▶ In estimating the fair value of the properties, the highest and best use of the properties is taken into account
- ▶ Free cash flows based on the underlying long-term contractual rental streams
- ▶ Market comparable yields applicable to the underlying investment property portfolio
- ▶ A terminal growth rate of 12% was applied

(ii) Imvelo Concessions Company Proprietary Limited (Imvelo)

The Group measures the fair value of the investment in line with the provisions of IFRS 5, being the fair value less cost of disposal. The fair value is based on a level 2 hierarchy, being the fair value of a non-binding offer to purchase.

Fair value hierarchy

The table below sets out the Group's fair value hierarchy and carrying amounts of assets and liabilities:

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobservable inputs Level 3 Rm
2023					
Assets recognised at fair value					
Assets					
Infrastructure investments	142	142	-	-	142
Infrastructure investments (Held for Sale)	59	59	-	59	-
2022					
Assets recognised at fair value					
Assets					
Infrastructure investments	142	142	-	-	142
Infrastructure investments (Held for Sale)	120	120	-	120	-

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

47. 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 earnings or loss	
			Increase Rm	Decrease Rm
2023				
Infrastructure investments				
Risk-adjusted discount rate:				
- Dimopoint Proprietary Limited	16,0%	0,5%	(4)	4
2022				
Infrastructure investments				
Risk-adjusted discount rate:				
- Dimopoint Proprietary Limited	16,0%	0,5%	(4)	4

48. EVENTS AFTER THE REPORTING PERIOD

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

48.1 Retirement and appointment of directors

The following directors retired from the board of directors:

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

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

48.2 McConnell Dowell BLNG project settlement

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

48.3 Common Terms Agreement and new banking facilities

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

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for the year ended 30 June 2023

49. RELATED PARTIES

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

The Group received R5 million from equity-accounted investments in the current year.

The Group received R5 million (2022: R21 million) from infrastructure investments in the current year.

The Group also had transactions and balances with associates and joint ventures. These are detailed below.

Refer to transactions with key management disclosed in *note 45: Directors' emoluments and interests*.

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

Balances with associates, joint ventures, joint operations, key management personnel and entities controlled by key management personnel

Balances between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed.

	2023 Rm	2022 Rm
Associates and joint ventures		
Trade and other receivables – associates and joint ventures	22	37
Trade and other payables – associates and joint ventures	(1)	(1)
	21	36
Parent company guarantees		
Parent company guarantees (ZARm)	1 976	1 731
Parent company guarantees (AUDm)	1 523	1 497

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

Transactions with associates, joint ventures, joint operations, key management personnel and entities controlled by key management personnel

Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

50. GROUP OPERATING ENTITIES

Name	Country	Aveng Group effective consolidation %	
		2023	2022
Subsidiaries and consolidated structured entities			
Andersen & Hurley Instruments (SA) Proprietary Limited	South Africa	-	100
AP Housing Proprietary Limited	South Africa	100	100
Aveng (Africa) Lesotho Proprietary Limited	Lesotho	100	100
Aveng Africa Proprietary Limited	South Africa	100	100
Aveng Australia Holdings Proprietary Limited	Australia	100	100
Aveng Construcciones Chile Limitada	Chile	100	100
Aveng Construction and Development Proprietary Limited	South Africa	100	100
Aveng Corporate Proprietary Limited	South Africa	100	-
Aveng Engineering and Mining Services Proprietary Limited	South Africa	100	100
Aveng Engineering and Mining Services Limited	Lesotho	100	100
Aveng Intellectual Properties Proprietary Limited	South Africa	100	100
Aveng International Construction Limited	Mauritius	-	100
Aveng Management Company Proprietary Limited	South Africa	100	100
Aveng Mining DRC Société à Responsabilité Limitée	Democratic Republic of Congo	100	100
Aveng Moolmans Holdings Proprietary Limited	South Africa	100	100
Aveng Moolmans Burkina Faso SA	Burkina Faso	100	100
Aveng Moolmans Intellectual Properties Proprietary Limited	South Africa	100	100
Aveng Moolmans Mauritius Limited	Mauritius	100	100
Aveng Moolmans Proprietary Limited	South Africa	100	100
Aveng Mozambique Limitada	Mozambique	-	100
Aveng Properties Proprietary Limited	South Africa	100	100
Aveng Proprietary Limited	Malawi	100	100
Aveng Swazi Proprietary Limited	Swaziland	100	100
Aveng Tanzania Limited	Tanzania	100	100
Aveng Trident Steel Holdings Proprietary Limited	South Africa	100	100
Aveng Trident Steel Proprietary Limited	South Africa	100	100
Aveng Water Treatment Proprietary Limited	Namibia	100	100
Built Environs Proprietary Limited	Australia	100	100
Built Environs Queensland Proprietary Limited	Australia	100	100
Built Environs WA Proprietary Limited	Australia	100	100
Consorcio Aveng-Mas Errazuriz Société Anonyme	Chile	60	60
E+PC Engineering & Projects Company (Zambia) Limited	Zambia	100	100
E+PC Engineering & Projects Company Australia Proprietary Limited	Australia	-	100
Glaza Limited	Hong Kong, China	100	100
Grinaker-LTA Construction (Zambia) Limited	Zambia	100	100

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50. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %	
		2023	2022
Subsidiaries and consolidated structured entities continued		2023	2022
Hylekite Proprietary Limited	Australia	100	100
Ikhule Construction Incubator Proprietary Limited	South Africa	100	100
Infraset Zambia Limited	Zambia	-	100
Karibib Mining and Construction Company (Namibia) Proprietary Limited	Namibia	100	100
LTA Construction Kenya Limited	Kenya	100	100
LTA Construction Tanzania Limited	Tanzania	100	100
LTA Mali Société Anonyme	Mali	100	100
McConnell Dowell (American Samoa) Limited	American Samoa	100	100
McConnell Dowell Fiji Limited	Fiji	100	100
McConnell Dowell (Malaysia) Sendirian Berhad	Malaysia	100	100
McConnell Dowell Constructors (Aust) Proprietary Limited	Australia	100	100
McConnell Dowell Constructors (PNG) Limited	Papua New Guinea	100	100
McConnell Dowell Constructors Limited	New Zealand	100	100
McConnell Dowell Constructors Thai Limited	Thailand	74	74
McConnell Dowell Corporation (NZ) Limited	Australia	100	100
McConnell Dowell Holdings Proprietary Limited	Australia	100	100
McConnell Dowell NC Société à Responsabilité Limitée	New Caledonia	100	100
McConnell Dowell (Offshore) Limited	Cook Islands	100	100
McConnell Dowell PDS Sendirian Berhad	Brunei	100	100
McConnell Dowell Philippines Incorporated	Philippines	40	40
McConnell Dowell Proprietary Limited	Australia	100	100
McConnell Dowell Saudi Arabia Limited	Saudi Arabia	39	39
McConnell Dowell South East Asia Private Limited	Singapore	100	100
Moolman Mining (Botswana) Proprietary Limited	Botswana	100	100
Moolman Mining Ghana Limited	Ghana	100	100
Moolman Mining Tanzania Limited	Tanzania	100	100
Moolmans International Holdings Limited	Mauritius	100	100
Moolmans Mining Guinea S.A	Guinea	100	100
Moolmans Mining Tanzania Limited	Tanzania	100	100
Moolmans Plant South Africa Proprietary Limited	South Africa	100	100
Moolmans South Africa Proprietary Limited	South Africa	100	100
NFI Holdings Limited	Thailand	49	49

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

50. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %	
		2023	2022
Subsidiaries and consolidated structured entities continued			
Perseroan Terbatas McConnell Dowell Indonesia	Indonesia	94	94
Perseroan Terbatas McConnell Dowell Service	Indonesia	100	100
Perseroan Terbatas Wanamas Puspita	Indonesia	100	100
Roskosh Limited	Hong Kong, China	100	100
Toll Highway Development Company Proprietary Limited	South Africa	100	100
Trident Steel Intellectual Properties Proprietary Limited	South Africa	100	100
Tweed River Entrance Sand Bypassing Company Proprietary Limited	Australia	100	100
Umkomazi Mining Zambia Limited (formerly Moolman Mining Zambia Limited)	Zambia	100	100
Umkomazi River Portfolio Proprietary Limited	South Africa	100	100
Associates, Joint ventures and Infrastructure Investments			
AEF Mining Services Proprietary Limited	South Africa	30	30
Dimopoint Proprietary Limited	South Africa	30	30
Dutco McConnell Dowell Middle East Limited Liability Company*	United Arab Emirates	49	49
Dutco McConnell Dowell Fabrication Limited Liability Company	Qatar	49	49
Dutco McConnell Dowell Qatar Limited Liability Company	Qatar	49	49
Firefly Investments 238 Proprietary Limited	South Africa	-	45
Grinaker-LTA Fair Construction SARL	Rwanda	50	50
Imvelo Concession Company Proprietary Limited	South Africa	30	30
Lesedi Tracks Proprietary Limited	South Africa	25	25
McConnell Dowell Gulf Limited	United Arab Emirates	49	49
McConnell Dowell Abu Dhabi LLC	United Arab Emirates	49	49
MAJV Pty Ltd	Australia	50	50
Northern Toll Road Construction Limited	South Africa	24	24
Oakleaf Investment Holdings 86 Proprietary Limited*	South Africa	-	50
Steeledale Proprietary Limited	South Africa	30	30

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

50. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %	
		2023	2022
Joint Operations			
McConnell Dowell / ABI ADP (Adelaide Desalination)	Australia	50	50
McConnell Dowell / BMD Constructions (Fitzroy to Gladstone pipeline)	Australia	50	-
McConnell Dowell / Decmil (Mordialloc Bypass)	Australia	60	60
McConnell Dowell / Diona JV - SA Water Frameworks Project	Australia	50	50
McConnell Dowell / Downer JV – EDI (Russley Rd)	New Zealand	-	50
McConnell Dowell / Downer JV – Downer (formerly) Hawkins (Connectus CRL)	New Zealand	50	50
McConnell Dowell / Downer JV – CSM2	New Zealand	50	50
McConnell Dowell / Downer EDI Works (Wauru Ponds)	Australia	50	50
McConnell Dowell / Downer JV – (Wynyard Edge Alliance)	New Zealand	50	50
McConnell Dowell / Fletchers / Obayashi (Waterview maintenance)	New Zealand	23	23
McConnell Dowell / Fulton Hogan / HEB Contractors (Northern Pathway Alliance)	New Zealand	33	33
McConnell Dowell / Fulton Hogan Joint Venture	New Zealand	50	-
McConnell Dowell / GE Betz/ United Group Infrastructure (WSRW)	Australia	20	20
McConnell Dowell / Georgiou / Arcadis / BG&E (Midland Station)	Australia	52	52
McConnell Dowell / Heb (Pukekohe)	New Zealand	50	50
McConnell Dowell / ITP SA Contractors (CRISP)	Singapore	-	50
McConnell Dowell / John Holland (Kidston Hydro)	Australia	50	50
McConnell Dowell / John Holland McConnell Dowell JV – JRL 108 (LTA)	Singapore	100	100
McConnell Dowell / John Holland (Papakura to Pukekohe)	New Zealand	50	50
McConnell Dowell / Lend Lease (MLJV Pty Ltd)	Australia	50	50
McConnell Dowell / Marina Technologies and Construction – MBS	Singapore	65	65
McConnell Dowell / Martinus Rail JV (Murray Basin)	Australia	80	80
McConnell Dowell / Obayashi JV (Warragamba Dam)	Australia	60	60
McConnell Dowell / OHL SA (K2K)	Australia	50	50
McConnell Dowell / SYS (SPJ)	Malaysia	65	65
McConnell Dowell PP Pesero TBK JV – Palembang City Sewerage Project	Indonesia	50	50
Northern Toll Roads Joint Venture	South Africa	50	50

CONTENTS

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SEPARATE STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Notes	2023 Rm	2022 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	2	3 934	3 803
Amounts owing by subsidiaries	3	143	369
		4 077	4 172
Current assets			
Amounts owing by subsidiaries	3	232	1
Other receivables		3	2
Taxation receivable		1	1
Cash and bank balances	4	101	253
		337	257
TOTAL ASSETS		4 414	4 429
EQUITY AND LIABILITIES			
Equity			
Stated capital	5	5 107	5 078
Other Reserves		(358)	(344)
(Accumulated losses) / Retained earnings		(997)	(398)
		3 752	4 336
LIABILITIES			
Non-current liabilities			
Amounts owing to subsidiaries	3	566	-
		566	-
Current liabilities			
Amounts owing to subsidiaries	3	82	75
Trade and other payables	6	14	18
		96	93
TOTAL LIABILITIES		662	93
TOTAL EQUITY AND LIABILITIES		4 414	4 429

SEPARATE STATEMENT OF COMPREHENSIVE EARNINGS

for the year ended 30 June 2023

	Notes	2023 Rm	2022 Rm
Operating expenses		(52)	(46)
Other earnings	8	689	925
Operating earnings	7	637	879
Management fees paid		(1)	-
Impairment of investment	2	(1 256)	(1 157)
Impairment of loan receivable		-	(327)
Finance earnings	9	23	47
Other finance expenses	10	(2)	(1)
Loss before taxation		(599)	(559)
Taxation	11	-	-
Loss for the period		(599)	(559)
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
Other comprehensive earnings for the period*		-	-
Total comprehensive loss for the period		(599)	(559)
Results per share (cents)			
Loss - basic		(475)	(456)
Loss - diluted		(475)	(456)
Number of shares (millions)			
In issue		131,3	129,5
Weighted Average		126,1	122,5
Diluted weighted average		126,1	129,4
* Net of taxation			

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Stated Capital Rm	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	Other reserves* Rm	Total other reserves Rm	(Accumulated losses) / Retained earnings Rm	Total equity Rm
Year ended 30 June 2022							
Balance at 1 July 2021	5 078	52	(54)	(377)	(379)	161	4 860
Loss for the year	-	-	-	-	-	(559)	(559)
Total comprehensive earnings for the period	-	-	-	-	-	(559)	(559)
Equity settled share-based payment-shares granted	-	35	-	-	35	-	35
Total contributions and distributions to owners of company recognised directly in equity	-	35	-	-	35	-	35
Balance at 30 June 2022	5 078	87	(54)	(377)	(344)	(398)	4 336
Year ended 30 June 2023							
Balance at 1 July 2022	5 078	87	(54)	(377)	(344)	(398)	4 336
Loss for the year	-	-	-	-	-	(599)	(599)
Total comprehensive loss for the period	-	-	-	-	-	(599)	(599)
Equity settled share-based payment - shares granted	-	15	-	-	15	-	15
Equity settled share-based payment - shares vested	29	(29)	-	-	(29)	-	-
Total contributions and distributions to owners of company recognised directly in equity	29	(14)	-	-	(14)	-	15
Balance at 30 June 2023	5 107	73	(54)	(377)	(358)	(997)	3 752
Note	5	12					

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

SEPARATE STATEMENT OF CASH FLOWS

as at 30 June 2023

	Notes	2023 Rm	Restated 2022 Rm
Cash utilised by operating activities	14	(51)	(29)
Finance expenses paid	16	(2)	(1)
Finance earnings received	17	22	19
Taxation paid	15	-	-
Cash outflow from operating activities		(31)	(11)
Investing activities			
Subscription of shares in Aveng Moolmans Holdings		(300)	-
Dividends received		175	-
Loan advanced to associate		(210)	-
Loan repaid by associate		210	-
Repayment of loans by subsidiaries*		226	135
Loans advanced to subsidiaries*		(222)	(361)
Cash outflow from investing activities		(121)	(226)
Financing activities			
Settlement of amounts owed to subsidiaries*		-	(100)
Cash outflow from financing activities		-	(100)
Net decrease in cash and bank balances		(152)	(337)
Cash and bank balances at beginning of the period		253	590
Total cash and bank balances at the end of the period	4	101	253
Net cash position		101	253

* Prior year figures have been restated. Refer to note 21: Correction of error for further detail

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

1. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the Group's financial statements.

Correction of prior period error

Certain comparative amounts in the separate statement of cash flows have been restated as a result of a correction of a prior period error. The impact of the error did not have an impact on the separate statement of financial position and separate statement of comprehensive income.

The correction of the error did not have any impact on the basic and diluted earnings per share.

Refer to *note 21: Correction of error* for further detail.

2. INVESTMENTS IN SUBSIDIARIES

Name of company	Country	% holding 2023	2023 Rm	2022 Rm
Aveng Australia Holdings Proprietary Limited	Australia	100	1 526	1 522
Capital contribution to Aveng Australia Holdings Proprietary Limited (bifurcation of loan)	Australia	100	368	368
Aveng Africa Proprietary Limited	South Africa	100	-	1 256
Aveng Moolmans Holdings Proprietary Limited	South Africa	100	2 040	657
Aveng Properties Proprietary Limited	South Africa	100	*	*
Aveng Management Company Proprietary Limited	South Africa	100	*	*
			3 934	3 803
Reconciliation of investments in subsidiaries				
Opening balance			3 803	4 293
Investment in Aveng Moolmans Holdings Proprietary Limited			300	650
Capital contribution to Aveng Moolmans Holdings Proprietary Limited**			1 079	-
Impairment of investment in Aveng Africa Proprietary Limited			(1 256)	(1 157)
IFRS 2 Share based payment - granting of instruments to subsidiary employees			8	17
			3 934	3 803

* Amounts are less than R1 million.

** The directors agreed to a capitalisation of the loan between the Company and Aveng Moolmans Holdings Proprietary Limited. Consequently, R1,1 billion has been transferred to the investment.

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

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

Impairment of Investment in Aveng Africa Proprietary Limited

An impairment assessment was performed on the investment in Aveng Africa Proprietary Limited following the disposal of the net assets of Trident Steel, a division of Aveng Africa and the disposal of Moolmans, a division of Aveng Africa, as a going concern to Aveng Moolmans Holdings Proprietary Limited. Aveng Limited owns, directly or indirectly, 100% of both Aveng Africa Proprietary Limited and Aveng Moolmans Holdings Proprietary Limited before and after the disposal. An impairment loss of R1 256 million (2022: R1 157 million) was required in order to show the investment at an appropriate recoverable amount. This recoverable amount was based on the remaining net asset value of Aveng Africa, adjusted for specific value-in-use factors expected to influence the net asset value within the next 12 months. The fair value of these assets falls within *Level 3* of the hierarchy identified in *IFRS 13*.

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

3. AMOUNTS OWING BY / (TO) SUBSIDIARIES

	2023 Rm	2022** Rm
Reconciliation of amounts owing by subsidiaries		
Opening balance	370	1 565
Cash movement**	4	226
Non-cash movement*/**	1	(1 421)
Balance at the end of the year	375	370
Reconciliation of amounts owing to subsidiaries		
Opening Balance	(75)	(1 573)
Cash movement**	-	100
Non-cash movement*/**	(573)	1 398
Balance at the end of the year	(648)	(75)
Non-interest bearing to subsidiaries	375	370
Non-interest bearing from subsidiaries	(648)	(75)
Net amounts owing by subsidiaries	(273)	295
Non-current assets	143	369
Current assets	232	1
Non-current liabilities	(566)	-
Current liabilities	(82)	(75)
Net amounts owing by subsidiaries	(273)	295

* In the current year, non-cash movements include a dividend in specie of R74 million and cession of loan for R640 million.

** Prior year movements have been restated to align with the restatement in the separate statement of cash flows. Refer to note 21: Correction of error for further detail.

4. CASH AND BANK BALANCES

	2023 Rm	2022 Rm
Cash and bank balances*	101	253
	101	253

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

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

5. STATED CAPITAL

	2023 Rm	2022 Rm
Authorised		
Ordinary shares		
Number of shares	361 764 068	361 764 068
Value (Rm)	9 044	9 044
Class A shares		
Number of shares	1 000 000 000	1 000 000 000
Value (Rm)	5 000	5 000
Issued		
Ordinary shares		
Number of shares	127 135 041	124 527 364
Value (Rm)	5 076	5 041
Class A shares		
Number of shares*	4 155 979	4 955 979
Value (Rm)	31	37
Stated capital (Rm)	5 107	5 078
Shares held in terms of equity-settled share-based payment plan		
- Number of shares (after share consolidation)	5 343 186	7 000 374
- Market value (Rm)	65	52
Reconciliation of number of shares issued	Number of shares	Number of shares
Opening balance	129 483 343	64 741 672 056
Share consolidation (8 December 2021)	-	(64 612 188 713)
Share issue - Equity-settled share-based payment plan (29 June 2023)	1 807 677	-
Closing balance	131 291 020	129 483 343
Less: treasury shares	(5 343 186)	(7 000 374)
Number of shares in issue excluding treasury shares	125 947 834	122 482 969

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

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

6. TRADE AND OTHER PAYABLES

	2023 Rm	2022 Rm
Trade payables	-	2
Shareholders for dividends	6	6
Accrued expenses	8	10
	14	18

7. OPERATING LOSS

Operating loss for the year is stated after accounting for the following:

Auditors' remuneration - fees	(8)	(10)
Directors' fees	(10)	(10)
Consulting Fees	(21)	(6)
Travel and entertainment expenses	(1)	-
Corporate Memberships	-	(2)
Public company costs	(3)	(2)
IFRS 2 share-based payment expense	(6)	(17)

8. OTHER EARNINGS

Dividends received - <i>in specie</i>	514	925
Dividends received - cash	175	-
	689	925

9. FINANCE EARNINGS

Interest received on amounts owing by subsidiaries	3	-
Notional interest earned from subsidiaries*	-	26
Interest received on bank balances**	20	21
	23	47

* *Notional interest earned was calculated using an effective interest rate.*

** *Interest earned on positive bank balances throughout the year.*

10. OTHER FINANCE EXPENSES

Interest incurred on amounts owing by subsidiaries	2	1
	2	1

11. TAXATION

Major components of the taxation income

Current taxation

Local income taxation - current period	-	-
--	---	---

Total taxation

	-	-
--	---	---

Reconciliation between applicable taxation rate and effective taxation rate:

Applicable taxation rate	27,0	28,0
Exempt income / non-taxable income*	31,0	47,8
Deferred tax asset not recognised	-	(0,2)
Disallowable charges**	(58,0)	(75,6)

Effective taxation rate for the year

	-	-
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South African income tax is calculated at 27% (2022: 28%) of the taxable income for the year.

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

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

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

12. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

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

	2023 Rm	2022 Rm
Directors and prescribed officers of Aveng Limited participating in MIP		
Opening balance	24	7
Equity-settled share-based payment expense*	6	17
Equity-settled share-based payment vested	(15)	-
Directors and prescribed officers of Aveng Limited participating in MIP	15	24
Equity-settled share-based payment reserve associated to previous schemes	40	40
Directors and prescribed officers of subsidiaries of Aveng Limited participating in MIP	9	17
Senior managers of subsidiaries of Aveng Limited participating in LTIP	9	6
Total Equity-settled share-based payment reserve	73	87

* The equity-settled share-based payment expense recognised in the current year relates to the shares granted in the current year in accordance with the Management Incentive Plan 2021 (MIP) and Long-term incentive plan 2022 (LTIP) rules. The equity-settled share-based awards vest when certain retention and non-market performance conditions are met. At 30 June 2023, the Group expects that all participants will meet the retention and performance conditions as established in the MIP plan. Refer to note 27: Share-based payments for additional information on the performance and retention conditions.

13. EQUITY-SETTLED SHARE-BASED PAYMENT

Equity-settled share-based payment plan

Management Incentive Plan

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

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

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

There is no remaining contractual life for the shares outstanding at 30 June 2023.

The weighted average fair value of shares outstanding at 30 June 2023 was R7.50.

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

13. EQUITY-SETTLED SHARE-BASED PAYMENT continued

	Number of shares 2023	Number of shares 2022
The movements during the year were as follows:		
Opening balance	6 976 000	6 976 000
Shares vested / exercised*	(3 308 121)	-
Shares forfeited	(337 611)	-
	3 330 268	6 976 000
Fair value of shares granted to participants (R per share)	7,50	7,50
Total value of unvested shares to participants (Rm)	25	52

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

Long Term Incentive Plan 2022

In terms of the Long Term Incentive Plan 2022 ("LTIP 2022"), senior executives of the Group, are granted shares in the Group for no consideration. The provision of shares will serve as a retention mechanism and an incentive mechanism over a three-year period.

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

The fair value of the shares is estimated at the grant date taking into account the terms and conditions contained in the LTIP2022 rules as well as the rights associated with these shares to participate in dividends and shareholder rights from grant date. The shares are subject to forfeit if the employee leaves the employment of the Group prior to the vesting dates and/or if performance conditions are not met. On resignation, retirement, retrenchment or dismissal, all unvested awards of the participant will be forfeited immediately on the date on termination of the employment. Where the employment of the participant is terminated as a result of death, all of a participant's unvested awards will vest on the date of termination of employment. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been or will be cash-settled.

The movement during the year was as follows:

	2023 Number of shares	2022 Number of shares
Opening balance	1 567 100	-
Shares granted	3 795 400	1 567 100
Shares vested / exercised	(288 680)	-
Shares forfeited	(24 660)	-
	5 049 160	1 567 100
Fair value of shares granted to participant (R per share)	13,48	13,41
Total value of forfeitable shares to participants (Rm)	68	21

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

14. CASH UTILISED FROM OPERATIONS

	Note	2023 Rm	2022 Rm
Earnings before taxation		(599)	(559)
Adjustments for:			
Finance earnings	9	(23)	(47)
Finance and transaction expenses	10	2	1
Dividends received	8	(689)	(925)
Cash retained from operations		(1 309)	(1 530)
Non-cash and other movements	14.1	1 262	1 501
Cash generated from operations		(47)	(29)
Changes in working capital	14.2	(4)	-
		(51)	(29)
14.1 Non-cash and other movements			
IFRS 2 Share based payment - granting of instruments to participants		6	17
Impairment of investment		1 256	1 157
Intercompany loan receivable written off		-	327
		1 262	1 501
14.2 Movements in working capital			
Decrease in trade and other payables		(4)	-
		(4)	-
15. TAXATION PAID			
Amounts unpaid at the beginning of the period		1	1
Amounts charged to the statement of comprehensive earnings – normal tax	11	-	-
Amounts unpaid at the end of period		(1)	(1)
		-	-
16. FINANCE AND TRANSACTION EXPENSES PAID			
Amounts charged to the statement of comprehensive earnings		2	1
		2	1
17. FINANCE EARNINGS RECEIVED			
Interest received		23	47
Notional interest (Bifurcation of intercompany loan)		-	(26)
Movement in accrued finance earnings		(1)	(2)
		22	19
18. CONTINGENT LIABILITIES			
Contingent liabilities at reporting date, not otherwise provided for in the financial statements, arising from:			
Parent Company guarantees issued in:			
- Australasia and Asia (AUDm)		2	2
Contract performance guarantees issued by the parent company on behalf of its Group companies are calculated either on the basis of all or part of the contract sum of each respective assignment, depending on the terms of the agreement, without being offset against amounts received as compensation from the customer.			

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

19. RELATED PARTIES

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various transactions. There were no related party transactions with directors or entities in which the directors have a material interest.

Directors' emoluments

Refer to note 45: Directors' emoluments in the Group financial statements for detail.

	2023 Rm	2022 Rm
Related party balances		
Net indebtedness due by / (to) subsidiaries		
Aveng Africa Proprietary Limited	(569)	129
Aveng Moolmans Holdings Proprietary Limited	231	231
Aveng Corporate Proprietary Limited	17	-
Aveng Australia Holdings Proprietary Limited	124	10
Aveng Limited Share Purchase Trust	(76)	(75)
	(273)	295
Related party transactions		
Finance earnings		
Trident Steel Holdings BEE Company Proprietary Limited	3	-
Aveng Australia Holdings Proprietary Limited	-	26
	3	26
Finance expenses		
Aveng Limited Share Purchase Trust	2	-
	2	-
Dividend earnings		
Aveng Africa Proprietary Limited	440	650
Aveng Properties Proprietary Limited	74	275
Aveng Australia Holdings Proprietary Limited	175	-
	689	925

20. RISK MANAGEMENT

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

The Company actively monitors the following risks:

20.1 Capital risk management

The primary objective of the Company's capital management policy is to ensure that the Company maintains a strong credit rating and healthy capital ratios in order to support its business.

The Company manages its capital structure and makes adjustments to it in response to changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2022 and 30 June 2023.

The Company includes within its net cash position, cash and bank balances less borrowings and other liabilities. Capital includes equity attributable to the equity-holders of the company of R3,8 billion (2022: R4,3 billion).

20.2 Liquidity risk

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

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

20. RISK MANAGEMENT continued

20.3 Interest rate risk

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

Cash balances all carry interest at rates that vary in response to prevailing market rates in the respective geographical areas of the Company's operations.

No financial instruments are entered into to mitigate the risk of interest rates.

20.4 Credit risk

The Company's only material exposure to credit risk is in its cash balances (refer to *note 3: Cash and bank balances*) and amounts due from subsidiaries (refer to *note 3: Amounts owing by/(to) subsidiaries*). The maximum exposure to credit risk is set out in *note 3: Cash and bank balances*. There was no collateral held on the above balances as at the 2023 year end.

Deposits and cash balances are all kept at financial institutions with a high credit rating, as determined by credit rating agencies within a credit limit policy which is subject to regular review.

The Company's expected credit loss provision is immaterial.

20.5 Borrowing capacity

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

20.6 Categories of financial instruments

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

20.7 Maturity profile of financial instruments

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

Financial liabilities	Less than one year Rm	One to five years Rm	Beyond five years Rm	Total Rm
2023				
Non-derivative financial liabilities				
Amounts owing to subsidiaries	82	566	-	648
Trade and other payables	14	-	-	14
	96	566	-	662
2022				
Non-derivative financial liabilities				
Amounts owing to subsidiaries	75	-	-	75
Trade and other payables	18	-	-	18
	93	-	-	93

NOTES TO THE SEPARATE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2023

21. CORRECTION OF ERROR

Prior year – cashflow from financing activities

In the current year, it was noted that the *proceeds from amounts owing by subsidiaries* and certain *settlement of amounts owed to subsidiaries* had been incorrectly classified as a cashflow from financing activities in the 2022 statement of cash flows. As a consequence, cash flow from financing activities was understated and cash flow from investing activities was overstated. In the current year, the company corrected the error by restating the prior year column in the 2022 separate statement of cash flows.

The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	Previously reported 2022 Rm	Correction of error 2022 Rm	Restated 2022 Rm
Impact on separate statement of cash flows			
Cash outflow from operating activities	(11)	-	(11)
Cash outflow from financing activities	(326)	226	(100)
Cash outflow from investing activities	-	(226)	(226)
Net decrease in cash and bank balances	(337)	-	(337)

The correction of error did not have an impact on the separate statement of financial position and separate statement of comprehensive income.

The correction of the error did not have any impact on the basic and diluted earnings per share.

22. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the consolidated annual financial statements of Aveng Limited (Refer to *note 48: Events after the reporting period* in consolidated statements) which significantly affects the financial position of the Company as at 30 June 2023 or the results of its operations or cash flow for the year then ended.



INDEPENDENT REPORTING ACCOUNTANT'S REPORT

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE COMPILATION OF THE AUSTRALIAN DOLLAR DENOMINATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS INCLUDED IN THE AVENG LIMITED ("THE COMPANY") CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

To the Directors of Aveng Limited

Introduction

We have completed our assurance engagement to report on the non-IFRS financial information of Aveng Limited prepared by the Directors. The non-IFRS financial information, as set out in the Aveng Limited consolidated annual financial statements of the Company and its subsidiaries (collectively "the Group") for the year ended 30 June 2023, consists of selected financial information translated into Australian dollars (AUD).

The non-IFRS financial information consists of the following, for the year ended 30 June 2023:

- Australian dollar denominated consolidated statement of financial position
- Australian dollar denominated consolidated statement of comprehensive earnings

The applicable criteria on the basis of which the Directors have compiled the non-IFRS financial information are specified in the Johannesburg Stock Exchange Limited ("JSE") Listing Requirements ("JSE Listings Requirements"), including the JSE guidance letter: Presentation of Pro forma financial information dated 4 March 2010. The non-IFRS financial information is described in the basis of preparation on the supplementary information section of the accounting policies (note 1.3) of the Aveng Limited consolidated annual financial statements ("Consolidated Annual Financial Statements") for the year ended 30 June 2023 (the "Applicable Criteria").

The non-IFRS information has been compiled by the Directors solely to assist stakeholders in interpreting the financial performance of the Group in a universally measured currency.

As part of this process the audited consolidated statement of financial position and audited consolidated statement of comprehensive earnings for the year ended 30 June 2023 ("Audited Financial Information") have been extracted by the Directors from the Consolidated Annual Financial Statements for the year ended 30 June 2023, on which an unmodified audit opinion has been issued on 21 August 2023.

Directors' Responsibility for the non-IFRS financial Information

The Directors are responsible for compiling the non-IFRS financial information on the basis of the Applicable Criteria specified in the JSE Listings Requirements and described in the JSE guidance letter: Presentation of Pro forma financial information dated 4 March 2010, and described in the basis of preparation on the supplementary information section set out in note 1.3 of the accounting policies of the Consolidated Annual Financial Statements.

Independent Reporting Accountant's independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies the International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Reporting Accountant's responsibility

Our responsibility is to express an opinion about whether the non-IFRS financial information have been compiled, in all material respects, by the Directors on the basis specified in JSE Listings Requirements, including JSE Guidance Letter: Presentation of Pro forma financial information dated 4 March 2010, and described in the basis of preparation on the supplementary information section set out in note 1.3 of the accounting policies of the Consolidated Annual Financial Statements.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT

Independent Reporting Accountant's responsibility

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the non-IFRS financial information on the basis specified in JSE Listings Requirements, including JSE Guidance Letter: *Presentation of Pro forma financial information* dated 4 March 2010, and described in the basis of preparation on the supplementary information section set out in note 1.3 of the accounting policies of the Consolidated Annual Financial Statements.

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

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

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

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

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

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

Opinion

In our opinion, the non-IFRS financial information has been compiled, in all material respects, on the basis of the Applicable Criteria specified in JSE Listings Requirements, including JSE Guidance Letter: *Presentation of Pro forma financial information* dated 4 March 2010, and described in the basis of preparation on the supplementary information section set out in note 1.3 of the accounting policies of the Consolidated Annual Financial Statements.

Restriction on use

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

KPMG Inc.



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

21 August 2023

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