AVENG
Leaders in infrastructure

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2016

Contents

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

General information

Country of incorporation and domicile	South Africa	
Directors	Mr Mahomed Seedat (chairman)	
	Mr Eric Diack	
	Mr Hendrik Jacobus Verster	
	Mr Angus Band	Retired 19 August 2016
	Mr Juba Mashaba	
	Mr Peter Ward	Retired 30 June 2016
	Mr Peter Erasmus	
	Ms May Hermanus	
	Mr Michael Kilbride	
	Ms Thoko Mokgosi-Mwantembe	
	Ms Kholeka Mzondeki	
	Mr Adrian Macartney	
	Mr Philip Hourquebie	Appointed 5 August 2015
	Mr Sean Flanagan	Appointed 1 November 2015
Auditors	Ernst & Young Inc.	
Secretary	Michelle Nana	
Company registration number	1944/018119/06	
Level of assurance	These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 (as amended) of South Africa.	
Supervised by	The audited consolidated annual financial statements were prepared by: Clare Giletti CA(SA) under the supervision of: Adrian Macartney CA(SA), Group CFO	
Published	23 August 2016	

Audit Committee report

The Audit Committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of Aveng Limited and its subsidiaries. Four audit committee meetings, and one special audit committee meeting was 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, Ernst & Young Inc. The full report on the functions of the Audit Committee will be available on 19 September 2016 on the Group's website.

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 CFO. In respect of this requirement and for the year under review, the committee is satisfied that Mr Adrian Macartney, the Group CFO, possesses the appropriate expertise and experience to fulfil his responsibilities in that position.

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 this financial year which have not been addressed or are not in the process of being addressed. The financial records can therefore be relied on for preparing the consolidated annual financial statements.

Statement on internal control and risk management

The risk management and internal audit functions monitor the effectiveness of internal control systems and make recommendations to management and the audit and risk committees. The Board has therefore concluded, based on recommendation of the Audit Committee and its own understanding, that there is no reason to believe that there were any material internal control or risk management shortcomings during this financial year that have not been addressed or are in the process of being addressed. For further information, refer to the Corporate Governance report that will be available on the Group's website on 19 September 2016.

E Diack
Chairman
Audit Committee

19 August 2016

Certificate of the company secretary

I, the undersigned, Michelle Nana, 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.

Michelle Nana
Company secretary

19 August 2016

Directors' report

The directors submit their report for the year ended 30 June 2016.

1. REVIEW OF ACTIVITIES

Nature of business

The consolidated annual financial statements ("results") comprise the financial results of Aveng Limited and its subsidiaries ("the Group") at 30 June 2016. Aveng Limited ("the Company") is a South African registered and listed company, included in the Construction and Materials – Heavy Construction sector of the Johannesburg Stock Exchange ("JSE") (Listing reference: "AEG") with interests in construction, contract mining and steel beneficiation. Primary subsidiaries include Aveng (Africa) Proprietary Limited and Aveng Australia Holdings Proprietary Limited.

Group financial results

Aveng Limited reported a substantially reduced headline loss of R299 million or (75,2) cents per share for the year ended 30 June 2016, compared to a headline loss of R578 million or (144,3) cents per share for the preceding year. Group revenue declined by 23% to R33,8 billion (2015: R43,9 billion) in line with expectations, in a poor macro-economic climate, with McConnell Dowell being most significantly impacted. Net operating earnings increased to a profit of R146 million, driven primarily by a marked improvement in Aveng Grinaker-LTA and an 8% reduction in overheads, after incurring once-off restructuring costs of R189 million. This improved performance was partially offset by contract underperformance at McConnell Dowell and once off costs linked to a problematic water contract.

The Group generated a basic loss attributable to equity holders of the parent of R101 million (2015: R460 million loss). Earnings includes the gain on the property transaction of R577 million, offset by impairments of R333 million, predominantly relating to Aveng Steel.

Full details of the financial position and performance and changes therein for the Group are set out in the consolidated and separate financial statements on pages 8 to 112.

Impairment of goodwill, property, plant and equipment and related intangible assets

An impairment charge of R225 million was recognised against underutilised niche assets in Aveng Trident Steel and a R70 million was recognised in Aveng Steeledale relating to impairment on the recently announced sale of 70% of the business. The remaining R38 million relates to abandoned contract assets in Aveng Mining.

Funding and liquidity

The Group has cash of R2,4 billion at year-end, R696 million of which is tied up in joint arrangements. Advance payments that will be used in the short term amount to R308 million while short-term debt facilities amount to R768 million. After considering minimum working capital requirements and adding unutilised facilities of R1,9 billion, the Group has liquidity headroom of R1,7 billion.

During the year the property bridge facility, of R1 billion expired when the proceeds from the Group's South African property portfolio sale were received. The remaining revolving credit facilities reduced by R500 million during the year, to R1,5 billion.

Short term liquidity of the Group is found to be satisfactory to the Board with liquidity headroom of R1,7 billion.

Unconsolidated structured entities

The Group has the following structured entities which are not consolidated:

Community Investment Trust

The trust makes donations to public benefit organisations involved in technical and business education as well as job creation initiatives aligned to the broader building and construction industry.

Empowerment Trust

The trust was formed for the benefit of employees. Trustees allocate units in the Empowerment Trust to employees to recognise their contributions to the development of the Group. The trust was unwound in the current year.

Capital expenditure

Capital expenditure of R510 million for the year (2015: R876 million) related to R175 million (2015: R175 million) of expansion investment and R319 million (2015: R649 million) replacement investment in property, plant and equipment, and R16 million (2015: R52 million) investment in intangible assets. Net book value of property, plant and equipment disposed amounted to R95 million (2015: R328 million).

Queensland Curtis Liquefied Natural Gas ("QCLNG") contract

During July 2014, McConnell Dowell repaid AUD30 million (R301 million) of the advance payments received from the client for the QCLNG export gas pipeline contract. The outstanding amount of AUD112,5 million (R1 072 million) was settled in October 2015.

Protracted legal proceedings relating to uncertified revenue

Included in amounts due from contract customers are balances of R4,7 billion (current R3,3 billion and non-current R1,4 billion (2015: 3,7 billion) that are subject to protracted legal and commercial proceedings. The outcome of these proceedings remain a risk to the Group.

2. MAJOR BUSINESS ACQUISITIONS AND DISPOSALS OF ASSETS

Business restructuring

Aveng continues to review its portfolio of businesses to ensure that they are able to generate an acceptable return in the current market. To this end the following actions have been take this year:

- Aveng Engineering, Aveng Facades and Aveng Steel Fabrication have been closed;
- Aveng Water has been repositioned and is set to leverage the advantage that Aveng has built in this market; and
- the Group's Africa strategy has been reprioritised and will focus on specific sectors for select clients in the rest of Africa.

Disposal of South African property portfolio

During the previous financial year, the Group made a decision to dispose of non-core properties. These properties were sold to Dimopoint Proprietary Limited as a single portfolio of land and buildings during the year. The Group retained a 30% interest and joint control in this company. These properties were leased back for terms of five and twelve years.

Non-current assets held-for-sale

Aveng Capital Partners' infrastructure investments of R860 million were classified as non-current assets held-for-sale. The monetisation of the four major infrastructure investments has been largely concluded. A wholly owned subsidiary of Aveng, Aveng (Africa) Proprietary Limited, has concluded a binding agreement with Royal Bafokeng Holdings Proprietary Limited, for the sale of its entire interest in the investments. Conditions precedent to the disposal transaction include the waiver of the pre-emptive rights by current shareholders, and compliance, regulatory and lender approvals. Shareholder approval is required for this transaction by virtue of its quantum.

The Aveng Steeledale business with assets of R398 million and liabilities of R247 million were classified as non-current assets held-for-sale subsequent to year-end, a wholly owned subsidiary of Aveng, Aveng (Africa) Proprietary Limited, has reached an agreement with Kutana Steel Proprietary Limited, (Kutana) whereby Kutana will acquire a 70% interest in the Steeledale business for approximately R252 million, with between R93 million and R123 million payable in cash and the remainder payable on a deferred basis. Aveng (Africa) Proprietary Limited will have the option to divest from the remaining 30% shareholding in the Steeledale business at any time after three years.

The Group made the decision to dispose of the following investments: GoldlinQ, an infrastructure investment in Construction & Engineering: Australasia and Asia segment and RPP Developments and RPP Property JV Proprietary Limited in the Other & Eliminations segment.

3. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year-end both the Aveng Capital Partners infrastructure investments and the Steeledale business sales agreements were signed. These transactions are still subject to various conditions precedent. The proceeds from these transactions will be used to primarily strengthen the statement of financial position of the Group to support Aveng's move to the next phase of its strategy, namely, ***positioning for profitable growth.***

4. SHARE CAPITAL AND SHARE PREMIUM

Details pertaining to the authorised and issued share capital of the Company at 30 June 2016 are contained in *note 21* of the consolidated annual financial statements.

5. DIRECTORS

In terms of the Company's memorandum of incorporation, the directors listed below will retire by rotation at the forthcoming Annual General Meeting and will be eligible for re-election:

- Ms May Hermanus;
- Mr Kobus Verster;
- Mr Eric Diack;
- Ms Thoko Mokgosi-Mwantembe; and
- Mr Sean Flanagan.

The following directorate changes have taken place since the last year-end:

Name	Change
Mr Philip Hourquebie	Appointed 5 August 2015
Mr David Robinson	Retired 17 August 2015
Mr Sean Flanagan	Appointed 1 November 2015
Mr Peter Ward	Retired 30 June 2016
Mr Angus Band	Retired 19 August 2016

Details of the directors' remuneration and interests are set out in *note 47: Directors' emoluments and interests* of the consolidated annual financial statements.

Directors' report continued

6. **DIVIDENDS**

No dividends were declared for the current or prior period.

7. **AUDITORS**

Ernst & Young Inc. continued in office as external auditors. At the Annual General Meeting shareholders will be requested to appoint Ernst & Young Inc. as the Group's auditors for the 2017 financial year.

8. **SHAREHOLDERS**

The following information will be available on 19 September 2016 on the Group's website:

- shareholders' diary;
- an analysis of shareholders including shares held by directors; and
- notice of Annual General Meeting.

9. **DIRECTORS' RESPONSIBILITY RELATING TO THE CONSOLIDATED 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 and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period ended 30 June 2016.

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act 71 of 2008 (as amended) of South Africa, and the Listings Requirements of the JSE.

The directors acknowledge that they are responsible for the system of internal financial control established by the Group 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 and separate annual financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatements and losses.

To enable the directors to meet these responsibilities, the Board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework; effective accounting procedures; and adequate segregation of duties which are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors have reviewed the Group's cash flow forecast for the year ending 30 June 2017 and in light of this review and the current financial position, are 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 auditors are responsible for independently reviewing and reporting on the Group's consolidated and separate annual financial statements. Their unmodified report to the shareholders of the Company is set out on page 7.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of the Group for the year ended 30 June 2016 set out on pages 8 to 112, which have been prepared on the going concern basis, were approved by the Board of directors on 19 August 2016 and were signed on its behalf by:

HJ Verster
Chief executive officer

AH Macartney
Group CFO

Report of the independent auditors

To the shareholders of Aveng Limited

Report on the consolidated and separate financial statements

We have audited the consolidated and separate financial statements of Aveng Limited set out on pages 8 to 112, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated and separate financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Aveng Limited for 30 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Louis van Breda
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Sandton
Johannesburg

22 August 2016

Statement of financial position
as at 30 June 2016

	Notes	2016 Rm	2015 Rm
ASSETS			
Non-current assets			
Goodwill arising on consolidation	8.2 / 10	**342**	342
Intangible assets	8.1 / 11	**325**	339
Property, plant and equipment	8.1 / 9	**4 843**	5 626
Equity-accounted investments	12	**100**	151
Infrastructure investments	13	**177**	778
Deferred taxation	14	**1 858**	1 580
Derivative instruments	15	**–**	6
Amounts due from contract customers	16	**1 417**	900
		9 062	9 722
Current assets			
Inventories	18	**2 211**	2 529
Derivative instruments	15	**20**	35
Amounts due from contract customers	16	**8 047**	9 394
Trade and other receivables	17	**2 058**	2 424
Cash and bank balances	19	**2 450**	2 856
		14 786	17 238
Non-current assets held-for-sale	20	**1 484**	559
TOTAL ASSETS		**25 332**	27 519
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	21	**2 009**	2 023
Other reserves		**1 821**	1 162
Retained earnings		**9 689**	9 790
Equity attributable to equity holders of parent		**13 519**	12 975
Non-controlling interest		**37**	23
TOTAL EQUITY		**13 556**	12 998
Liabilities			
Non-current liabilities			
Deferred taxation	14	**266**	221
Borrowings and other liabilities	22	**1 770**	2 037
Employee-related payables	25	**379**	468
		2 415	2 726
Current liabilities			
Amounts due to contract customers	16	**1 322**	2 562
Borrowings and other liabilities	22	**1 214**	426
Payables other than contract-related	23	**–**	102
Employee-related payables	25	**559**	648
Derivative instruments	15	**27**	2
Trade and other payables	24	**5 886**	7 961
Taxation payable	42	**106**	94
		9 114	11 795
Non-current liabilities held-for-sale	20	**247**	–
TOTAL LIABILITIES		**11 776**	14 521
TOTAL EQUITY AND LIABILITIES		**25 332**	27 519

Statement of comprehensive earnings

for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Revenue	30	**33 755**	43 930
Cost of sales	31	**(31 260)**	(41 566)
Gross earnings		**2 495**	2 364
Other earnings	32	**591**	471
Operating expenses	33	**(2 808)**	(3 063)
Loss from equity-accounted investments	12	**(132)**	(60)
Net operating earnings / (loss)		**146**	(288)
Impairment / loss on derecognition of property, plant and equipment and intangible assets	9 / 11	**(333)**	(330)
Impairment of goodwill arising on consolidation	10	**–**	(291)
Profit on sale of subsidiary	46	**–**	777
Profit on sale of property, plant and equipment	29	**592**	–
Earnings / (loss) before financing transactions		**405**	(132)
Finance earnings	34	**211**	177
Interest on convertible bonds	22	**(225)**	(167)
Other finance expenses	35	**(327)**	(316)
Earnings / (loss) before taxation		**64**	(438)
Taxation	36	**(129)**	(80)
Loss for the period		**(65)**	(518)
Other comprehensive earnings			
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
Exchange differences on translating foreign operations		**786**	(372)
Other comprehensive loss released from equity-accounted investments		**–**	28
Other comprehensive earnings / (loss) for the period, net of taxation		**786**	(344)
Total comprehensive earnings / (loss) for the period		**721**	(862)
Total comprehensive earnings / (loss) for the period attributable to:			
Equity holders of the parent		**676**	(804)
Non-controlling interest		**45**	(58)
		721	(862)
Earnings / (loss) for the period attributable to:			
Equity holders of the parent		**(101)**	(460)
Non-controlling interest		**36**	(58)
		(65)	(518)
Other comprehensive earnings for the period, net of taxation			
Equity holders of the parent		**777**	(344)
Non-controlling interest		**9**	–
		786	(344)
Results per share (cents)			
Loss – basic	37	**(25,4)**	(114,8)
Loss – diluted	37	**(25,1)**	(114,4)
Headline loss – basic	37	**(75,2)**	(144,3)
Headline loss – diluted	37	**(74,4)**	(143,8)
Number of shares (millions)			
In issue	37	**416,7**	416,7
Weighted average	37	**397,4**	400,6
Diluted weighted average	37	**402,1**	402,1

EBITDA for the Group, being net operating earnings before interest, tax, depreciation and amortisation is R969 million (June 2015: R662 million).

Statement of changes in equity

for the year ended 30 June 2016

	Share capital Rm	Share premium Rm	Total share capital and premium Rm
Balance at 1 July 2014	20	1 988	2 008
Loss for the period	–	–	–
Other comprehensive loss for the period (net of taxation)	–	–	–
Total comprehensive loss for the period	–	–	–
Purchase of treasury shares	–	(7)	(7)
Equity-settled share-based payment release	–	22	22
Equity-settled share-based payment charge	–	–	–
Transfer of convertible bond option to convertible bond equity reserve	–	–	–
Deferred transaction costs allocated to convertible bond equity reserve	–	–	–
Increase in equity investment	–	–	–
Foreign currency translation movement	–	–	–
Dividends paid	–	–	–
Total contributions and distributions recognised	–	15	15
Balance at 1 July 2015	**20**	**2 003**	**2 023**
(Loss) / earnings for the period	**–**	**–**	**–**
Other comprehensive earnings for the period (net of taxation)	**–**	**–**	**–**
Total comprehensive loss for the period	**–**	**–**	**–**
Purchase of treasury shares	**–**	**(23)**	**(23)**
Equity-settled share-based payment release	**–**	**9**	**9**
Equity-settled share-based payment charge	**–**	**–**	**–**
Recognition of deferred tax on convertible bond	**–**	**–**	**–**
Decrease in equity investment	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Total contribution and distributions recognised	**–**	**(14)**	**(14)**
Balance at 30 June 2016	**20**	**1 989**	**2 009**
Note	21	21	21

Foreign currency translation reserve Rm	Equity-accounted investments reserve Rm	Equity-settled share-based payment reserve Rm	Convertible bond equity reserve Rm	Total other reserves Rm	Retained earnings Rm	Total attributable to equity holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
1 129	(28)	26	–	1 127	10 250	13 385	11	13 396
–	–	–	–	–	(460)	(460)	(58)	(518)
(372)	28	–	–	(344)	–	(344)	–	(344)
(372)	28	–	–	(344)	(460)	(804)	(58)	(862)
–	–	–	–	–	–	(7)	–	(7)
–	–	(22)	–	(22)	–	–	–	–
–	–	11	–	11	–	11	–	11
–	–	–	402	402	–	402	–	402
–	–	–	(12)	(12)	–	(12)	–	(12)
–	–	–	–	–	–	–	76	76
–	–	–	–	–	–	–	1	1
–	–	–	–	–	–	–	(7)	(7)
–	–	(11)	390	379	–	394	70	464
757	**–**	**15**	**390**	**1 162**	**9 790**	**12 975**	**23**	**12 998**
–	**–**	**–**	**–**	**–**	**(101)**	**(101)**	**36**	**(65)**
777	**–**	**–**	**–**	**777**	**–**	**777**	**9**	**786**
777	**–**	**–**	**–**	**777**	**(101)**	**676**	**45**	**721**
–	**–**	**–**	**–**	**–**	**–**	**(23)**	**–**	**(23)**
–	**–**	**(9)**	**–**	**(9)**	**–**	**–**	**–**	**–**
–	**–**	**13**	**–**	**13**	**–**	**13**	**–**	**13**
–	**–**	**–**	**(122)**	**(122)**	**–**	**(122)**	**–**	**(122)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**(29)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
–	**–**	**4**	**(122)**	**(118)**	**–**	**(132)**	**(31)**	**(163)**
1 534	**–**	**19**	**268**	**1 821**	**9 689**	**13 519**	**37**	**13 556**
		26						

Statement of cash flows

for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Operating activities			
Cash retained / (utilised) from operations	38	**529**	(92)
Depreciation	9	**793**	929
Amortisation	11	**30**	21
Non-cash and other movements	39	**(403)**	(457)
Cash generated by operations		**949**	401
Changes in working capital:			
Decrease in inventories		**150**	201
Decrease in amounts due from contract customers		**825**	547
Decrease in trade and other receivables		**206**	357
Decrease in amounts due to contract customers		**(1 240)**	(43)
Decrease in trade and other payables		**(782)**	(1 953)
QCLNG repayment		**(1 072)**	–
Decrease / (increase) in derivative instruments		**46**	(101)
Decrease in payables other than contract-related		**(102)**	(102)
Decrease in employee-related payables		**(254)**	(258)
Total changes in working capital		**(2 223)**	(1 352)
Cash utilised by operating activities		**(1 274)**	(951)
Finance expenses paid	40	**(458)**	(361)
Finance earnings received	41	**214**	174
Taxation paid	42	**(316)**	(397)
Cash outflow from operating activities		**(1 834)**	(1 535)
Investing activities			
Property, plant and equipment purchased			
– expansion	9	**(175)**	(175)
– replacement	9	**(319)**	(649)
Proceeds on disposal of property, plant and equipment		**161**	245
Proceeds on disposal of investment property		**–**	97
Proceeds on disposal of properties		**1 127**	–
Acquisition of intangible assets			
– expansion	11	**(12)**	(52)
– replacement	11	**(4)**	–
Capital expenditure net of proceeds on disposal		**778**	(534)
Loans advanced to equity-accounted investments net of dividends received		**(63)**	(68)
Proceeds on disposal of equity-accounted investments		**–**	5
Net loans advanced to infrastructure investment companies		**(13)**	(208)
Acquisition of subsidiary (net of cash acquired)		**–**	(23)
Net proceeds on disposal of subsidiary		**–**	1 314
Dividend earnings		**7**	22
Cash inflow from investing activities		**709**	508
Operating free cash outflow		**(1 125)**	(1 027)
Financing activities with equity holders			
Shares repurchased	21	**(23)**	(7)
Loans (repaid) / advanced by non-controlling interest		**(20)**	76
Dividends paid	43	**(2)**	(7)
Proceeds from convertible bonds issued		**–**	1 947
Net proceeds from / (repayment of) borrowings		**429**	(2 066)
Net decrease in cash and bank balances before foreign exchange movements		**(741)**	(1 084)
Foreign exchange movements on cash and bank balances		**315**	(196)
Cash and bank balances at the beginning of the period		**2 856**	4 136
Cash related to assets held-for-sale		**20**	–
Total cash and bank balances at the end of the period	19	**2 450**	2 856
Borrowings excluding bank overdrafts		**2 984**	2 463
Net cash position		**(534)**	393

Accounting policies
for the year ended 30 June 2016

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of preparation

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

The consolidated and separate financial statements are presented in South African Rand ("ZAR") and all values are rounded to the nearest million ("Rm") except when otherwise indicated. The accounting policies adopted are consistent with those of the previous year as well as the Group's interim results as at 31 December 2015, except as disclosed in *note 2: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

Assessment of significance or materiality of amounts disclosed in these consolidated 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.

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"), the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange Limited ("JSE") Listings Requirements, and the requirements of the Companies Act 71 of 2008 (as amended) of South Africa.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED, CHANGES IN ACCOUNTING POLICIES AND OTHER RECLASSIFICATIONS

As part of the Group's financial reporting improvement initiatives, the structure, format and presentation of disclosures in the financial statements were reviewed. This resulted in the reallocation of certain comparative amounts. This initiative is an ongoing programme targeting the most appropriate disclosure and presentation practices to best serve the interests of the Group's stakeholders based on interaction with them during the period.

The resulting reallocations had no impact on the earnings of the Group and as such the reallocations are regarded as not having had a qualitatively significant effect on the information presented.

Deferred tax asset relating to historical assessed losses of Aveng (Africa) Proprietary Limited were transferred to Aveng Corporate from the various segments as these losses are managed centrally.

	Balance as previously reported Rm	Segment re-allocation Rm	**Restated balance Rm**
Segmental report as at 30 June 2015			
Total assets			
Construction and Engineering: South Africa and rest of Africa	5 767	(1 373)	**4 394**
Construction and Engineering: Australasia and Asia	11 097	–	**11 097**
Mining	4 548	(168)	**4 380**
Manufacturing and Processing	5 815	(109)	**5 706**
Other and Eliminations	292	1 650	**1 942**
	27 519	–	**27 519**
Total liabilities			
Construction and Engineering: South Africa and rest of Africa	2 439	–	**2 439**
Construction and Engineering: Australasia and Asia	6 295	–	**6 295**
Mining	2 027	–	**2 027**
Manufacturing and Processing	1 936	–	**1 936**
Other and Eliminations	1 824	–	**1 824**
	14 521	–	**14 521**

Accounting policies continued
for the year ended 30 June 2016

3. ACCOUNTING POLICIES

3.1 Basis of consolidation

i. 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,* it is measured in accordance with the appropriate *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.

ii. 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 the pooling of interest method. Any difference between the consideration paid and the capital of the acquiree is recognised in retained earnings.

iii. 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.

iv. 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 interests disclosure is not required in terms of *IFRS 12 Disclosure of Interests in Other Entities* in the current year. Refer to the assessment of significance or materiality of amounts disclosed in these consolidated financial statements.

v. 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.

3. ACCOUNTING POLICIES continued

3.1 Basis of consolidation continued

vi. 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 interests 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 of the associates and joint ventures, until the date significant influence or 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.

vii. Transactions eliminated on consolidation

When the end of the reporting period of a subsidiary, associate or joint arrangement is different to that of the Group, the subsidiary, associate or joint arrangement prepares, for consolidation purposes, additional financial statements as at 30 June. 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.

Accounting policies continued

for the year ended 30 June 2016

3. ACCOUNTING POLICIES continued

3.2 Foreign currency transactions and balances

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

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

Monetary assets and liabilities denominated in foreign currencies are translated at the ZAR rate of exchange ruling at the reporting date. All differences are taken to earnings with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognised in other comprehensive earnings and accumulated as a separate component in equity until disposal of the net investment, at which time they are recognised through other comprehensive earnings.

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

Foreign operations

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

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

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

3.3 Segmental information

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

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

The Group financing (including finance earnings) and income taxes are allocated to operating segments (refer to *note 7: Segmental information)*.

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

3.4 Property, plant and equipment

Property, plant and equipment 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. Where significant components of an item have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period.

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

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

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

3. ACCOUNTING POLICIES continued

3.4 Property, plant and equipment continued

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

Item	Depreciation % / period
Buildings	2%
Leasehold property	Shorter of lease period and asset's useful life
Plant and machinery	5% – 33%
Furniture and fixtures	10% – 33%
Motor vehicles	10% – 33%
Office equipment	10% – 33%

3.5 Intangible assets

Recognition and measurement

Intangible asset	Accounting treatment
Trademarks and brand names	Following initial recognition at cost, trademarks and brand names are measured at cost less accumulated amortisation and accumulated impairment losses. Trademarks and brand names with indefinite useful lives are not amortised and are measured at cost less accumulated impairment losses. Internally developed trademark expenses are written off as and when incurred.
Computer software	Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment. Internally developed computer software expenses are only capitalised when such costs are clearly associated with the development and production of identifiable and unique software products controlled by the Group, and will probably generate economic benefits exceeding one year.
Other intangible assets	Other intangible assets include customer lists and know-how acquired through business combinations. Following initial recognition, such assets are measured at cost less accumulated amortisation and accumulated impairment.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using a straight-line method over their estimated useful lives, and is generally recognised in earnings or loss.

The estimated useful lives for current and comparative periods are as follows:

Item	Amortisation rate
Brand names with definite useful lives	5% – 10%
Know-how	20%
Customer lists	5% – 20%
Computer software	10% – 33%

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

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

3. ACCOUNTING POLICIES continued

3.6 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. 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 is considered impaired and is written down to its recoverable amount.

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

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

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds 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.

3.7 Inventories

Inventories comprise raw materials, consumable stores, work-in-progress, and finished goods. Inventories are valued at the lower of cost and net realisable value generally determined on the first-in first-out (*"FIFO"*) basis, standard costing 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

3.8 Share capital and share premium

Treasury shares

Treasury shares comprise shares in Aveng Limited held by the Aveng Limited Share Purchase Trust and by Aveng Management Company Proprietary Limited, and shares in terms of the forfeitable share plan. The amount of consideration paid for the treasury shares is recognised as a deduction from equity and both issued capital and weighted average number of shares are 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.

Black economic empowerment ("BEE") equity-settled share options

No expense is recognised in earnings for awards made in terms of the BEE transaction where these equity options were granted and had vested before the date that *IFRS 2 Share-based payments* was first applicable. In these cases, the Group considers the number of shares to be issued to the BEE partners as contingently issuable shares.

There were no shares that are considered to be contingently issuable for the reporting period.

Through the Group's 100% shareholding in Qakazana Investment Holdings Proprietary Limited, the Group has a 100% shareholding in Aveng (Africa) Proprietary Limited and Aveng Trident Steel Proprietary Limited.

3. ACCOUNTING POLICIES continued

3.9 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 committee. Shares and/or share options awarded to executives and senior employees are awarded over a period of three to four years. The shares and/or share options then vest within one year from the date awarded. Thus the shares and/or share options vest over a period of five years. Shares or share options not exercised within 10 years are forfeited.

Equity-settled transactions

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

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

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

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

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

Cash-settled transactions

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

Subsidiaries

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

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

3.10 Provisions

A provision is recognised when the Group or Company 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.

Accounting policies continued

for the year ended 30 June 2016

3. ACCOUNTING POLICIES continued

3.11 Employee benefits

Short-term employee benefits

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

Post-retirement benefits

The Group has a number of retirement benefit plans for its eligible employees. These plans comprise both defined contribution and a closed defined benefit plans. South African funds are governed by the Pension Funds Act, 1956 as amended. Other funds are governed by the respective legislation of the country concerned.

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

The risks pertaining to the defined contribution plans does not lie with the Group regarding the sufficiency of the plan assets or returns on these assets. With regards to the closed defined benefit plan, the pensioner liabilities are fully funded and accordingly the Group has no foreseen future funding obligation. As such, the above information has been provided for information purposes only.

Defined contribution plans

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

Defined benefit plans

In respect of the Grinaker Group Pension Fund pensioner liabilities are fully outsourced to Momentum Group Limited. The surplus member apportionment account is defined benefit in nature and fully funded and no further funding is required from the employer. However, should Momentum Group be unable to perform in terms of an Annuity Purchase Agreement, the obligation to fund the pensioner liabilities may revert to the Group. The Group has assessed the likelihood of Momentum being unable to perform in terms of an annuity purchase agreement to be remote.

Other long term employee benefits

Other long-term employee benefits include items such as the Group's long-term disability benefits as well as the portion of the Group's leave pay benefits not expected to be settled wholly within 12 months after the annual reporting period in which the employees render the related service. The Group's portion of leave pay benefits not expected to be settled wholly within 12 months after the annual reporting period are classified as non-current and are discounted using the Group's weighted average cost of capital rate with any remeasurements being recognised directly in earnings.

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

Reimbursive rights

A reimbursive asset is only recognised when it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation. The Group recognises its right to reimbursement as a separate asset. The asset is measured at fair value with any changes in the fair value of its right to reimbursement being recognised in the same way as for changes in the fair value of plan assets.

3. ACCOUNTING POLICIES continued

3.12 Revenue

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and Value Added Taxation.

Construction contracts

Revenue from construction contracts is recognised, when the outcome of the construction contract can be measured reliably, by reference to the percentage of completion of the contract at the reporting date. The percentage of completion is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract, surveys of work performed, completion of a physical proportion of the contract work, and management's judgement of the contract progress and outstanding risks. Anticipated losses to completion are immediately recognised as an expense in contract costs.

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

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

Amounts received before the related work is performed are included as a liability in the consolidated statement of financial position, as amounts received in advance under the amounts due from / (to) contract customers. Amounts billed for work performed but not collected from customers are included as contract receivables. Variations in contract work, claims and incentive payments are included as part of contract revenue as follows:

Claims

Claims are subject to a high level of uncertainty, and revenue related to claims is only recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount that is probable can be measured reliably.

Variations

Revenue is recognised when it can be reliably measured and it is probable that the variation will be approved by the customer.

Incentive payments

Revenue is recognised when the contract is sufficiently advanced that it is probable that the specified performance standard will be met or exceeded and the amount of incentive payment can be measured reliably.

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 percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or group of contracts.

Assets covered by a single contract are treated separately when:
- separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the Group and customer have been able to accept or reject that part of the contract relating to each asset; and
- the costs and revenues of each asset can be identified.

A group of contracts is treated as a single construction contract when:
- the group of contracts is negotiated as a single package;
- the contracts are so closely inter-related that they are, in effect, part of a single project with an overall positive margin; and
- the contracts are performed concurrently or in a continuous sequence.

Accounting policies continued
for the year ended 30 June 2016

3. ACCOUNTING POLICIES continued

3.12 Revenue continued

Construction contracts *continued*

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales contract.

Rendering of services

Revenue from the rendering of services is recognised on a percentage of completion basis over the period for which the services are rendered.

Transport revenue

Transport revenue is recognised when the goods have been delivered to the customer.

3.13 Interest earnings

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset. An appropriate accrual is made at each reporting date.

3.14 Other earnings

Dividends received are included in earnings or loss on the date the Group's or Company's right to receive payment is established, which is determined to be when the dividend has been appropriately authorised and is no longer at the entity declaring the dividend's discretion.

3.15 Fair value of assets and liabilities

Financial and non-financial assets

The Group and Company measures certain financial assets, including infrastructure investments, foreign exchange contracts as well as investment property 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 and Company 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 and Company 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 and Company 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.

3. ACCOUNTING POLICIES continued

3.16 Financial instruments (based on early adopted IFRS 9 (2010))

3.16.1 Financial assets

Initial recognition and measurement

The Group or Company initially recognises financial assets when the Group or Company 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 or Company'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 or Company commits to purchase or sell the asset.

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

Financial investments / infrastructure investments

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

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

Amounts due from contract customers

Amounts due from contract customers are carried at cost plus margin recognised, less billings and recognised losses at the reporting date in accordance with the revenue recognition policy in *section 3.12*.

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

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

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

Accounting policies continued

for the year ended 30 June 2016

3. ACCOUNTING POLICIES continued

3.16 Financial instruments (based on early adopted IFRS 9 (2010)) continued

3.16.1 Financial assets continued

Cash and bank balances

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

Impairment of financial assets

The Group and Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets not carried at fair value through profit or loss, including an interest in an equity-accounted investee are assessed at each reporting date to determine whether there is objective evidence of an impairment.

Accordingly, this accounting policy relates to *note 16: Amounts due from contract customers*, *note 17: Trade and other receivables* and *note 19: Cash and bank balances.*

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor in interest or principal payments;
- restructuring of an amount due to the Group or Company on terms that the Group or Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy or other financial reorganisation;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group or Company 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 or Company 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 or Company's continuing involvement in the asset. In that case, the Group or Company 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 or Company 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 or Company could be required to repay.

3. ACCOUNTING POLICIES continued

3.16 Financial instruments (based on early adopted IFRS 9 (2010)) continued

3.16.2 Financial liabilities

Initial recognition and measurement

The Group and Company initially recognises financial liabilities when the Group or Company 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 or Company 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 or Company's financial liabilities include trade and other payables, borrowings and other liabilities, bank overdrafts, employee-related payables, amounts due to contract customers and derivatives that are liabilities.

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

Amounts due to contract customers

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

Borrowings and other liabilities

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

Trade and other payables

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

Bank overdraft

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Refer to *note 50: Offsetting financial assets and financial liabilities* for further details regarding the offsetting of financial instruments.

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.

3.16.3 Derivative instruments and hedge accounting

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of earnings or loss.

The Group uses forward exchange contracts as a hedge of its exposure to foreign exchange risk on intercompany loans that form part of its net investments in foreign operations. Refer to *note 15: Derivative instruments* for more details.

The repayment or settlement of an intercompany loan accounted for as part of the net investment in a foreign operation is not considered a partial disposal of the foreign operations. The cumulative foreign exchange gains or losses recognised in other comprehensive income remains separately in equity until the disposal of the foreign operation and are not recycled from other comprehensive income to the earnings or loss component of the statement of comprehensive income.

Fair value through profit or loss

When a derivative instrument is entered into and designated as a fair value hedge, all fair value gains or losses are recognised in statement of earnings or loss. Changes in the fair value of a hedging instrument that is highly effective and is designated and qualifies as a fair value hedge in statement of earnings or loss with the changes in the fair value of the related hedged item.

Accounting policies continued
for the year ended 30 June 2016

3. ACCOUNTING POLICIES continued

3.17 Tax

Current taxation

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

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

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

Deferred taxation

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

Deferred taxation is not recognised for:

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

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

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.

3.18 Leases

Group or Company as a lessee

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group or Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group or Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate payments reliably, then the asset and liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's or Company's incremental borrowing rate.

3. ACCOUNTING POLICIES continued

3.18 Leases continued

Group or Company as a lessee continued

Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in earnings or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Sale and leaseback

Where a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

Where a sale and leaseback transaction results in an operating lease, the gain or loss on sale is recognised in earnings or loss immediately if (i) the Group does not maintain or maintains only minor continuing involvement in the asset other than the required lease payments, and (ii) the transaction occurs at fair value. If the sales price is below fair value, the shortfall is recognised in earnings immediately except where the loss is compensated for by future lease payments at below market price, in which case it is deferred and amortised in proportion to the lease payments over the period for which the assets are expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period the assets are expected to be used.

Group as a lessor

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

3.19 Borrowing costs

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

3.20 Contingent liabilities

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

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

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

3.21 Non-current assets held-for-sale

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 one year from the date of classification.

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.

3.22 Investments in subsidiaries

Investment 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.

Accounting policies continued

for the year ended 30 June 2016

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the 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.

4.1 Judgements and estimation assumption

In the process of applying the Group's and Company's accounting policies, the Group and Company has made the 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 year, are described below. The Group and Company 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 and Company. Such changes are reflected in the assumptions when they occur.

4.1.1 Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Group determined that the useful lives of certain items of equipment should be extended based on past experience and industry norms.

The change in useful lives was regarded as a change in an accounting estimate as per *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and is therefore accounted for prospectively.

Refer to *note 9: Property, plant and equipment* for further detail.

4.1.2 Intangible assets

The Group reviews the estimated useful lives of intangible assets at the end of each reporting period.

Refer to *note 11: Intangible assets* for further detail.

4.1.3 Equity-accounted investments

Equity-accounted entities are entities in which the Group holds less than 20% of the voting power, but the Group has determined that it has significant influence in entities where it holds less than 20% of the voting power. This includes Specialised Road Technologies Proprietary Limited and RPP Developments Proprietary Limited. The Group's significant influence is due to the Group having a representation on the board of directors in each of these entities and the Group's participation in decisions over the relevant activities of the entities.

Refer to *note 12: Equity-accounted investments* for further detail.

Equity-accounted investments that are managed, reported and evaluated on a fair value basis are classified as infrastructure investments held at fair value.

4.1.4 Deferred taxation

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

Refer to *note 14: Deferred taxation* for further detail.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

4.1 Judgements and estimation assumption continued

4.1.5 Amounts due from contract customers

The Group estimates the risk associated with the amounts due from contract customers in order to classify these assets according to their maturity profile.

Refer to *note 16: Amounts due from contract customers* for further detail.

4.1.6 Trade and other receivables

Allowance for doubtful debts

The Group and Company estimates the level of allowance required for doubtful debts on an ongoing basis based on historical experience as well as other specific relevant factors.

Refer to *note 17: Trade and other receivables* for further detail.

4.1.7 Inventory

Allowance for obsolete inventory

The Group estimates the level of allowance required for obsolete inventory on an ongoing basis based on historical experience as well as other specific relevant factors.

Refer to *note 18: Inventories* for further detail.

4.1.8 Share-based payments

Equity-settled

The Group and Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

Cash-settled

The benefit payable to an employee on exercise date under both the Share Appreciation Right and Option plans is calculated as the higher of the difference between the spot share price at the time of exercise and the strike (or grant) price, and zero. The Group's and Company's share option methodology utilises the binomial tree / lattice (based on risk-neutral principles). Sub-optimal exercise multiples are incorporated so as to include the possibility of early exercise. In addition, the following factors are taken into account as inputs in the option pricing methodology:

- Expected volatility of the share price;
- Expected dividend on the share during the life of the option.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in *note 27: Share-based payments.*

4.1.9 Provisions

In determining the fair value of the provisions, assumptions and estimates are made in relation to the discount rate and expected costs to settle. The hypothetical incremental borrowing rate for the Group and Company was used as the discount rate. The rate was determined as follows:

Risk free rate

The risk free rate was determined by obtaining a zero coupon swap curve over 20 years, as the bond market in South Africa is not sufficiently liquid and deep to use the bond rate as a proxy for the risk free rate. The five-year zero coupon risk free rate is 8,79% per annum.

Hypothetical credit spread

The Group specific hypothetical credit spread was determined based on market risk indicators specific to the Group. The five-year credit spread was determined as 163 basis points. The five-year hypothetical incremental borrowing rate was determined as 9,26% per annum.

Refer to *note 23: Payables other than contract-related* and *note 25: Employee-related payables* for further detail.

Accounting policies continued
for the year ended 30 June 2016

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

4.1 Judgements and estimation assumption continued

4.1.10 Fair value of assets and liabilities

Financial assets and non-financial assets

The fair values of the infrastructure investments and derivative instruments recognised in the statement of financial position are measured using the discounted cash flow approach. The inputs to these models are sourced from independently audited investment specific project finance models and from observable markets, where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as forecast revenues, operating costs, capital expenditure, risk adjusted discount rates and other relevant financial performance measures.

Refer to *note 49: Fair value of assets and liabilities* for the detailed assumptions applied.

Financial liabilities

The fair value of the embedded conversion option of the convertible bond recognised in the statement of financial position during the financial year (but transferred to the equity reserve by year-end) was measured using a binomial option pricing model. The inputs to this model are independently sourced from observable markets, where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as the risk free rate, share price and volatility.

Refer to *note 22.2: Convertible bonds* for further details.

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

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

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

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rates used for extrapolation and terminal value purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivities, are disclosed and further explained in *note 8.2: Impairment of goodwill arising on consolidation.*

4.1.12 Revenue recognition

The Group uses the percentage of completion method in accounting for its construction contracts. Judgements made in the application of the accounting policies for contracting revenue and profit and loss recognition include:

- the determination of stage of completion;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations; and
- estimation of project production rates and programme through to completion.

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

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers, and executive management are 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 and judgements are reviewed and updated monthly, and more frequently as determined by events or circumstances. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

In addition, many contracts specify the completions schedule requirements and allow 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.

Material changes in one or more of these judgements and/or estimates, whilst not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and/or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

4.1 Judgements and estimation assumption continued

4.1.13 Leases and sale and leaseback transactions

The classification of leases as finance leases or operating leases requires judgements about the fair value of the leased asset, the split of the fair value between land and buildings, the economic life of the asset, whether or not to include renewal options in the lease term and the appropriate discount rate to calculate the present value of the minimum lease payments.

4.1.14 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* 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 company 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.

4.1.15 Loss making and onerous contracts

In determining whether a contract is loss making or onerous, management applies their professional judgement to assess the facts and circumstances specific to the relevant contract. The assessments are performed on a contract-by-contract basis. The following factors are taken into account: future estimated revenues (including claims and variations, as disclosed in *note 3.12: Revenue*); the stage of completion of the contract; the nature and relationship with the customer; expected inflation; the terms of the contract and the Group's experience in that industry.

Accounting policies continued

for the year ended 30 June 2016

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group and Company 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 2016 or later periods.

Standard	Description	Matter	Expected impact
IFRS 10 and *IAS 28* (amendment)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	The amendment addresses the conflict between *IFRS 10* and *IAS 28* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.	No impact on the consolidated and separate financial statements is likely as it is not the Group's policy to sell or contribute its subsidiaries to an associate or joint venture.
IFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	The amendment requires an entity acquiring an interest in a joint operation that constitutes a business to apply to the extent of its share, all of the principles in *IFRS 3 Business Combinations* that do not conflict with the requirements of *IFRS 11*.	The amendment will not have an impact on the Group or Company, as the Group or Company already applies the principles in *IFRS 3 Business Combinations* to acquired interests in joint operations.
IFRS 10, IFRS 12 and *IAS 28* (amendment)	Investment Entities: Applying the Consolidation Exception	The amendment addresses issues that have arisen in applying the investment entities exception under *IFRS 10*.	No impact on the consolidated and separate financial statements as none of the entities in the Group qualify as investment entities.
IAS 1 (amendment)	Disclosure initiative	The amendments clarify, rather than significantly change, existing *IAS 1* requirements.	The amendment will not significantly change the Group's or Company's consolidated financial statements.
IAS 16 and *IAS 38* (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.	The Group plans to amend its current depreciation and amortisation approach (where applicable) to an acceptable method, such as the diminishing balance method, which would recognise increased depreciation and amortisation in the early part of the asset's useful life.
IAS 27 (amendment)	Equity Method in Separate Financial Statements	The amendments allow an entity to use the equity method as described in *IAS 28* to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.	The Group is in the process of assessing this accounting policy election with regards to its separate financial statements.

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE continued

Standard	Description	Matter	Expected impact
IAS 7 (amendment)	Disclosure initiative	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	The Group and Company is in the process of assessing the impact of the disclosures in the consolidated and separate financial statements.
IAS 12 (amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.	The Group and Company is in the process of assessing the impact on the consolidated and separate financial statements.
IFRS 9 (2014)	Financial Instruments*	Determines the measurement and presentation of financial instruments depending on their contractual cash flows and business model under which they are held. The impairment requirements are based on an expected credit loss ("ECL") model that replaces the *IAS 39* incurred loss model. The new hedging model provides for more economic hedging strategies meeting the requirements for hedge accounting.	As at 30 June 2016 the impact of the ECL model on the Group's and Company's financial statement not reasonably estimable, due to the Group or Company not having any impairments on the credit loss. An assessment will be made on a yearly basis to determine an impact if any.
IFRS 15	Revenue from contracts with customers**	*IFRS 15* replaces all existing revenue requirements in IFRS *(IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers* and *SIC 31 Revenue – Barter Transactions Involving Advertising Services)* and applies to all revenue arising from contracts with customers.	The Group and Company anticipates very little change in the accounting under this new standard for the projects that are currently booked. Processes and procedures will need to be updated to ensure that the correct method is used and documented in arriving at the treatment under *IFRS 15*. The manner in which claims are treated may change in that "the advance stage of negotiation" is no longer required. This has been replaced by "a reasonable amount of certainty that this revenue will not reverse in the future". The Group and Company are considering applying the simplified transition method as opposed to a full retrospective application.

Accounting policies continued
for the year ended 30 June 2016

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE continued

Standard	Description	Matter	Expected impact
IFRS 16	Leases***	*IFRS 16* requires lessees to account for all leases under a single statement of financial position model in a similar way to finance leases under *IAS 17.*	The largest impact to the Group and Company under this standard will be related to the sale and leaseback of properties implemented during the year. Assets and debt would increase while the expense related to these properties would be shown as depreciation and added back for EBITDA.
IFRS 2 (amendment)	Classification and Measurement of Share-based Payment Transactions	The amendments address three main areas: ◆ The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction ◆ The classification of a share-based payment transaction with net settlement features for withholding tax obligations ◆ The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.	The Group and Company are in the process of assessing the impact on the consolidated financial statements.

Annual Improvements 2012 – 2014 cycle

It is expected that the annual improvements will not significantly change the Group's consolidated and separate financial statements, the effects of which are still being assessed:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures – Servicing contracts

IFRS 7 Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 Employee Benefits – Discount rate: regional market issue

IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'

* *IFRS 9 (2014) – as issued in July 2014, reflects the final version of the IASB's work on the replacement of IAS 39 and will be effective for annual periods beginning on or after 1 January 2018. Early application is permitted and the Group has early adopted IFRS 9 (2010) (the requirements relating to classification and measurement).*

** *IFRS 15: Revenue from Contracts with Customers replaces IAS 11: Construction Contracts, IAS 18: Revenue and related interpretations and will be effective for annual periods beginning on or after 1 January 2018. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRS, such as IAS 17: Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset; and liability account balances between periods and key judgements and estimates.*

*** *IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.*

6. CHANGE IN ESTIMATE

The Group reassessed the tax deductibility of the unwinding of the convertible bond equity option, through the effective interest rate as a result of a deferred tax remeasurement of R122 million has been raised through equity as required for compound instruments.

Notes to the consolidated financial statements
for the year ended 30 June 2016

7. SEGMENTAL REPORT

The Group has determined four reportable segments that are largely organised and managed separately according to the nature of products and services provided.

These segments are components of the Group:

- 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.

The Group's reportable segments are categorised as follows:

7.1. Construction and Engineering

7.1.1 Construction and Engineering: South Africa and rest of Africa

This segment includes: Aveng Grinaker-LTA, Aveng Engineering and Aveng Capital Partners ("ACP"). Aveng Engineering was discontinued during the year, the remaining portions of Water and Operate & Maintain will now form part of Aveng Grinaker-LTA.

Revenues from this segment include the supply of expertise in a number of market sectors: power, mining, infrastructure, commercial, retail, industrial and Oil & Gas.

Aveng Grinaker-LTA business units include: Civil Engineering, Mechanical & Electrical, Building & Coastal and Aveng Water (and remaining work of Aveng Engineering).

7.1.2 Construction and Engineering: Australasia and Asia

This segment comprises McConnell Dowell.

This segment specialises in the construction and maintenance of tunnels and pipelines, railway infrastructure maintenance and construction, marine and mechanical engineering, industrial building projects, Oil & Gas construction and mining and mineral construction.

McConnell Dowell business units include Australia, New Zealand and Pacific, Built Environs, Southeast Asia and Middle East. There has been a change in disclosure of business units as per discipline to geography in relation to Australia, New Zealand and Pacific and Southeast Asia.

7.2. Mining

This segment comprises Aveng Moolmans and Aveng Shafts & Underground.

Revenues from this segment are derived from mining-related activities.

7.3. Manufacturing and Processing

This segment comprises Aveng Manufacturing and Aveng Steel.

The revenues from this segment comprise the supply of products, services and solutions to the mining, construction, Oil & Gas, water, power and rail sectors across the value chain, both locally and internationally.

During the current year Aveng Steeledale was classified as held-for-sale and Aveng Steel Fabrication was closed.

Subsequent to year-end 70% of Aveng Steeledale was sold to a related party subject to conditions precedent. Refer *note 20: Non-current assets held-for-sale.*

Aveng Manufacturing's business units include: Aveng Automation and Control Solutions ("ACS"), Aveng Facades (which has been closed), Aveng Dynamic Fluid Control ("DFC"), Aveng Duraset, Aveng Infraset and Aveng Rail. Aveng Steel business units include: Aveng Steel Fabrication (which has been closed), Aveng Steeledale (held-for-sale) and Aveng Trident Steel.

7.4. Aveng Capital Partners

During the current year Aveng Capital Partners ("ACP") reached the required threshold for it to be individually disclosed. It is still included in the Construction and Engineering: South Africa and rest of Africa segment, but also shown separately.

Revenues from this segment are derived from returns related to the Group's investments in South African toll roads, real estate and renewable energy concessions and investments.

7.5. Other and Eliminations

This segment comprises corporate services, corporate held investments, including properties and consolidation eliminations.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

7. SEGMENTAL REPORT continued

Statement of financial position

Construction and Engineering: South Africa and rest of Africa

	2016 Excluding ACP	2016 ACP	2015 Excluding ACP	2015 ACP	2016 Rm	2015 Rm	%
Assets							
Goodwill arising on consolidation	–	–	–	–	–	–	–
Intangible assets	–	–	2	–	–	2	(100,0)
Property, plant and equipment	437	1	494	–	438	494	(11,3)
Equity-accounted investments	73	2	134	(3)	75	131	(42,7)
Infrastructure investments	–	49	–	706	49	706	(93,1)
Deferred taxation*	48	2	77	13	50	90	(44,4)
Derivative instruments	–	–	–	–	–	–	–
Amounts due from contract customers	1 124	37	2 256	–	1 161	2 256	(48,5)
Inventories	9	–	31	–	9	31	(71,0)
Trade and other receivables	235	34	312	157	269	469	(42,6)
Cash and bank balances	537	18	207	8	555	215	>100,0
Non-current assets held-for-sale	–	860	–	–	860	–	100,0
Total assets	**2 463**	**1 003**	3 513	881	**3 466**	4 394	(21,1)
Liabilities							
Deferred taxation	46	105	67	32	151	99	52,5
Borrowings and other liabilities	–	–	–	–	–	–	–
Payables other than contract-related	–	–	102	–	–	102	(100,0)
Employee-related payables	194	6	208	3	200	211	(5,2)
Derivative instruments	–	–	–	–	–	–	–
Trade and other payables	1 200	39	1 377	5	1 239	1 382	(10,3)
Amounts due to contract customers	435	–	543	71	435	614	(29,2)
Taxation payable	(9)	6	30	1	(3)	31	>(100,0)
Non-current liabilities held-for-sale	–	–	–	–	–	–	–
Total liabilities	**1 866**	**156**	2 327	112	**2 022**	2 439	(17,1)

** Comparatives have been restated in relation to deferred tax assets that have been reallocated between the segments.*

Construction and Engineering: Australasia and Asia			Mining			Manufacturing and Processing			Other and Eliminations			Total		
2016	2015	%	2016 Rm	2015 Rm	%	2016 Rm	2015 Rm	%	2016 Rm	2015 Rm	%	2016 Rm	2015 Rm	%
100	100	–	–	–	–	10	10	–	232	232	–	342	342	–
–	–	–	20	8	>100,0	142	152	(6,6)	163	177	(7,9)	325	339	(4,1)
805	799	0,8	2 294	2 506	(8,5)	976	1 326	(26,4)	330	501	(34,1)	4 843	5 626	(13,9)
56	56	–	4	4	–	–	–	–	(35)	(40)	12,5	100	151	(33,8)
–	72	(100,0)	–	–	–	–	–	–	128	–	100,0	177	778	(77,2)
940	617	52,4	129	27	>100,0	(74)	(263)	71,9	813	1 109	(26,7)	1 858	1 580	17,6
–	15	(100,0)	19	–	100,0	1	9	(88,9)	–	17	(100,0)	20	41	(51,2)
7 167	6 895	3,9	675	1 253	(46,1)	223	472	(52,8)	238	(582)	>100,0	9 464	10 294	(8,1)
10	7	42,9	244	225	8,4	1 949	2 266	(14,0)	(1)	–	(100,0)	2 211	2 529	(12,6)
96	186	(48,4)	115	91	26,4	1 405	1 463	(4,0)	173	215	(19,5)	2 058	2 424	(15,1)
1 441	2 350	(38,7)	452	266	69,9	424	271	56,5	(422)	(246)	(71,5)	2 450	2 856	(14,2)
84	–	100,0	–	–	–	414	–	100,0	126	559	(77,5)	1 484	559	>100,0
10 699	11 097	(3,6)	3 952	4 380	(9,8)	5 470	5 706	(4,1)	1 745	1 942	(10,1)	25 332	27 519	(7,9)
104	72	44,4	257	182	41,2	5	(54)	>100,0	(251)	(78)	>(100,0)	266	221	20,4
905	250	>100,0	340	557	(39,0)	7	5	40,0	1 732	1 651	4,9	2 984	2 463	21,2
–	–	–	–	–	–	–	–	–	–	–	–	–	102	(100,0)
372	446	(16,6)	217	273	(20,5)	95	122	(22,1)	54	64	(15,6)	938	1 116	(15,9)
–	–	–	–	–	–	27	2	>100,0	–	–	–	27	2	>100,0
2 209	3 928	(43,8)	528	701	(24,7)	1 720	1 757	(2,1)	190	193	(1,6)	5 886	7 961	(26,1)
753	1 588	(52,6)	70	272	(74,3)	47	88	(46,6)	17	–	100,0	1 322	2 562	(48,4)
67	11	>100,0	13	42	(69,0)	(2)	16	>(100,0)	31	(6)	>100,0	106	94	12,8
–	–	–	–	–	–	263	–	100,0	(16)	–	(100,0)	247	–	100,0
4 410	6 295	(29,9)	1 425	2 027	(29,7)	2 162	1 936	11,7	1 757	1 824	(3,7)	11 776	14 521	(18,9)

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

7. SEGMENTAL REPORT continued
Statement of comprehensive earnings

	Construction and Engineering: South Africa and rest of Africa						
	2016		2015				
	Excluding ACP	**ACP**	Excluding ACP	ACP	**2016 Rm**	2015 Rm	%
Gross revenue	**7 188**	**156**	8 343	12	**7 344**	8 355	(12,1)
Cost of sales	**(6 959)**	**(158)**	(8 474)	(17)	**(7 117)**	(8 491)	16,2
Gross earnings / (loss)	**229**	**(2)**	(131)	(5)	**227**	(136)	> 100,0
Other earnings	**106**	**220**	29	197	**326**	226	44,2
Operating expenses	**(658)**	**(24)**	(727)	(9)	**(682)**	(736)	7,3
Earnings from equity-accounted investments	**(58)**	**–**	(50)	(1)	**(58)**	(51)	(13,7)
Net operating (loss) / earnings	**(381)**	**194**	(879)	182	**(187)**	(697)	73,2
Impairment / loss on derecognition of property, plant and equipment and intangible assets	**–**	**–**	(209)	–	**–**	(209)	100,0
Impairment of goodwill arising on consolidation	**–**	**–**	–	–	**–**	–	–
Profit on sale of subsidiary	**–**	**–**	–	–	**–**	–	–
Profit on sale of property, plant and equipment	**–**	**–**	–	–	**–**	–	–
(Loss) / earnings before financing transactions	**(381)**	**194**	(1 088)	182	**(187)**	(906)	79,4
Net finance earnings	**(10)**	**40**	(18)	33	**30**	15	100,0
(Loss) / earnings before taxation	**(391)**	**234**	(1 106)	215	**(157)**	(891)	82,4
Taxation	**(2)**	**(89)**	122	(11)	**(91)**	111	> (100,0)
(Loss) / earnings for the period	**(393)**	**145**	(984)	204	**(248)**	(780)	68,2
Capital expenditure	**47**	**1**	96	–	**48**	96	(50,0)
Depreciation	**(76)**	**–**	(91)	–	**(76)**	(91)	16,5
Amortisation	**(1)**	**–**	(5)	–	**(1)**	(5)	80,0
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**(304)**	**194**	(783)	182	**(110)**	(601)	81,7

Construction and Engineering: Australasia and Asia			Mining			Manufacturing and Processing			Other and Eliminations			Total		
2016 Rm	2015 Rm	%	**2016 Rm**	2015 Rm	%	**2016 Rm**	2015 Rm	%	**2016 Rm**	2015 Rm	%	**2016 Rm**	2015 Rm	%
12 828	20 912	(38,7)	**5 026**	5 956	(15,6)	**8 794**	9 928	(11,4)	**(237)**	(1 221)	80,6	**33 755**	43 930	(23,2)
(11 737)	(19 678)	40,4	**(4 586)**	(5 258)	12,8	**(8 289)**	(9 243)	10,3	**469**	1 104	(57,5)	**(31 260)**	(41 566)	24,8
1 091	1 234	(11,6)	**440**	698	(37,0)	**505**	685	(26,3)	**232**	(117)	>100,0	**2 495**	2 364	5,5
18	45	(60,0)	**72**	1	>100,0	**130**	164	(20,7)	**45**	35	28,6	**591**	471	25,5
(1 022)	(1 152)	11,3	**(235)**	(286)	17,8	**(705)**	(795)	11,3	**(164)**	(94)	(74,5)	**(2 808)**	(3 063)	8,3
(73)	(15)	>(100,0)	**(1)**	–	(100,0)	**–**	–	–	**–**	6	(100,0)	**(132)**	(60)	>(100,0)
14	112	(87,5)	**276**	413	(33,2)	**(70)**	54	>(100,0)	**113**	(170)	>100,0	**146**	(288)	>100,0
–	(44)	100,0	**(38)**	(32)	(18,8)	**(295)**	(32)	>(100,0)	**–**	(13)	100,0	**(333)**	(330)	(0,9)
–	(291)	100,0	**–**	–	–	**–**	–	–	**–**	–	–	**–**	(291)	100,0
–	777	(100,0)	**–**	–	–	**–**	–	–	**–**	–	–	**–**	777	(100,0)
–	–	–	**–**	–	–	**22**	–	100,0	**570**	–	100,0	**592**	–	100,0
14	554	(97,5)	**238**	381	(37,5)	**(343)**	22	>(100,0)	**683**	(183)	>100,0	**405**	(132)	>100,0
(109)	(36)	>(100,0)	**(10)**	(42)	76,2	**(21)**	(25)	16,0	**(231)**	(218)	(6,0)	**(341)**	(306)	(11,4)
(95)	518	>(100,0)	**228**	339	(32,7)	**(364)**	(3)	>(100,0)	**452**	(401)	>100,0	**64**	(438)	>100,0
3	(14)	>100,0	**(123)**	(194)	36,6	**120**	(7)	>100,0	**(38)**	24	>(100,0)	**(129)**	(80)	(61,3)
(92)	504	>(100,0)	**105**	145	(27,6)	**(244)**	(10)	>(100,0)	**414**	(377)	>100,0	**(65)**	(518)	87,5
150	262	(42,7)	**151**	257	(41,2)	**139**	180	(22,8)	**22**	81	(72,8)	**510**	876	(41,8)
(248)	(286)	13,3	**(336)**	(418)	19,6	**(123)**	(119)	(3,4)	**(10)**	(15)	33,3	**(793)**	(929)	14,6
–	–	–	**–**	–	–	**(13)**	(12)	(8,3)	**(16)**	(4)	>(100,0)	**(30)**	(21)	(42,9)
262	398	(34,2)	**612**	831	(26,4)	**66**	185	(64,3)	**139**	(151)	>100,0	**969**	662	46,4

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

7. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2016 Revenue Rm	2015 Revenue Rm	2016 Segment assets Rm	2015 Segment assets Rm	2016 Capital expenditure Rm	2015 Capital expenditure Rm
South Africa	**18 511**	19 628	**12 850**	14 048	**353**	541
Rest of Africa including Mauritius	**1 743**	2 908	**1 416**	1 625	**6**	65
Australia	**5 794**	12 847	**7 933**	8 666	**56**	26
New Zealand	**3 514**	3 033	**1 050**	717	**35**	84
Southeast Asia	**3 542**	5 115	**1 752**	2 154	**58**	160
Middle East and other regions	**651**	399	**331**	309	**2**	–
	33 755	43 930	**25 332**	27 519	**510**	876

8. IMPAIRMENTS

The Group performed its annual impairment test at 30 June 2016. An assessment of qualitative factors for each CGU was undertaken to identify if any indications of impairment were present, mainly due to weak financial performance (losses and cash outflows).

The Group considers the relationship between its market capitalisation and its carrying amount, amongst other factors, when reviewing for indicators of impairment. As at 30 June 2016, the market capitalisation of the Group was below the carrying amount of its equity, resulting in the identification of a potential indicator of impairment of assets of the Group. The overall decline in construction and development activities, as well as the ongoing economic uncertainty, have led to a decreased demand in the *Mining* operating segment and *Manufacturing and Processing* operating segment.

As at 30 June 2016, it was necessary to impair assets due to the subdued economic conditions affecting the Steel business and assets abandoned in Aveng Mining. An impairment charge totalling R333 million was recognised against ancillary operations comprising property, plant and equipment in the *Manufacturing and Processing* (R295 million charge), and *Mining* (R38 million charge) segments respectively.

During the period ended 30 June 2015, the goodwill associated with the Built Environs business (R291 million) was fully impaired within the *Construction and Engineering: Australasia and Asia* segment.

As at 30 June 2015, an impairment charge totalling R273 million was recognised against ancillary operations comprising property, plant and equipment in the *Construction and Engineering: South Africa and rest of Africa* (R198 million charge), *Mining* (R32 million charge), *Manufacturing and Processing* (R32 million charge) and *Construction and Engineering: Australasia and Asia* (R11 million) segments respectively.

Further impairment charge totalling R57 million relating to intangible assets was recognised comprising the *Construction and Engineering: South Africa and rest of Africa* (R11 million), *Construction and Engineering: Australasia and Asia* (R33 million) segments and *Other and Eliminations* segments (R13 million) during the period ended 30 June 2015.

Refer to *note 9: Property, plant and equipment* and *note 11: Intangible assets* for further details.

The value-in-use was determined based on management's past experience and best estimate. The cash flows have been based on the approved budget for the 2017 financial year, as well as a forecast until 2021 utilising the assumptions set out below:

Discount rate applied – The Group has calculated a weighted average cost of capital ("WACC") of 11,88%. This is utilised as a basis for performing the value-in-use calculation. In cases where the CGU is deemed to be of greater risk than the Group as a whole, a risk premium has been included in the discount rate. The discount rates utilised for the purposes of the impairment testing was between 12,81% and 14,5%.

Growth rate applied – In determining the growth rate, consideration was given to the growth potential of the CGU. As part of this assessment, a prudent outlook was adopted that mirrors an inflationary increase in line with the consumer price index and real growth expected within the market. Based on these factors, the nominal growth rate applied for the purposes of the impairment testing ranges between 4% and 5,5%.

Period of projection – The period of projection is influenced by the ability of management to forecast cash flows in the future. Forecasting has been performed for a period of five years with a growth rate as set out above.

Contract revenue and margin – Revenue and margins are based on management's best estimates of known contracts (both awarded and anticipated to be awarded).

8. IMPAIRMENTS continued

The following CGUs are relevant for impairment purposes:

CGUs assessed due to indicators of impairment being identified

- Aveng Trident Steel;
- Aveng Steeledale;
- Aveng Shafts & Underground; and
- Aveng Moolmans.

CGUs with goodwill allocated (annually assessed for impairment as required by IAS 38 Intangible assets and IAS 36 Impairment of assets)

- Aveng Manufacturing; and
- McConnell Dowell

8.1 Impairment of property, plant and equipment and intangible assets

a) Operating groups with cash-generating units impaired: Property, plant and equipment and finite useful life intangible asset

- Aveng Mining: Property, plant and equipment of Aveng Moolmans and Shafts & Underground business; and
- Aveng Steel: Property, plant and equipment of Aveng Steeledale and Trident Steel.

Aveng Mining

The Group has consequently determined to impair the property, plant and equipment directly related to Aveng Moolmans and Shafts & Underground businesses amounting to R22 million and R16 million respectively associated with the abandoned contract assets.

Aveng Steel

An impairment charge of R225 million was recognised against underutilised niche assets in Aveng Trident Steel.

The Group entered into a transaction to dispose of its Steeledale business. An impairment charge of R70 million relating to property, plant and equipment was recognised.

8.2 Impairment of goodwill arising on consolidation

a) Cash-generating units not impaired and not sensitive to impairment

- Aveng Manufacturing and McConnell Dowell: Goodwill

No reasonably probable change in any of the above key assumptions would cause the carrying amount of the Aveng Manufacturing CGU and McConnell Dowell respectively, to materially exceed their recoverable amount and hence no goodwill impairment loss has been recognised for the current or the prior year.

b) Cash-generating units impaired: Goodwill and associated finite useful life intangible asset

There were no impairments in the current year relating to goodwill and associated finite useful life intangibles.

During the period ended 30 June 2015 goodwill of R291 million associated with the Built Environs business in the *Construction and Engineering: Australasia and Asia* segment has been fully impaired. No goodwill impaired in the current year.

Impairments recognised during the year

	2016 Rm	2015 Rm
Goodwill	**–**	(291)
Intangible assets	**–**	(57)
Property, plant and equipment	**(333)**	(273)
	(333)	(621)

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment – 2016

	Land and buildings Rm	Leased plant, equipment and vehicles Rm	Owned plant, equipment and vehicles Rm	Total Rm
Cost				
Opening balance	**661**	**187**	**11 826**	**12 674**
Additions	**26**	**7**	**461**	**494**
Disposals	**(2)**	**(9)**	**(1 267)**	**(1 278)**
Classified as held-for-sale – transferred out	**(193)**	**–**	**(221)**	**(414)**
Foreign exchange movements	**19**	**(99)**	**1 347**	**1 267**
	511	**86**	**12 146**	**12 743**
Accumulated depreciation and impairment				
Opening balance	**(94)**	**(118)**	**(6 836)**	**(7 048)**
Depreciation*	**(18)**	**(26)**	**(749)**	**(793)**
Impairment	**–**	**–**	**(333)**	**(333)**
Disposals	**1**	**8**	**1 174**	**1 183**
Classified as held-for-sale – transferred out	**28**	**–**	**188**	**216**
Foreign exchange movements	**(13)**	**86**	**(1 198)**	**(1 125)**
	(96)	**(50)**	**(7 754)**	**(7 900)**
	415	**36**	**4 392**	**4 843**
Reconciliation of property, plant and equipment – 2015				
Cost				
Opening balance	625	380	12 163	13 168
Additions	41	17	766	824
Acquisition of subsidiary	–	–	5	5
Disposals	(4)	(196)	(1 074)	(1 274)
Transfers	–	–	(11)	(11)
Reclassifications	(5)	(1)	49	43
Classified as held-for-sale – transferred out	(123)	–	(18)	(141)
Classified as held-for-sale – transferred in	135	–	–	135
Foreign exchange movements	(8)	(13)	(54)	(75)
	661	187	11 826	12 674
Accumulated depreciation and impairment				
Opening balance	(123)	(185)	(6 514)	(6 822)
Depreciation*	(20)	(32)	(877)	(929)
Impairment	–	–	(273)	(273)
Disposals	3	91	852	946
Reclassifications	1	–	3	4
Classified as held-for-sale – transferred out	58	–	10	68
Classified as held-for-sale – transferred in	(14)	–	–	(14)
Foreign exchange movements	1	8	(37)	(28)
	(94)	(118)	(6 836)	(7 048)
	567	69	4 990	5 626

** Depreciation included in cost of sales amounted to R752 million (2015: R881 million) and amounts included in operating expenses amounted to R41 million (2015: R47 million). Refer to note 33: Operating expenses.*

9. PROPERTY, PLANT AND EQUIPMENT continued

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered offices of the operating entities within the Group.

Pledged as security

The Group has pledged certain plant and machinery as security for certain interest-bearing borrowings, refer to *note 22: Borrowings and other liabilities*.

10. GOODWILL ARISING ON CONSOLIDATION

Reconciliation of goodwill arising on consolidation

	2016 Rm	2015 Rm
Cost		
Opening balance	1 455	1 479
Acquisition	–	10
Foreign exchange movements	–	(34)
	1 455	1 455
Accumulated impairment		
Opening balance	(1 113)	(816)
Impairment	–	(291)
Foreign exchange movements	–	(6)
	(1 113)	(1 113)
Carrying amount	342	342

Allocation of goodwill to CGUs

Goodwill is allocated to the Group's CGUs identified according to the CGUs that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated to the following CGUs:

	2016 Rm	2015 Rm
Dynamic Fluid Control	242	242
McConnell Dowell	100	100
	342	342

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

11 INTANGIBLE ASSETS

Reconciliation of intangible assets – 2016

	Indefinite useful life brand names Rm	Indefinite useful life trade-marks Rm	Brand names Rm	Customer lists Rm	Know-how Rm	Computer software Rm	Total Rm
Cost							
Opening balance	**33**	**15**	**31**	**116**	**102**	**343**	**640**
Capitalised	**–**	**–**	**–**	**–**	**–**	**16**	**16**
	33	**15**	**31**	**116**	**102**	**359**	**656**
Accumulated depreciation and impairment							
Opening balance	**(33)**	**(15)**	**(12)**	**(76)**	**(58)**	**(107)**	**(301)**
Amortisation	**–**	**–**	**(2)**	**(3)**	**(4)**	**(21)**	**(30)**
	(33)	**(15)**	**(14)**	**(79)**	**(62)**	**(128)**	**(331)**
	–	**–**	**17**	**37**	**40**	**231**	**325**
Reconciliation of intangible assets – 2015							
Cost							
Opening balance	36	15	31	108	91	287	568
Capitalised	–	–	–	–	–	52	52
On acquisition of a subsidiary	–	–	–	8	–	–	8
Disposals	–	–	–	–	–	(13)	(13)
Transfers from property, plant and equipment	–	–	–	–	11	–	11
Foreign exchange movements	(3)	–	–	–	–	17	14
	33	15	31	116	102	343	640
Accumulated depreciation and impairment							
Opening balance	–	(15)	(11)	(73)	(44)	(104)	(247)
Amortisation	–	–	(1)	(3)	(3)	(14)	(21)
Impairment	(33)	–	–	–	(11)	(13)	(57)
Disposals	–	–	–	–	–	13	13
Foreign exchange movements	–	–	–	–	–	11	11
	(33)	(15)	(12)	(76)	(58)	(107)	(301)
	–	–	19	40	44	236	339

12. EQUITY-ACCOUNTED INVESTMENTS

	% holding	2016 Rm	2015 Rm
Opening balance		**151**	306
Transfer to infrastructure investments held at fair value		**–**	(3)
Transfer of shareholder loans to infrastructure investments		**–**	(168)
Transfer to held-for-sale		**(17)**	–
Loans advanced		**65**	74
Obligation for Group share of REHM Grinaker Construction losses*		**26**	–
Share of earnings after taxation and dividends		**(132)**	(44)
Amount recorded in the statement of comprehensive earnings		**(132)**	(60)
Excluding: Fair value adjustments on foreign exchange contracts disclosed as derivative instruments		**–**	16
Dividends received		**(2)**	(6)
Foreign currency translation movement		**9**	7
Impairment		**–**	(7)
Disposal		**–**	(5)
Other		**–**	(3)
		100	151
Reconciliation of investments	**% holding**		
Investments			
Oakleaf Investment Holdings 86 Proprietary Limited	50	**17**	48
REHM Grinaker Property Co Limited	43	**16**	16
REHM Grinaker Construction Co Limited*	43	**–**	2
RPP Developments Proprietary Limited**	10	**–**	10
RPP JV Property Proprietary Limited**	40	**–**	7
Dutco McConnell Dowell Middle East Limited	49	**56**	56
Other		**11**	12
		100	151

* *Losses have been transferred to trade and other payables, being our share of guaranteed losses.*

** *Transferred to held-for-sale.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

12. EQUITY-ACCOUNTED INVESTMENTS continued

The following is summarised financial information for the Group's interest in associates and joint ventures, based on the amount reported in the Group's consolidated financial statements.

	2016 Rm	2015 Rm
Aggregate carrying amount of associates	**83**	103
Aggregate carrying amount of joint ventures	**17**	48
	100	151
The Group's share of results of operations of equity-accounted investments are summarised below:		
Associates		
(Loss) / earnings for the year	**(101)**	11
Joint ventures		
Loss for the year	**(31)**	(55)
	(31)	(55)
Total loss from equity-accounted investments	**(132)**	(44)
Forward exchange contract losses*	**–**	(16)
Total share of loss from equity-accounted investments	**(132)**	(60)

* *The underlying performance of renewable energy contracts housed within Oakleaf Investment Holdings 86 Proprietary Limited was influenced by fluctuations in the ZAR exchange rate against the USD and EUR. This was offset by the realised and unrealised fair value losses on the forward exchange contracts (FEC) held within the contract within the Other and Eliminations segment and presented as part of earnings from equity-accounted investments, in order to reflect the true economic performance of the contract within the context of the Group's economic interest. The carrying amount of the FECs are recognised in derivative instruments (refer to note 15: Derivative instruments).*

Regulatory constraints

There are no regulatory constraints in South Africa, apart from the provision of the Companies Act 71 of 2008 (as amended) of South Africa, that restrict the distribution of funds to shareholders. There are also no regulatory constraints in Australia apart from profits from associates not being distributed without the consent of both the Group and the local shareholders.

Contingent liabilities

The Group's share of bank guarantees issued by its joint ventures and associates is R476 million (June 2015: R537 million). Other than as stated above, the Group did not incur any other contingent liabilities with regard to associates and joint ventures.

The following associates or joint ventures have a reporting period which is different to that of the Group:

Name	Principal place of business	Type	Period end	Reason period end is different	% holding
Grinaker-LTA Fair Construction SARL	Rwanda	Associate	31 December	In line with strategic objectives of the associate's activities	50
Allied Grinaker Properties Proprietary Limited	South Africa	Associate	31 December	Year-end in line with associate's parent	39
Oakleaf Investment Holdings 86 Proprietary Limited	South Africa	Joint venture	31 December	In line with strategic objectives of the joint venture's activities	50
Dutco McConnell Dowell Middle East LLC	United Arab Emirates	Associate	31 December	In line with strategic objectives of the associate's activities	49

For the full list of Group entities, refer to *note 54: Group operating entities.*

Refer to *note 44: Commitments* and *note 45: Contingent liabilities* for the Group's commitments and contingent liabilities relating to its associates and joint ventures.

13. INFRASTRUCTURE INVESTMENTS

	2016 Rm	2015 Rm
South African infrastructure investments		
Financial investments	**177**	706
	177	706
Other infrastructure investments		
Financial Investments	**–**	72
Total infrastructure investments	**177**	778
South African infrastructure investments		
Opening balance	**706**	–
Reclassification of equity investments from equity-accounted investments	**–**	3
Reclassification of shareholder loans from equity-accounted investments	**–**	168
Transfer to non-current asset held-for-sale	**(860)**	–
Recycling of equity-accounted earnings from other comprehensive earnings	**–**	28
Reclassification from financial investments	**–**	126
Fair value remeasurement through comprehensive earnings	**251**	173
Acquisition of interest in Dimopoint Proprietary Limited	**67**	–
Loans advanced	**65**	208
Loan repayment	**(52)**	–
	177	706
Balance at the end of the year comprises:		
Blue Falcon 140 Trading Proprietary Limited ("Gouda")*	**–**	217
Dimopoint Proprietary Limited ("Dimopoint")	**128**	–
Imvelo Company Concession Proprietary Limited ("Imvelo")*	**–**	40
N3 Toll Concession (RF) Proprietary Limited ("N3TC")*	**–**	128
Windfall 59 Properties Proprietary Limited ("Sishen")*	**–**	321
Firefly Investments 238 Proprietary Limited ("Firefly")	**49**	–
	177	706
Other infrastructure		
Opening balance	**72**	–
Reclassification from financial investments	**–**	64
Foreign currency translation movement	**12**	(4)
Fair value remeasurement through comprehensive earnings	**–**	12
Transfer to held-for-sale	**(84)**	–
	–	72

* *Transferred to held-for-sale.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

14. DEFERRED TAXATION

	2016 Rm	2015 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	**1 580**	1 403
Recognised in earnings or loss – current year*	**165**	143
Recognised in earnings or loss – adjustment for prior year*	**4**	81
Effects of change in foreign tax rate*	**(7)**	–
Foreign currency translation movement	**158**	13
Restructuring	**–**	(1)
Disposal of subsidiary	**–**	(59)
Reallocation from deferred tax liability	**(42)**	–
	1 858	1 580
Reconciliation of deferred taxation liability		
At the beginning of the year	**(221)**	(257)
Recognised in earnings or loss – current year*	**60**	11
Recognised in earnings or loss – adjustment for prior year*	**(23)**	25
Accounted for directly in equity	**(122)**	–
Restructuring	**–**	1
Foreign currency translation movement	**(2)**	(1)
Reallocation to deferred tax asset	**42**	–
	(266)	(221)
Deferred taxation asset balance at the year-end comprises		
Accelerated capital allowances	**(5)**	(303)
Provisions	**231**	370
Contracts	**(93)**	(70)
Other	**(38)**	358
Assessed losses carried forward	**1 763**	1 225
	1 858	1 580
Deferred taxation liability balance at the year-end comprises		
Accelerated capital allowances	**(375)**	(327)
Provisions	**16**	29
Contracts	**6**	17
Other	**74**	22
Assessed losses carried forward	**97**	38
Convertible bond	**(84)**	–
	(266)	(221)

** The net movement on deferred taxation amounts to R199 million (2015: R260 million) in the statement of comprehensive earnings.*

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

As at June 2016 the Group had unused taxation losses of R7 480 million (2015: R5 603 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R5 854 million (2015: R4 116 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R1 626 million (2015: R1 487 million) due to the uncertainty of future taxable profits in the related legal entities.

Unused tax losses

The Group performed a five-year forecast for the financial years 2017 to 2021, which is the key evidence that supports the recognition of deferred taxation assets. The forecast specifically focused on Aveng (Africa) Proprietary Limited, including Aveng Grinaker-LTA. Given its financial performance in the past Aveng Grinaker-LTA contributed significantly to the assessed losses in the Group. The forecast includes certain restructuring and corporate actions, which will generate additional taxable income in Aveng (Africa) Proprietary Limited. The proposed corporate actions include the following:

- the proposed Aveng Grinaker-LTA transaction;
- the sale of 70% of Aveng Steeledale; and
- the sale of investments held by Aveng Capital Partners.

14. DEFERRED TAXATION continued

Unused tax losses continued

In addition, the Group is making good progress in positioning Aveng for future profitability, including considerable restructuring and right sizing of the business in line with current market conditions. Attention has been given to the commercial and risk management processes and pre-tender assessments. This will enhance margins in the foreseeable future.

15. DERIVATIVE INSTRUMENTS

	2016 Net fair value Rm	2015 Net fair value Rm
Non-current assets		
Derivatives designated as hedging instruments	**–**	6
Current assets		
Derivative instruments at fair value through profit or loss	**20**	35
Current liabilities		
Derivative instruments at fair value through profit or loss	**27**	2

Derivative instruments subject to enforceable netting agreements amounted to net liability of R7 million and net assets (2015: R39 million). The Group held Rnil (2015: Rnil) of collateral against the net derivative asset exposure. International Swaps and Derivatives Association ("ISDA") Master Agreements are utilised by the Group. The ISDA Master Agreement and all the confirmations entered into under it, form a single agreement. This allows the parties to an ISDA Master Agreement to aggregate the amounts owing by each of them under all of the transactions outstanding under that ISDA Master Agreement and to replace them with a single net amount payable by one party to the other. Refer to *note 50: Offsetting financial assets and financial liabilities* for further information.

Fair value

The amounts disclosed represent the fair value as at the reporting date of all derivative instruments held. The extent to which derivative instruments are favourable (assets) or unfavourable (liabilities) and therefore the aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

The fair values of derivative instruments and the foreign exchange risk management policies applied by the Group are disclosed in *note 49: Fair value of assets* and *liabilities* and *note 48: Risk management* respectively.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

		2016 Rm	2015 Rm
16.	**AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS**		
	Uncertified claims and variations (underclaims)**[1]	**6 584**	5 157
	Contract contingencies**	**(390)**	(253)
	Progress billings received (including overclaims)[2]	**(1 014)**	(1 921)
	Uncertified claims and variations less progress billings received	**5 180**	2 983
	Contract receivables[3]	**3 146**	5 147
	Provision for contract receivables	**(2)**	*
	Retention receivables[4]	**126**	243
		8 450	8 373
	Amounts received in advance[5]	**(308)**	(641)
	Net amounts due from contract customers	**8 142**	7 732
	Disclosed on the statement of financial position as follows:		
	Uncertified claims and variations**	**6 584**	5 157
	Contract contingencies	**(390)**	(253)
	Contract and retention receivables	**3 272**	5 390
	Provision for contract receivables	**(2)**	*
	Amounts due from contract customers	**9 464**	10 294
	Progress billings received	**(1 014)**	(1 921)
	Amounts received in advance	**(308)**	(641)
	Amounts due to contract customers	**(1 322)**	(2 562)
	Net amounts due from contract customers	**8 142**	7 732

* *Amounts less than R1 million.*
** *Provisions have been netted off against uncertified claims and variations.*

[1] *Includes revenue not yet certified – recognised based on percentage of completion / 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.*

Included in amounts due from contract customers are non-current amounts of R1,4 billion (2015: R900 million). Refer to *note 48: Risk management* for further details.

Amounts due from contract customers includes R4,7 billion (2015: R3,7 billion) which is currently subject to protracted legal proceedings.

		2016 Rm	2015 Rm
17.	**TRADE AND OTHER RECEIVABLES**		
	Financial assets		
	Trade receivables	**1 351**	1 509
	Provision for doubtful debts	**(42)**	(49)
	Reimbursive right	**50**	46
	Sundry receivables	**494**	714
	Non-financial assets		
	Prepayments	**205**	204
		2 058	2 424
	Movement in reimbursive right reconciliation		
	Opening balance	**46**	56
	Net premiums – after reinsurance	**9**	19
	Claims	**(12)**	(32)
	Return on fair value	**7**	3
		50	46

The performance of Guardrisk Life Fund ("captive") is determined by the premium income earned within it, less any reinsurance, management and claims costs. The captive requires that the owner of the captive injects capital into the captive in order to meet its solvency requirements. Profits from the activities in the captive can either be retained in the captive or paid out to the owners of the cell captive via dividends. In terms of the shareholders' agreement, all surplus can be paid out as dividends subject to meeting statutory reserving and capital requirements.

Outstanding claims for the captive as at 30 June 2016 amount to R1 million (2015: R2 million).

An amount of excess assets equal to 1,5 times of the capital adequacy requirement is retained in the captive to cover unforeseen fluctuations in experience based on the policy requirements.

The reimbursive asset of R50 million (2015: R46 million) is based on actuarial valuation of which R22 million (2015: R37 million) is allocated to possible future claims. No provision is recognised for these future claims as this is not a current obligation. The amount of R22 million (2015: R37 million) is not available for distribution.

Aveng submitted a termination request effective 31 December 2015, and the winding-up process of the captive will be concluded within 12 months from the termination date.

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 48: Risk management* for further details regarding the credit risk exposure.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

		2016 Rm	2015 Rm
18.	**INVENTORIES**		
	Raw materials	**805**	959
	Work-in-progress	**45**	93
	Finished goods	**1 083**	1 247
	Consumables	**337**	294
		2 270	2 593
	Allowance for obsolete inventory	**(59)**	(64)
		2 211	2 529
	Reconciliation of movement in allowance for obsolete inventory		
	Opening balance	**64**	30
	Allowance created	**–**	52
	Allowance utilised	**(5)**	(18)
		59	64
	Inventories utilised in cost of sales during the year	**10 116**	13 397
	Inventories written-off and impaired during the year	**5**	18

The value of inventory carried at net realisable value amounts to R332 million (2015: R252 million), with the balance carried at cost.

		2016 Rm	2015 Rm
19.	**CASH AND BANK BALANCES**		
	Cash and bank balances	**2 450**	2 856
		2 450	2 856
	Cash and bank balances at the end of the period include the following cash and bank balances that are restricted from immediate use		
	Group share of cash held by joint operations	**696**	675

The Group is offsetting notional bank overdrafts. Refer to *note 48: Risk management* for further disclosure on the Group's exposure to credit risk and *note 50: Offsetting financial assets and financial liabilities* for further disclosure on the impact of the Group's netting arrangements.

20. NON-CURRENT ASSETS HELD-FOR-SALE

On 1 September 2015, the majority of the assets held-for-sale as at 30 June 2015 were effectively sold to Imbali Props 21 Proprietary Limited, a member of the Collins Property Group for R1,1 billion cash. The Group retained a 30% interest in Dimopoint Proprietary Limited, a special purpose vehicle created for the purpose of holding the non-core properties that were sold. The Group transferred additional properties to held-for-sale in the current year.

Furthermore, the Group took a decision to dispose of the majority of its infrastructure investments as well as the Steeledale business.

Subsequent to year-end, the Group announced the sale of four infrastructure investments (namely Gouda, Sishen, Imvelo and N3TC) and 70% of Steeledale, both subject to conditions precedent.

	2016 Rm	2015 Rm
Non-current assets held-for-sale	**1 484**	559
Non-current liabilities held-for-sale	**(247)**	–
	1 237	559

Movement during the year	**Properties**	**Aveng Steeledale**	**ACP**	**GoldlinQ**	**Other**	**Properties**
Opening balance	**559**	**–**	**–**	**–**	**–**	607
Capitalised costs:						
Environmental provision relating to property	**15**	**–**	**–**	**–**	**–**	–
Transferred from / (to):						
Property, plant and equipment	**163**	**35**	**–**	**–**	**–**	(48)
Equity-accounted investments	**–**	**–**	**–**	**–**	**17**	–
Infrastructure investments	**–**	**–**	**860**	**84**	**–**	–
Loans to Group companies	**–**	**32**	**–**	**–**	**–**	–
Inventory	**–**	**169**	**–**	**–**	**–**	–
Amounts due from contract customer	**–**	**5**	**–**	**–**	**–**	–
Trade and other receivables	**–**	**165**	**–**	**–**	**–**	–
Cash and cash equivalents	**–**	**20**	**–**	**–**	**–**	–
Taxation receivable	**–**	**4**	**–**	**–**	**–**	–
Elimination of loans to Group companies	**–**	**(32)**	**–**	**–**	**–**	–
Sold	**(612)**	**–**	**–**	**–**	**–**	–
Total non-current assets held-for-sale	**125**	**398**	**860**	**84**	**17**	559
Loans from Group companies	**–**	**(16)**	**–**	**–**	**–**	–
Trade and other payables	**–**	**(247)**	**–**	**–**	**–**	–
Elimination of loans from Group companies	**–**	**16**	**–**	**–**	**–**	–
Total non-current liabilities held-for-sale	**–**	**(247)**	**–**	**–**	**–**	–
Net non-current assets held-for-sale	**125**	**151**	**860**	**84**	**17**	559

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

		2016 Rm	2015 Rm
21.	**SHARE CAPITAL AND SHARE PREMIUM**		
	Authorised		
	882 034 263 ordinary shares of 5 cents each	**44**	44
	Issued		
	Share capital (396 766 098 ordinary shares of 5 cents each)	**20**	20
	Share premium	**1 989**	2 003
	Share capital and share premium	**2 009**	2 023
	Share premium		
	Opening balance	**2 003**	1 988
	Purchase of 4 294 700 (2015: 491 000) treasury shares in terms of equity-settled share-based payment plan	**(23)**	(7)
	279 200 (2015: 625 285) forfeitable share plan ("FSP") shares vested during the year	**9**	22
		1 989	2 003
	Treasury shares		
	Shares held by the Aveng Limited Share Purchase Trust		
	– Number of shares	**6 018 386**	6 018 386
	– Market value (Rm)	**21**	35
	Shares held by the Aveng Management Company Proprietary Limited		
	– Number of shares	**8 586 593**	8 586 593
	– Market value (Rm)	**30**	49
	Shares held in terms of equity-settled share-based payment plan		
	– Number of shares	**5 299 854**	1 284 354
	– Market value (Rm)	**19**	7

Reconciliation of number of shares issued	**Number of shares**	Number of shares
Opening balance	**416 670 931**	416 670 931
Closing balance – shares of 5 cents each	**416 670 931**	416 670 931
Less: Treasury shares	**(19 904 833)**	(15 889 333)
Number of shares in issue less treasury shares	**396 766 098**	400 781 598

		2016 Shares	2016 Holding	2015 Shares	2015 Holding
21.	**SHARE CAPITAL AND SHARE PREMIUM** continued				
	The top ten shareholders of the Group as at 30 June 2016 are entities (or clients of these entities in aggregate) listed below:				
	Local				
	Allan Gray Investment Council	**102 765 038**	**24,7%**	55 269 350	13,3%
	Visio Capital Management	**39 718 016**	**9,5%**	30 299 634	7,3%
	Kagiso Asset Management Proprietary Limited	**21 396 047**	**5,1%**	14 399 598	3,5%
	Investec Asset Management	**19 927 391**	**4,8%**	21 495 948	5,2%
	Dimensional Fund Advisors	**18 604 024**	**4,5%**	18 333 241	4,4%
	Coronation Asset Management Proprietary Limited	**16 004 302**	**3,8%**	**	**
	PIC	**13 863 771**	**3,3%**	55 770 831	13,4%
	PSG Asset Investment	**13 362 892**	**3,2%**	**	**
	Sanlam Investment Management	**12 118 806**	**2,9%**	**	**
	Momentum Asset Management	*	*	27 533 543	6,6%
	STANLIB Asset Management	*	*	22 464 768	5,4%
	Regarding Capital Management (Pty) Ltd (ZA)	*	*	10 998 500	2,6%
	Foreign				
	Pzena Investment Management LLC	**11 554 861**	**2,8%**	**	**
	SKAGEN A/S	*	*	21 017 094	5,0%
		269 315 148	**64,6%**	277 582 507	66,7 %

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

		2016 Rm	2015 Rm
22.	**BORROWINGS AND OTHER LIABILITIES**		
	Borrowings held at amortised cost comprises:		
	Interest-bearing borrowings comprise:		
	Payment profile		
	– within one year	**1 214**	426
	– between two to five years	**1 770**	2 037
		2 984	2 463
	Interest rate structure		
	Fixed and variable (interest rates)		
	Fixed – Long term	**1 635**	1 814
	Fixed – Short term	**285**	162
	Variable – Long term	**136**	222
	Variable – Short term	**928**	265
		2 984	2 463

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

22. BORROWINGS AND OTHER LIABILITIES continued

22.1 Borrowings held at amortised cost

Description	Terms	Rate of interest	2016 Rm	2015 Rm
Convertible bond of R2 billion	Interest coupon is payable bi-annually until July 2019	Coupon rate of 7,25%	**1 731**	1 651
Finance sale and leaseback amounting to AUD3 million*	Monthly instalment ending in June 2018	Fixed interest rate of 5,52% to 6,08%	**34**	91
Hire purchase agreement amounting to AUD1 million*	Monthly instalment ending in May 2018	Fixed interest rate of 1,60%	**11**	–
Hire purchase agreement amounting to AUD5 million*	Monthly instalment ending in May 2018	Fixed interest rate of 5,90%	**51**	–
Short-term facility of AUD10 million****	Repayable in November 2016	Bank bill swap rate plus 0,70%	**110**	94
Short term facility of AUD60 million***	Repayable in November 2016	Bank bill swap rate plus 2,20%	**658**	–
Hire purchase agreement amounting to AUD4 million*	Monthly instalment ending in August 2017	Fixed interest rate of 6,81%	**42**	65
Hire purchase agreement denominated in USD*	Quarterly instalments ending June 2017	Fixed interest rate of 4,58% to 4,65%	**138**	253
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in December 2017	South African prime rate less 2,00%	**46**	74
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in November 2019	South African prime rate less 1,70%	**101**	148
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in May 2018	Fixed interest rate of 9,70%	**49**	69
Finance lease facilities denominated in ZAR*	Monthly instalment ending in March 2020	South African prime rate	**11**	13
Interest-bearing borrowings			**2 982**	2 458
Interest outstanding on interest-bearing borrowings**			**2**	5
Total interest bearing borrowings			**2 984**	2 463

* *These borrowings and other liabilities are finance leases.*
** *Interest outstanding in the current year relates to finance leases.*
*** *Backed by bank guarantee.*
**** *Secured by cash collateral in South Africa.*

	2016 Rm	2015 Rm
22. BORROWINGS AND OTHER LIABILITIES continued		
22.1 Borrowings held at amortised cost continued		
Finance lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	**321**	369
– in two to five years	**194**	411
Less: future finance charges	**(30)**	(62)
Present value of minimum lease payments	**485**	718

The *Australasia and Asia* operating segment entered into a finance sale and leaseback arrangement in the 2012 financial year and in the current year entered into asset-based finance arrangements.

The arrangement amounting to AUD3 million R34 million (2015: R91 million) has been secured by plant and equipment with a net carrying amount of R22 million (2015: R60 million).

The arrangement amounting to AUD4 million R42 million (2015: R65 million) has been secured by assets with a net carrying amount of R44 million (2015: R49 million).

The arrangement amounting to AUD5 million R51 million has been secured by assets with a net carrying amount of R22 million.

The *Mining* operating segment entered into various asset-based finance lease agreements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in November 2019. Equipment with a net carrying amount of R471 million (2015: R613 million) has been pledged as security for the facility.

The *Mining and Manufacturing and Processing* operating segments entered into various vehicle lease arrangements. Equipment with the net carrying amount of R7 million (2015: R10 million) has been pledged as security.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

22. BORROWINGS AND OTHER LIABILITIES continued

22.2 Convertible bonds

2016

	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	Total Rm
Opening balance	**1 651**	**–**	**390**	**2 041**
Coupon bi-annual payment	**(145)**	**–**	**–**	**(145)**
Recognition of deferred tax on convertible bond	**–**	**–**	**(122)**	**(122)**
Interest determined with the effective interest rate*	**225**	**–**	**–**	**225**
Accrual of coupon interest for convertible bond	**145**	**–**	**–**	**145**
Unwinding of liability owing to:				
– Transaction costs capitalised	**7**	**–**	**–**	**7**
– Effect of fair value adjustment of derivative liability	**6**	**–**	**–**	**6**
– Effect of fair value of conversion option reclassification to equity	**67**	**–**	**–**	**67**
	1 731	**–**	**268**	**1 999**

2015

	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	Total Rm
Issued July 2014	1 562	438	–	2 000
Transaction costs	(41)	–	–	(41)
Coupon bi-annual payment	(73)	–	–	(73)
Fair value adjustment to comprehensive earnings*	–	(36)	–	(36)
Transfer to equity	–	(402)	402	–
Transaction costs allocated to equity component	–	–	(12)	(12)
Interest determined with the effective interest rate*	203	–	–	203
Accrual of coupon interest for convertible bond	136	–	–	136
– Transaction costs capitalised	6	–	–	6
– Effect of fair value adjustment of derivative liability	5	–	–	5
– Effect of fair value of conversion option reclassification to equity	56	–	–	56
	1 651	–	390	2 041

* *Interest on convertible bond.*

23. PAYABLES OTHER THAN CONTRACT-RELATED

	Opening balance Rm	Utilised Rm	Unwinding of discount Rm	Total Rm
Reconciliation of payables other than contract-related				
2016				
Payables other than contract-related	**102**	**(102)**	**–**	**–**

	Opening balance Rm	Utilised Rm	Unwinding of discount Rm	Total Rm
Reconciliation of payables other than contract-related				
2015				
Payables other than contract-related	197	(102)	7	102

	2016 Rm	2015 Rm
Current liabilities	**–**	102
	–	102

The Group proactively engaged and cooperated with the Competition Commission in its investigation into historic anti-competitive practices in the South African construction industry. In June 2013, the Group entered into a settlement agreement with the Competition Commission with respect to the above-mentioned investigations, levying an administrative penalty against the Group of R307 million. This represents a full and final settlement of all alleged collusive conduct as defined in the Consent Agreement, confirmed by the Competition Tribunal. The remaining balance of R102 million was paid in July 2015.

24. TRADE AND OTHER PAYABLES

	2016 Rm	2015 Rm
Trade payables	**2 787**	2 859
Subcontractors	**338**	425
Accrued expenses	**2 197**	3 180
Income received in advance	**110**	1 072
Promissory notes	**454**	425
	5 886	7 961

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

Promissory notes issued by the Group amount to R454 million (2015: R425 million). The notes bear interest between a range of 8,30% and 9,55% per annum. Terms vary in accordance with contracts of supply and service but are generally settled on 30 to 90 day terms.

The AUD112,5 million (R1,1 billion) QCLNG advance payment was repaid on 29 October 2015.

25. EMPLOYEE-RELATED PAYABLES

IFRS 2 Share-based payment obligation

Share-based payment obligations comprise cash-settled options for executives and senior employees. The cost of cash-settled transactions is measured initially at fair value at the grant date using an adjusted binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings. Refer to *note 27: Share-based payments*.

Employee entitlements

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

Leave pay benefits

Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at year-end. Discounting of these obligations amount to R12 million (2015: R10 million) accretion.

	Opening balance Rm	Recognised/ (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Unwinding of discount Rm	Total Rm
Reconciliation of employee-related payables – 2016						
IFRS 2 – Share-based payment	*	*	–	–	–	*
Employee entitlements	606	200	(272)	1	–	535
Leave pay benefits	510	559	(717)	63	(12)	403
	1 116	759	(989)	64	(12)	938

	Opening balance Rm	Recognised/ (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Unwinding of discount Rm	Total Rm
Reconciliation of employee-related payables – 2015						
IFRS 2 – Share-based payment	31	(31)	–	–	–	*
Employee entitlements	789	195	(374)	(4)	*	606
Leave pay benefits	755	431	(640)	(26)	(10)	510
	1 575	595	(1 014)	(30)	(10)	1 116

* *Less than R1 million.*

	2016 Rm	2015 Rm
Non-current	379	468
Current	559	648
	938	1 116

26. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

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

Details of awards made are disclosed in *note 47: Directors' emoluments and interests.*

	2016 Rm	2015 Rm
Opening balance	**15**	26
Equity-settled share-based payment expense	**13**	11
Equity-settled shares vested	**(9)**	(22)
	19	15

27. SHARE-BASED PAYMENTS

27.1 Cash-settled share-based payment plan

27.1.1 Share option plan

In terms of the Aveng Limited Share Option Plan, certain full-time employees of the Company and any of its subsidiaries, including directors holding full-time salaried employment or office, are entitled under the plan to hold a limit of 5% of the issued share capital. No one participant may be allotted shares in excess of 2% of the issued share capital of the Company.

The movements during the year under review were as follows:

	2016 Weighted average exercise price	**2016 Number of options**	2015 Weighted average exercise price	2015 Number of options
Opening balances	**39,87**	**3 201 755**	40,26	4 640 305
Options exercised*	**–**	**–**	–	–
Options forfeited / cancelled	**40,20**	**(1 149 149)**	39,43	(1 438 550)
	39,10	**2 052 606**	39,87	3 201 755
Number of exercisable options and exercise price at year-end	**39,10**	**2 052 606**	39,87	3 201 755

* *No options were exercised during the current year and previous year.*

The right to take delivery or to exercise the option vests in tranches two years from the grant date at the rate of 25% each year for four years. Participants can defer exercising the options subject to the rules of the plan but must exercise within 10 years of the grant date.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

27. SHARE-BASED PAYMENTS continued

27.1 Cash-settled share-based payment plan continued

27.1.1 Share option plan continued

The options outstanding at 30 June 2016 become unconditional between the following vesting dates:

Grant date	Vesting period	Expiry date	Subscription price R	Number of options 2016	Number of options 2015
14 September 2007	14 September 2009 to 14 September 2012	14 September 2017	53,16	**36 920**	70 030
1 October 2007	1 October 2009 to 1 October 2012	1 October 2017	54,84	**155 000**	155 000
2 November 2007	2 November 2009 to 2 November 2012	2 November 2017	61,80	**–**	73 367
6 December 2007	6 December 2009 to 6 December 2012	6 December 2017	62,50	**–**	–
10 March 2008	10 March 2010 to 10 March 2013	10 March 2018	52,00	**106 068**	204 460
24 October 2008	24 October 2010 to 24 October 2013	24 October 2018	42,80	**239 965**	396 660
2 January 2009	2 January 2011 to 2 January 2014	2 January 2019	30,52	**19 659**	19 659
9 September 2009	9 September 2011 to 9 September 2014	9 December 2019	40,30	**122 190**	213 600
8 September 2010	8 September 2012 to 8 September 2015	8 September 2020	37,70	**1 121 041**	1 480 305
13 May 2011	13 May 2013 to 13 May 2016	13 May 2021	33,85	**251 763**	588 674
				2 052 606	3 201 755

27. SHARE-BASED PAYMENTS continued

27.1 Cash-settled share-based payment plan continued

27.1.1 Share option plan continued

Should the option holder resign from a group company prior to the vesting dates as indicated above, the right to the shares or options will be forfeited.

The Aveng Limited Share Purchase Trust ("the Trust") will be funded out of its own resources, and/or loans to be made by group companies that employ participants in accordance with the provisions of section 44 of the Companies Act 71 of 2008 (as amended) of South Africa. The Trust held 6 018 386 ordinary shares at 30 June 2016 (2015: 6 018 386 ordinary shares).

The Trust's financial results are consolidated with those of the Group.

The fair value of the options granted under the scheme are estimated at the date of the grant using the adjusted binomial option pricing model.

The following assumptions were used in valuing the various options at grant date:

	2016 %	2015 %
Expected volatility	**42,9**	32,1
Expected dividend yield	**2,6**	2,6

The risk free rates were interpolated from a term structure of interest rates. These rates were obtained with reference to the following market rates:

– Three to twelve month rates on forward rate agreements ("FRAs"); and
– One to ten year swap rates.

27.1.2 Share Appreciation Rights Plan ("SARs")

In terms of the Group SARs Plan which came into effect during the 2012 financial year, certain full time employees of the Company and its subsidiaries, including directors holding full time salaried employment or office, are entitled under the plan to hold a limit of 10% of the issued share capital (plan as a whole). No one participant may acquire shares in excess of 2,5% of the issued share capital of the Company.

The movements during the year under review were as follows:

	2016 Weighted average exercise price	**2016 Number of options**	2015 Weighted average exercise price	2015 Number of options
Opening balances	**26,87**	**17 925 737**	29,49	15 075 897
Options forfeited / cancelled	**27,28**	**(4 247 134)**	30,91	(3 769 100)
Options granted	**–**	**–**	20,90	6 618 940
	26,76	**13 678 603**	26,87	17 925 737

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

27. SHARE-BASED PAYMENTS continued

27.1 Cash-settled share-based payment plan continued

27.1.2 Share Appreciation Rights Plan (SARs) continued

The right to take delivery or to exercise the option vests in tranches three years from the date of allocation at the rate of 33,3% each year for three years. Participants may defer exercising the right subject to the rules of the plan and vesting criteria but must exercise within seven years of the allocation date.

The options outstanding as at 30 June 2016

Grant date	Vesting period	Expiry date	Subscription price R	Number of SARs 2016	Number of SARs 2015
14 December 2011	13 December 2014 and 13 December 2016	14 December 2018	33,75	**2 009 527**	2 604 527
15 March 2012	15 March 2015 and 15 March 2017	15 March 2019	37,95	**188 000**	262 500
17 October 2012	17 October 2015 and 17 October 2017	17 October 2019	30,90	**2 508 492**	3 607 062
19 March 2013	19 March 2016 and 19 March 2018	19 March 2020	35,80	**75 000**	110 000
25 September 2013	25 September 2016 and 25 September 2018	25 September 2020	25,00	**3 460 344**	4 620 208
25 February 2014	25 February 2017 and 25 February 2019	25 February 2021	21,80	**102 500**	102 500
27 August 2014	27 August 2017 and 27 August 2019	27 August 2021	23,94	**995 400**	1 216 100
9 September 2014	9 September 2017 and 9 September 2019	9 September 2021	22,63	**243 040**	243 040
5 November 2014	5 November 2017 and 5 November 2019	5 November 2021	20,75	**4 096 300**	5 159 800
				13 678 603	17 925 737
Approved limit (number of shares)				*	41 667 093
% issued to date				*	43,0%
Shares available for allocation (number of shares)				*	23 741 356

** This scheme has been replaced by the Aveng Long Term Plan ("LTIP") approved at the AGM in October 2015.*

All unvested rights will be forfeited should the holder resign from a group company prior to the vesting dates.

For details of obligations raised with regard to the cash-settled share-based payment plan, refer to *note 25: Employee-related payables.*

27. SHARE-BASED PAYMENTS continued

27.2 Equity-settled share-based payment plan

27.2.1 Forfeitable Share Plan

In terms of the Group Forfeitable Share Plan ("FSP"), senior executives of the Group, including executive directors, are granted shares in the Group for no consideration. The provision of shares will initially serve as a retention mechanism but can in future be used as an incentive mechanism with retention awards only made on an ad hoc basis as and when required of three years. Vesting of the awards will be subject to the satisfaction of performance conditions measured over the performance period of three years. These shares 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 third anniversary of the award date.

On resignation, the employee will forfeit all unvested shares. On death, retrenchment, sale of employer company, disability or retirement, only a portion of the shares will vest, calculated based on the number of months worked over the total vesting period, subject to the satisfaction of performance conditions, if any are applicable at that stage. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been cash-settled.

	2016 Number of shares	2015 Number of shares
The movements during the year were as follows:		
Opening balance	**1 284 354**	1 418 639
Shares granted*	**4 294 700**	491 000
Shares vested / exercised	**(279 200)**	(625 285)
Shares forfeited**	**(116 782)**	–
	5 183 072	1 284 354
Average purchase price of shares granted to participant (R)	**5,15**	20,18
Total value of forfeitable shares granted to participants (Rm)	**22**	11

* *The shares were purchased on the market in the name of the participants and are currently held in escrow accounts.*
** *The forfeited shares are held by the scheme in the escrow account, they will be reallocated to the participants at the next grant date.*

This scheme has been replaced by the Aveng Long Term Incentive Plan ("LTIP") approved at the AGM in October 2015.

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

		2016	2015
28.	**POST-EMPLOYEE BENEFITS**		
	Defined contribution plan		
	Aveng Group and industry retirement plans*	**10 651**	16 963
	McConnell Dowell Corporation Limited plan*	**2 158**	983
	Number of covered employees	**12 809**	17 946
	Number of employees not covered*	**4 139**	7 520
	Total number of employees	**16 948**	25 466
	Cover ratio	**75,6%**	70,50%
	The Group's retirement expense (Rm)	**393**	428

** Number of employees.*

Defined benefit plan

The fund is a closed defined benefit plan, in terms of which an Annuity Purchase Agreement was entered into in 2001, whereby the pensioner liabilities were fully outsourced to and guaranteed by Momentum Group Limited. In the event that Momentum Group is no longer able to perform in terms of an Annuity Purchase Agreement, the obligation to fund the pensioner liabilities may revert to the Group.

The member surplus apportionment account is defined benefit in nature, fully funded and accordingly has no foreseen future funding obligation by the Group. The Group is no longer making contributions to the fund and has no recourse to any of the assets of the fund.

The Group has assessed the likelihood of Momentum being unable to perform in terms of an annuity purchase agreement to be remote.

				2016 Rm
		Properties	**Vehicles**	**Total**
29.	**PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT**			
	Held-for-sale assets sold	**612**	**–**	**612**
	Transaction costs	**5**	**–**	**5**
	Profit on sale of property, plant and equipment	**577**	**15**	**592**
	Profit on loss of control	**150**	**–**	**150**
	Profit on sale of properties	**427**	**–**	**427**
	Profit on sale of vehicles	**–**	**15**	**15**
	Total proceeds	**1 194**	**15**	**1 209**
	Acquisition of interest in Dimopoint Proprietary Limited	**(67)**	**–**	**(67)**
	Cash proceeds on sale of properties	**1 127**	**15**	**1 142**

Profit on sale of properties

Effective 1 September 2015, Dimopoint Proprietary Limited ("Dimopoint") (a wholly owned subsidiary of Aveng), issued additional shares to Collins Property Group. Prior to the issue of shares, Dimopoint held a portion of the properties held-for-sale at 30 June 2015 (refer to *note 20: Non-current assets held-for-sale*). The issue of the additional shares resulted in Aveng's interest being diluted thereby resulting in a loss of control of Dimopoint, with Aveng retaining a 30% non-controlling interest. A profit of R150 million resulted from the loss of control of Dimopoint. The remaining 30% investment in Dimopoint is treated as a joint venture as Aveng retains joint control of Dimopoint and is measured at fair value in terms of IFRS 9 in accordance with the IAS 28.18 (*Investments in Associates and Joint Ventures*) Venture Capital Organisation exemption.

Profit on sale of properties

Following the loss of control in Dimopoint the remaining held-for-sale properties were sold to Dimopoint for a profit of R427 million.

Profit on sale of vehicles

A profit of R15 million was made on the sale and leaseback of trucks in Aveng Steel.

		2016 Rm	2015 Rm
30.	**REVENUE**		
	Construction contract revenue	**26 140**	35 176
	Sale of goods	**7 470**	8 438
	Other revenue	**19**	66
	Transport revenue	**126**	250
		33 755	43 930
31.	**COST OF SALES**		
	Operating lease charges – premises	**151**	69
	Earnings from contract-related property, plant and equipment	**(32)**	(60)
	Depreciation of property, plant and equipment	**752**	881
	Employee cost	**6 696**	9 690
	Employee benefits	**116**	136
	Materials	**9 608**	12 337
	Sub-contractors	**8 612**	10 447
	Other	**5 357**	8 066
		31 260	41 566
32.	**OTHER EARNINGS**		
	Dividends received	**7**	22
	Discount received	**116**	137
	Other income	**68**	55
	Foreign exchange gains*	**85**	42
	Other gains	**8**	19
	Fair value adjustments	**307**	196
		591	471

* *Includes gains on foreign exchange contracts.*

		2016 Rm	2015 Rm
33.	**OPERATING EXPENSES**		
	Operating lease charges	**133**	97
	Rationalisation and restructuring	**189**	123
	Depreciation of property, plant and equipment	**41**	47
	Amortisation of intangible assets	**30**	21
	Share-based payment expense	**13**	(20)
	Employee costs	**1 675**	1 895
	Employee benefits	**23**	65
	Computer costs	**128**	105
	Consulting fees	**82**	119
	Other	**494**	611
		2 808	3 063
34.	**FINANCE EARNINGS**		
	Interest received	**211**	177
35.	**OTHER FINANCE EXPENSES**		
	Interest on debts and borrowings	**247**	238
	Guarantee and other transaction costs	**80**	78
		327	316

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

36. TAXATION

Major components of the taxation expense

	2016 Rm	2015 Rm
Current		
Local income taxation – current period	**20**	25
Local income taxation – recognised in current taxation for prior periods	**18**	(4)
Foreign income taxation or withholding taxation – current period	**346**	377
Foreign income taxation or withholding taxation – recognised in current taxation for prior periods	**(56)**	(58)
	328	340
Deferred		
Deferred taxation – current period	**(225)**	(154)
Deferred taxation – arising from prior period adjustments	**19**	(106)
Deferred taxation – foreign rate exchange	**7**	–
	(199)	(260)
	129	80

	%	%
Reconciliation of the taxation expense		
Effective taxation rate on earnings	**201,0**	(18,3)
Exempt income and capital profits*	**328,5**	(45,3)
Deferred taxation asset not recognised	**(144,6)**	63,0
Disallowable charges**	**(303,1)**	34,4
Prior year adjustment	**29,2**	(11,8)
Foreign tax rate differential and other	**130,8**	6,0
Withholding taxation	**(213,8)**	(0,0)
	28,0	28,0

* *The items impacting tax rate in this regard relate mainly to the external dividends received and foreign exchange differences recognised in other comprehensive income.*

** *This relates mainly to an Australian JV profit distribution that is not deductible for tax purposes.*

South African income taxation is calculated at 28% (2015: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

37. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2016 Number of shares	**2016 Weighted average number of shares**	2015 Number of shares	2015 Weighted average number of shares
Opening balance	**416 670 931**	**416 670 931**	416 670 931	416 670 931
	416 670 931	**416 670 931**	416 670 931	416 670 931
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
Aveng Management Company Proprietary Limited	**(8 586 593)**	**(8 586 593)**	(8 586 593)	(8 586 593)
Equity-settled share-based payment plan	**(5 299 854)**	**(4 658 538)**	(1 284 354)	(1 421 433)
Total treasury shares	**(19 904 833)**	**(19 263 517)**	(15 889 333)	(16 026 412)
Weighted average number of shares	**396 766 098**	**397 407 414**	400 781 598	400 644 519
Add: Contingently issuable shares in terms of the equity-settled share-based payment plan	**5 299 854**	**4 658 538**	1 284 354	1 421 433
Diluted weighted average number of shares in issue*	**402 065 952**	**402 065 952**	402 065 952	402 065 952
Note	21		21	

* *The convertible bonds were anti-dilutive for the year ended 30 June 2016 and 30 June 2015 and have therefore not been included in the calculation of diluted number of shares.*

	2016		2015	
	Gross of taxation Rm	**Net of taxation Rm**	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings				
Loss for the period attributable to equity holders of parent**		**(101)**		(460)
Impairment of goodwill	**–**	**–**	291	291
Impairment of property, plant and equipment	**333**	**302**	273	252
Impairment of intangible assets	**–**	**–**	57	57
(Profit) / loss on sale of property, plant and equipment	**(610)**	**(500)**	6	4
Profit on sale of subsidiary	**–**	**–**	(777)	(713)
Fair value adjustment on investment property	**–**	**–**	(11)	(9)
Headline loss**		**(299)**		(578)

** *Earnings are calculated in accordance with IAS 33: Earnings per share. Headline earnings is calculated in accordance with Circular 2 / 2015.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

		Note	2016 Rm	2015 Rm
37.	**EARNINGS AND HEADLINE EARNINGS PER SHARE** continued			
	Determination of diluted earnings*			
	Loss for the period attributable to equity-holders of the parent		**(101)**	(460)
	Diluted earnings loss for the period attributable to equity-holders of the parent		**(101)**	(460)
	Diluted headline loss		**(299)**	(578)
	Loss per share – basic (cents)		**(25,4)**	(114,8)
	Loss per share – diluted (cents)		**(25,1)**	(114,4)
	Headline loss per share – basic (cents)		**(75,2)**	(144,3)
	Headline loss per share – diluted (cents)		**(74,4)**	(143,8)

* *The convertible bonds were anti-dilutive for the year ended 30 June 2015 and 30 June 2016 and have therefore not been included in the calculation of diluted earnings.*

		Note	2016 Rm	2015 Rm
38.	**CASH RETAINED / (UTILISED) FROM OPERATIONS**			
	Earnings / (loss) before taxation		**64**	(438)
	Finance earnings		**(211)**	(177)
	Finance expenses		**551**	485
	Dividend earnings		**(7)**	(22)
	Share of loss from equity-accounted investment		**132**	60
			529	(92)
39.	**NON-CASH AND OTHER MOVEMENTS**			
	Earnings from disposal of property, plant, equipment and vehicles		**(66)**	(61)
	Impairment of goodwill, property, plant and equipment and intangible assets		**333**	628
	Profit on disposal of subsidiary		**–**	(777)
	Fair value adjustments		**(306)**	(196)
	Movements in foreign currency translation		**205**	(62)
	Movement in equity-settled share-based payment reserve		**13**	11
	Gain on property transaction before transaction costs		**(582)**	–
			(403)	(457)
40.	**FINANCE EXPENSES PAID**			
	Amount charged to the statement of comprehensive earnings		**(551)**	(521)
	Movement in finance expenses unpaid		**93**	160
			(458)	(361)
41.	**FINANCE EARNINGS RECEIVED**			
	Amount charged to the statement of comprehensive earnings		**211**	177
	Movement in accrued finance earnings		**3**	(23)
			214	154
42.	**TAXATION PAID**			
	Amounts unpaid at the beginning of the period		**(94)**	(213)
	Amounts charged to the statement of comprehensive earnings – normal tax	36	**(328)**	(340)
	Amounts unpaid at the end of the period		**106**	94
	Amounts relating to disposal of subsidiary		**–**	10
	Amounts relating to foreign currency translation movement		**–**	52
			(316)	(397)
43.	**DIVIDENDS PAID**			
	Dividends to non-controlling interest*		**(2)**	(7)
			(2)	(7)

* *Dividends were paid by a subsidiary of McConnell Dowell during the year and the amount relates to dividends paid to non-controlling interest that did not eliminate upon consolidation.*

	2016 Rm	2015 Rm
44. COMMITMENTS		
Authorised capital expenditure		
– Contracted	**79**	46
– Authorised, but not contracted	**37**	26
Total capital expenditure	**116**	72

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

	2016 Rm	2015 Rm
Operating leases commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
– within one year	**241**	206
– in second to fifth year inclusive	**848**	197
– later than five years	**1 325**	79
	2 414	482
45. CONTINGENT LIABILITIES		
Contingent liabilities at the reporting date, not otherwise provided for in the consolidated financial statements, arise from performance bonds and guarantees issued in:		
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**3 615**	3 721
Parent company guarantees (ZARm)	**516**	898
	4 131	4 619
Australasia		
Guarantees and bonds (AUDm)	**409**	647
Parent company guarantees (AUDm)	**521**	1 215
	930	1 862

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

Claims and legal disputes in the ordinary course of business

The Group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The Board does not believe that adverse decisions in any pending proceedings or claims against the Group will have a material adverse effect on the financial condition or future operations of the Group. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are possible.

46. DISPOSAL OF SUBSIDIARY

On 31 October 2014, 100% of the investment in Electrix Proprietary Limited and Electrix Limited (collectively "Electrix") was sold. Electrix was a wholly owned business and formed part of the *Construction and Engineering: Australasia and Asia* segment.

The profit on disposal of the subsidiary was R777 million (R713 million after taxation) including the recycled foreign currency translation reserve of R111 million. The profit is separately disclosed in the statement of comprehensive earnings.

Electrix has always formed part of the *Construction and Engineering: Australasia and Asia* segment. Electrix was not considered an operating segment nor a separate major line of business or geographical area. The sale of this business does not give rise to a discontinued operation but rather a disposal group only.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

46. DISPOSAL OF SUBSIDIARY continued

	2015 Rm
Net cash impact of sale	
Total assets (excluding cash and bank balances)	756
Property, plant and equipment, net of accumulated depreciation	144
Deferred taxation	59
Inventories	19
Amounts due from contract customers	510
Trade and other receivables, net of provisions	24
Cash and bank balances	129
Total liabilities	(536)
Amounts due to contract customers	(72)
Borrowings and other liabilities	(12)
Payables other than contract-related	(1)
Employee-related payables	(181)
Trade and other payables	(260)
Taxation payable	(10)
Net assets sold	349
Profit on disposal (before tax)	777
Add back: Associated obligations and transaction costs	464
Less: Foreign currency translation reserve recycled to earnings	(111)
Total proceeds received in cash	1 479
Less: Cash and bank balances sold	(129)
Less: Transaction costs paid	(36)
Net cash received	1 314

47. DIRECTORS' EMOLUMENTS AND INTERESTS

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

Executive directors

	Year	Salary[1] R'000	Retire-ment fund[2] R'000	Other payments[3] R'000	Short-term incentive (STI)[4] R'000	Medium-term incentive (MTI)[5] R'000	Total R'000
HJ Verster (SA)	**2016**	**5 040**	**404**	**4 150**	**854**	**224**	**10 672**
	2015	4 351	510	–	–	317	5 178
JJA Mashaba (SA)	**2016**	**3 508**	**240**	**2 438**	**450**	**198**	**6 834**
	2015	3 386	260	–	–	263	3 909
AH Macartney (SA)[6]	**2016**	**3 587**	**229**	**1 300**	**420**	**–**	**5 536**
	2015	3 204	204	–	–	–	3 408
DG Robinson (AUS)[7]	**2016**	**545**	**–**	**949**	**–**	**–**	**1 494**
	2015	1 190	184	–	–	57	1 431

[1] *Salary for South African directors is total fixed earnings inclusive of medical aid, Group life, accident and vehicle benefits.*

[2] *In instances where the retirement funding contributions have reduced, this was undertaken owing to the Taxation Laws Amendment Act which came into effect on 1 March 2016.*

[3] *Cash-settled retention award paid in lieu of a long-term share award.*

[4] *STI payments made for the 2015 / 2016 FY.*

[5] *MTI paid in March 2016 in respect of previous year's awards; scheme discontinued from the 2015 / 2016 financial year.*

[6] *Other payment for AH Macartney in respect of retention payment made as part of employment contract.*

[7] *DG Robinson's earnings are disclosed in AUD. Other payments made to Mr Robinson in respect of his retirement obligation under Australian Labour Legislation.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

47. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Executive share incentive scheme entitlement

	Date from which exerci-sable	Date on which expires	Strike price R	Number entitled to at 1 July 2015	Number granted during the year	Number redeemed or taken up or forfeited during the year	**Number entitled to at 30 June 2016**
HJ Verster	Sept 2012	Sept 2020	37,7	66 246	–	–	**66 246**
	Sept 2013	Sept 2020	37,7	66 246	–	–	**66 246**
	Sept 2014	Sept 2020	37,7	66 246	–	–	**66 246**
	Sept 2015	Sept 2020	37,7	66 249	–	–	**66 249**
				264 987	–	–	**264 987**
JJA Mashaba	Sept 2009	Sept 2017	54,84	38 750	–	–	**38 750**
	Sept 2010	Sept 2017	54,84	38 750	–	–	**38 750**
	Sept 2011	Sept 2017	54,84	38 750	–	–	**38 750**
	Sept 2012	Sept 2017	54,84	38 750	–	–	**38 750**
	Oct 2010	Oct 2018	42,8	39 816	–	–	**39 816**
	Oct 2011	Oct 2018	42,8	39 816	–	–	**39 816**
	Oct 2012	Oct 2018	42,8	39 816	–	–	**39 816**
	Oct 2013	Oct 2018	42,8	39 816	–	–	**39 816**
	Sept 2011	Sept 2019	40,3	17 314	–	–	**17 314**
	Sept 2012	Sept 2019	40,3	17 314	–	–	**17 314**
	Sept 2013	Sept 2019	40,3	17 314	–	–	**17 314**
	Sept 2014	Sept 2019	40,3	17 316	–	–	**17 316**
	Sept 2012	Sept 2020	37,7	18 486	–	–	**18 486**
	Sept 2013	Sept 2020	37,7	18 486	–	–	**18 486**
	Sept 2014	Sept 2020	37,7	18 486	–	–	**18 486**
	Sept 2015	Sept 2020	37,7	18 486	–	–	**18 486**
				457 466	–	–	**457 466**
DG Robinson	Nov 2009	Nov 2017	61,8	18 341	–	18 341	**–**
	Nov 2010	Nov 2017	61,8	18 341	–	18 341	**–**
	Nov 2011	Nov 2017	61,8	18 341	–	18 341	**–**
	Nov 2012	Nov 2017	61,8	18 344	–	18 344	**–**
	Oct 2010	Oct 2018	42,8	21 593	–	21 593	**–**
	Oct 2011	Oct 2018	42,8	21 593	–	21 593	**–**
	Oct 2012	Oct 2018	42,8	21 593	–	21 593	**–**
	Oct 2013	Oct 2018	42,8	21 593	–	21 593	**–**
	Sept 2011	Sept 2019	40,3	11 029	–	11 029	**–**
	Sept 2012	Sept 2019	40,3	11 029	–	11 029	**–**
	Sept 2013	Sept 2019	40,3	11 029	–	11 029	**–**
	Sept 2014	Sept 2019	40,3	11 030	–	11 030	**–**
	Sept 2012	Sept 2020	37,7	16 649	–	16 649	**–**
	Sept 2013	Sept 2020	37,7	16 649	–	16 649	**–**
	Sept 2014	Sept 2020	37,7	16 649	–	16 649	**–**
	Sept 2015	Sept 2020	37,7	16 650	–	16 650	**–**
				270 453	–	270 453	**–**

47. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Non-executive directors

	Directors' fees R'000	Chairman fees R'000	Committee fees R'000	Other fees[1] R'000	Total R'000
2016					
AWB Band[2]	**326**	**–**	**534**	**–**	**860**
PK Ward[3]	**326**	**–**	**472**	**–**	**798**
E Diack	**326**	**145**	**622**	**221**	**1 314**
PJ Erasmus	**326**	**121**	**278**	**–**	**725**
MA Hermanus	**326**	**108**	**66**	**–**	**500**
MJ Kilbride	**326**	**–**	**268**	**–**	**594**
T Mokgosi-Mwantembe	**326**	**121**	**181**	**–**	**628**
MI Seedat[4]	**326**	**716**	**925**	**290**	**2 257**
M Mzondeki	**326**	**–**	**251**	**–**	**577**
SJ Flanagan[5]	**254**	**–**	**112**	**–**	**366**
	3 188	**1 211**	**3 709**	**511**	**8 619**
PA Hourquebie[6](£)	**52**	**–**	**6**	**–**	**58**
2015					
AWB Band	305	574	704	322	1 905
PK Ward	305	251	347	164	1 067
E Diack (appointed 1 December 2013)	305	–	553	316	1 174
PJ Erasmus	305	142	239	94	780
MA Hermanus	305	164	16	69	554
RL Hogben[7]	67	–	–	–	67
MJ Kilbride (appointed 4 July 2014)	305	–	326	69	700
T Mokgosi-Mwantembe	305	190	78	69	642
MI Seedat	305	164	185	155	809
M Mzondeki (appointed 1 January 2014)	282	–	158	69	509
	2 789	1 485	2 606	1 327	8 207

1 *Other fees relate to attendance to subsidiary board meetings.*
2 *AWB Band retired 19 August 2016.*
3 *PW Ward retired 30 June 2016.*
4 *MI Seedat appointed as Chairman of the Aveng Board on 1 July 2015.*
5 *SJ Flanagan appointed 1 November 2015.*
6 *PA Hourquebie appointed 5 August 2015. Fees disclosed in British Pounds (£).*
7 *RL Hogben retired 20 August 2014.*

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, local benchmark exercise was undertaken to determine a composite fee payable to him. In addition, a per meeting fee was also determined.

The Chairman of the Board and the non-executive directors, independent or otherwise, are not eligible to receive share options or incentive awards. Non-executive directors' fees are included in the notice of the Annual General Meeting for approval by way of an ordinary shareholders resolution.

Interest of directors of the Company in share capital	Ordinary shares 2016	Ordinary shares 2015
Executive directors		
JJA Mashaba	**523 930**	523 930
H Verster	**139 661**	139 661
DG Robinson	**–**	199 689
Non-executive directors		
AWB Band[2]	**20 000**	20 000
MJ Kilbride	**10 000**	–
PK Ward[3]	**10 000**	2 000
	703 591	885 280

On the above mentioned shares there is no percentage of issued securities.

Securities are beneficially held.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

47. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Share Appreciation Rights ("SARs") plan

	Date from which exercisable	Date on which expires	Strike price R	Number entitled to at 1 July 2015	Number granted during the year	Number redeemed or taken up or forfeited during the year	**Number entitled to at 30 June 2016**
HJ Verster	Dec 2014	Dec 2018	33,75	36 999	–	–	**36 999**
	Dec 2015	Dec 2018	33,75	36 999	–	–	**36 999**
	Dec 2016	Dec 2018	33,75	37 002	–	–	**37 002**
	Oct 2015	Oct 2019	30,90	42 267	–	–	**42 267**
	Oct 2016	Oct 2019	30,90	42 267	–	–	**42 267**
	Oct 2017	Oct 2019	30,90	42 266	–	–	**42 266**
	Sept 2016	Sep 2020	25,00	54 500	–	–	**54 500**
	Sept 2017	Sep 2020	25,00	54 500	–	–	**54 500**
	Sept 2018	Sep 2020	25,00	54 500	–	–	**54 500**
	Aug 2017	Aug 2021	23,94	72 266	–	–	**72 266**
	Aug 2018	Aug 2021	23,94	72 266	–	–	**72 266**
	Aug 2019	Aug 2021	23,94	72 268	–	–	**72 268**
				618 100	–	–	**618 100**
JJA Mashaba	Dec 2014	Dec 2018	33,75	29 999	–	–	**29 999**
	Dec 2015	Dec 2018	33,75	29 999	–	–	**29 999**
	Dec 2016	Dec 2018	33,75	30 002	–	–	**30 002**
	Oct 2013	Oct 2019	30,90	33 633	–	–	**33 633**
	Oct 2014	Oct 2019	30,90	33 633	–	–	**33 633**
	Oct 2015	Oct 2019	30,90	33 634	–	–	**33 634**
	Sept 2016	Sep 2020	25,00	53 466	–	–	**53 466**
	Sept 2017	Sep 2020	25,00	53 466	–	–	**53 466**
	Sept 2018	Sep 2020	25,00	53 468	–	–	**53 468**
	Aug 2017	Aug 2021	23,94	63 566	–	–	**63 566**
	Aug 2018	Aug 2021	23,94	63 566	–	–	**63 566**
	Aug 2019	Aug 2021	23,94	63 568	–	–	**63 568**
				542 000	–	–	**542 000**
DG Robinson	Dec 2014	Dec 2018	33,75	40 381	–	40 381	**–**
	Dec 2015	Dec 2018	33,75	40 381	–	40 381	**–**
	Dec 2016	Dec 2018	33,75	40 381	–	40 381	**–**
	Oct 2015	Oct 2019	30,90	56 798	–	56 798	**–**
	Oct 2016	Oct 2019	30,90	56 798	–	56 798	**–**
	Oct 2017	Oct 2019	30,90	56 798	–	56 798	**–**
	Sept 2016	Sep 2021	25,00	40 302	–	40 302	**–**
	Sept 2017	Sep 2021	25,00	40 302	–	40 302	**–**
	Sept 2018	Sep 2021	25,00	40 303	–	40 303	**–**
				412 444	–	412 444	**–**
AH Macartney	Sept 2017	Sep 2021	22,63	81 013	–	–	**81 013**
	Sept 2018	Sep 2021	22,63	81 013	–	–	**81 013**
	Sept 2019	Sep 2021	22,63	81 014	–	–	**81 014**
				243 040	–	–	**243 040**

47. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Forfeitable shares

	Date from which exercisable	Number entitled to at 1 July 2015	Number granted during the year	Number redeemed or taken up during the year	Number forfeited during the year	**Number entitled to at 30 June 2016**
HJ Verster	Oct 2015	105 800	–	105 800	–	**–**
	Sept 2016	75 000	–	–	–	**75 000**
	Mar 2017	232 019	–	–	–	**232 019**
	Sept 2018		768 400			**768 400**
		412 819	768 400	105 800	–	**1 075 419**
JJA Mashaba	Sept 2016	50 000	–	–	–	**50 000**
	Aug 2017	143 367	–	–	–	**143 367**
	Sept 2018	–	372 800	–	–	**372 800**
		193 367	372 800	–	–	**566 167**
DG Robinson	Sept 2016	50 000	–	–	50 000	**–**
		50 000	–	–	50 000	**–**
AH Macartney	Sept 2017	44 189	–	–	–	**44 189**
	Sept 2018	–	391 000	–	–	**391 000**
		44 189	391 000	–	–	**435 189**

Prescribed officers

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	Retire-ment fund[2] R'000	Other payments[3] R'000	Short-term incentive (STI)[4] R'000	Medium-term incentive (MTI)[5] R'000	Total R'000
LS Letsoalo	**2016**	**3 152**	**238**	**–**	**–**	**347**	**3 737**
	2015	3 045	194	–	488	375	4 102
HA Aucamp	**2016**	**3 059**	**347**	**1 400**	**480**	**127**	**5 413**
	2015	2 906	396	–	–	251	3 553
S White	**2016**	**3 130**	**238**	**1 400**	**300**	**496**	**5 564**
	2015	2 699	186	–	1 330	696	4 911
C Botha[6]	**2016**	**3 105**	**191**	**2 300**	**390**	**–**	**5 986**
	2015	2 953	240	–	–	–	3 193
S Cummins (Aus)[7]	**2016**	**862**	**28**	**–**	**300**	**–**	**1 190**
	2015	–	–	–	–	–	–

1 *Salary for South African directors is total fixed earnings inclusive of medical aid, Group life, accident and vehicle benefits.*
2 *In instances where the retirement funding contributions have reduced, this was undertaken owing to the Taxation Laws Amendment Act which came into effect on 1 March 2016.*
3 *Cash-settled retention award paid in lieu of a long-term share award.*
4 *STI payments made for the 2015 / 2016 FY.*
5 *MTI paid in March 2016 in respect of previous year's award; scheme discontinued from the 2015 / 2016 financial year.*
6 *C Botha's other payment includes amount paid in terms of the once-off claims settlement scheme as well as the cash-settled retention award.*
7 *S Cummins appointed 1 August 2015; earnings disclosed in AUD'000.*

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

48. RISK MANAGEMENT

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

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

Group treasury is responsible for monitoring 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:

48.1 Capital risk management

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

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

No changes were made in the objectives, policies or processes during the years ended 30 June 2016 and 30 June 2015.

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 R13,5 billion (2015: R13,0 billion).

The Group's strategy is to maintain the ROIC ratio at a minimum of 15%. The ROIC ratio as at 30 June 2016 and 2015 was as follows:

	2016 Rm	2015 Rm
Net operating earnings / (loss) less adjusted tax	112	(282)
Invested capital	16 623	15 215
ROIC ratio (%)	0,7	(1,9)

For full details pertaining to the Group's ROIC, refer to the Group's integrated report available on the Group's website.

48.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency. 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.

At year-end, the Group had two revolving facilities, R1 billion and R500 million from Absa and Nedbank respectively. Both of these were undrawn at year-end.

The 18-month revolving credit bridge facility of R1 billion secured in the 2014 year expired when the property deal was concluded during the year.

During July 2014, the Company issued convertible bonds denominated in South African Rand with a nominal value of R2 billion and a coupon rate of 7,25% with the bond repayment date being five years from the issue date at par plus interest or convertible into shares.

48. RISK MANAGEMENT continued

48.2 Liquidity risk continued

As a result of the issuance of the convertible bond, the Group extended its debt repayment profile.

The extension of the Group's debt repayment profile and the undrawn facilities at year-end have resulted in the Group's exposure to liquidity risk being decreased.

48.3 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.

The Group's exposure to interest rate risk relates primarily to the Group's debt obligations with variable interest rates, which excludes the Group's convertible bond which is repayable semi-annually at a fixed interest rate and the asset based finance which are repayable at a fixed interest rate in quarterly instalments.

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

Deposits and 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 at 30 June:

	2016 Rm	2015* Rm
Total variable borrowings	**1 064**	487
Effect on earnings before taxation – plus 50 basis points increase	**(4)**	(2)
Effect on earnings before taxation – minus 50 basis points increase	**4**	2

48.4 Credit risk

The Group's material exposure to credit risk is in its receivables (refer to *note 17: Trade and other receivables*), deposits and cash balances (refer to *note 19: Cash and bank balances*), and amounts due from contract customers (refer to *note 16: Amounts due from contract customers*).

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 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.

48. RISK MANAGEMENT continued

48.4 Credit risk continued

48.4.1 Trade and other receivables

Ageing analysis of trade receivables

	<30 days Rm	30 to 60 days Rm	60 to 90 days Rm	Past due and not impaired* Rm	Past due and impaired* Rm	Total Rm
2016						
Trade receivables	**970**	**111**	**71**	**157**	**42**	**1 351**
Provision for doubtful debts	**–**	**–**	**–**	**–**	**(42)**	**(42)**
Net book value	**970**	**111**	**71**	**157**	**–**	**1 309**

	<30 days Rm	30 to 60 days Rm	60 to 90 days Rm	Past due and not impaired* Rm	Past due and impaired* Rm	Total Rm
2015						
Trade receivables	998	110	139	213	49	1 509
Provision for doubtful debts	–	–	–	–	(49)	(49)
Net book value	998	110	139	213	–	1 460

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

Trade and other receivables impaired

As at 30 June 2016, trade receivables with a nominal value of R42 million (2015: R49 million) were provided for in an allowance account.

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

	2016 Rm	2015 Rm
Trade and other receivables	**1 845**	2 223
Allowance for impairment of trade and other receivables	**(42)**	(49)
	1 803	2 174
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	**49**	46
Raised during the year	**34**	40
Utilised	**(41)**	(37)
	42	49

48. RISK MANAGEMENT continued

48.4 Credit risk continued

48.4.1 Trade and other receivables *continued*

Trade and other receivables impaired continued

	Total past due not impaired Rm	Past due not impaired** Past due up to 1 month Rm	Past due 1 – 2 months Rm	Past due 2 – 3 months Rm	Past due 3 – 4 months Rm	Past due older than 4 months Rm
2016						
Trade receivables	**157**	**29**	**34**	**24**	**70**	**–**
2015						
Trade receivables	213	43	6	8	86	70

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

48.4.2 Amounts due from / (to) contract customers

The maximum exposure to credit risk in relation to amounts due from / (to) contract customers is equal to the carrying value as presented in *note 16: Amounts due from contract customers*.

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

	<30 days Rm	30 to 60 days Rm	60 to 90 days Rm	Past due and not impaired* Rm	Past due and impaired** Rm	Total Rm
2016						
Contract and retention receivables	**2 809**	**64**	**147**	**250**	**2**	**3 272**
Provision for contract receivables	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Net book value	**2 809**	**64**	**147**	**250**	**–**	**3 270**
2015						
Contract and retention receivables	4 274	148	269	695	4	5 390
Provision for contract receivables	–	–	–	–	*	*
Net book value	4 274	148	269	695	4	5 390

** Less than R1 million.*

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

48. RISK MANAGEMENT continued

48.4 Credit risk continued

48.4.2 *Amounts due from / (to) contract customers continued*

Analysis of past due accounts

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

	Total past due not impaired Rm	Past due not impaired* Past due up to 1 month Rm	Past due 1 – 2 months Rm	Past due 2 – 3 months Rm	Past due 3 – 4 months Rm	Past due older than 4 months Rm
2016						
Contract and retention receivables	**250**	**20**	**144**	**2**	**–**	**84**
2015						
Contract and retention receivables	695	39	29	24	2	601

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

	2016 Rm	2015 Rm
Reconciliation of provision for impairment of contract receivables		
Opening balance	*****	46
Raised during the year	**2**	*
Utilised	**–**	(46)
	2	*

* *Amounts less than R1 million.*

	Uncertified claims and variations Rm	Contract contin-gencies Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
2016						
Non-current assets	**1 417**	**–**	**–**	**–**	**–**	**1 417**
Current assets	**5 167**	**(390)**	**3 146**	**(2)**	**126**	**8 047**
	6 584	**(390)**	**3 146**	**(2)**	**126**	**9 464**
2015						
Non-current assets	900	–	–	–	–	900
Current assets	4 257	(253)	5 147	*	243	9 394
	5 157	(253)	5 147	*	243	10 294

48. RISK MANAGEMENT continued

48.4 Credit risk continued

48.4.3 Credit risk mitigation and collateral

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

The Group has the following collateral over its contract and retention receivables:

- The Group has obtained security for payment in the form of a right to receive shares in the holding company of the operational mining entity against which a claim has been instituted. It is however unlikely that the shares in the holding company would be substituted for the claim against the operating entity.

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.

48.5 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 Group's policy is to cover all foreign currency exposures, unless a natural hedge exists between the related payable and receivable in that operating unit.

Derivative instruments comprise of forward exchange contracts and are entered into in the normal course of business to manage foreign currency. Derivative instruments entered into in terms of risk management strategies are defined as economic hedging transactions and such instruments are accounted for in terms of the Group's accounting policies. Refer below and *note 48.6: Foreign currency risk* for the Group's maximum exposure and significant concentrations of currency risk.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

48. RISK MANAGEMENT continued

48.5 Foreign exchange risk continued

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 and other comprehensive earnings (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)
2016					
Australian Dollar (AUD)	**10,97**	**11,52**	**10,42**	**(35)**	**35**
United States Dollar (USD)	**14,73**	**15,47**	**13,99**	**(7)**	**7**
Euro (EUR)	**16,36**	**17,18**	**15,54**	**2**	**(2)**
Effects on earnings before taxation*				**(40)**	**40**
2015					
Australian Dollar (AUD)	9,38	9,85	8,91	(52)	52
United States Dollar (USD)	12,17	12,78	11,56	(25)	25
Euro (EUR)	13,56	14,24	12,89	21	(21)
Effect on earnings before taxation*				(56)	56

* *Represents the changes in the fair value of foreign denominated trade and other payables and trade and other receivables at year-end.*

48.6 Foreign currency risk

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

	Notes	South African Rand Rm	Rand equivalent amount (Rm)				
			USD	AUD*	EUR	Other	Total
2016							
Monetary assets as per the statement of financial position							
Derivative instruments – current	15	**20**	**–**	**–**	**–**	**–**	**20**
Derivative instruments – non-current	15	**–**	**–**	**–**	**–**	**–**	**–**
Amounts due from contract customers – current	16	**1 876**	**27**	**6 007**	**–**	**137**	**8 047**
Amounts due from contract customers – non-current	16	**252**	**–**	**1 165**	**–**	**–**	**1 417**
Trade and other receivables	17	**1 407**	**122**	**98**	**3**	**428**	**2 058**
Cash and bank balances	19	**674**	**96**	**1 444**	**7**	**229**	**2 450**
		4 229	**245**	**8 714**	**10**	**794**	**13 992**
Monetary liabilities as per the statement of financial position							
Borrowings and other liabilities – current	22	**201**	**140**	**873**	**–**	**–**	**1 214**
Borrowings and other liabilities – non-current	22	**1 736**	**–**	**34**	**–**	**–**	**1 770**
Payables other than contract-related – current	23	**–**	**–**	**–**	**–**	**–**	**–**
Employee-related payables	25	**464**	**3**	**372**	**2**	**97**	**938**
Derivative instruments	15	**27**	**–**	**–**	**–**	**–**	**27**
Trade and other payables	24	**3 456**	**43**	**2 212**	**1**	**174**	**5 886**
Amounts due to contract customers	16	**539**	**–**	**753**	**–**	**30**	**1 322**
		6 423	**186**	**4 244**	**3**	**301**	**11 157**
Net exposure		**(2 194)**	**59**	**4 470**	**7**	**493**	**2 835**

* *This amount includes exposure to the New Zealand Dollar and other currencies in the Australasia and Southeast Asia market.*

48. RISK MANAGEMENT continued

48.6 Foreign currency risk continued

	Notes	South African Rand Rm	USD	AUD	EUR	Other	Total
			Rand equivalent amount (Rm)				
2015							
Monetary assets as per the statement of financial position							
Derivative instruments – current	15	20	–	15	–	–	35
Derivative instruments – non-current	15	6	–	–	–	–	6
Amounts due from contract customers – current	16	2 989	180	5 999	–	226	9 394
Amounts due from contract customers – non-current	16	–	–	900	–	–	900
Trade and other receivables	17	1 935	131	191	4	163	2 424
Cash and bank balances	19	214	74	2 354	1	213	2 856
		5 164	385	9 459	5	602	15 615
Monetary liabilities as per the statement of financial position							
Borrowings and other liabilities – current	22	104	140	182	–	–	426
Borrowings and other liabilities – non-current	22	1 853	116	68	–	–	2 037
Payables other than contract-related – current	23	102	–	–	–	–	102
Employee-related payables	25	564	13	447	1	91	1 116
Derivative instruments	15	2	–	–	–	–	2
Trade and other payables	24	3 686	71	3 935	1	268	7 961
Amounts due to contract customers	16	908	–	1 589	–	65	2 562
		7 219	340	6 221	2	424	14 206
Net exposure		(2 055)	45	3 238	3	178	1 409

* *Amounts are less than R1 million.*

48. RISK MANAGEMENT continued

48.7 Borrowing capacity

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

	2016 Rm	2015 Rm
The Group had the following undrawn facilities:		
Total borrowing facilities (includes bank overdraft facility of R435 million (2015: R859 million))	**4 919**	6 651
Current utilisation	**(2 984)**	(2 463)
Borrowing facilities available	**1 935**	4 188

Maturity profile of financial instruments

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

	Less than one year Rm	One to five years Rm	Beyond five years Rm	Total Rm
2016				
Non-derivative financial liabilities				
Interest-bearing borrowings	**1 349**	**1 957**	**–**	**3 306**
Amounts due to contract customers	**1 322**	**–**	**–**	**1 322**
Trade and other payables	**5 886**	**–**	**–**	**5 886**
Derivative financial liabilities				
Forward exchange contracts – Outflow	**27**	**–**	**–**	**27**
	8 584	**1 957**	**–**	**10 541**

	Less than one year Rm	One to five years Rm	Beyond five years Rm	Total Rm
2015				
Non-derivative financial liabilities				
Interest-bearing borrowings	547	2 331	–	2 878
Amounts due to contract customers	2 562	–	–	2 562
Trade and other payables	7 961	–	–	7 961
Derivative financial liabilities				
Forward exchange contracts – Outflow	2	–	–	2
	11 072	2 331	–	13 403

49. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:
– Infrastructure investments; and
– Forward exchange contracts.

Infrastructure investments comprises of the following:
– N3 Toll Concession (RF) Proprietary Limited*;
– Blue Falcon 140 Trading Proprietary Limited*;
– Windfall 59 Properties Proprietary Limited*;
– Imvelo Concession Company Proprietary Limited*;
– Firefly Investments 238 Proprietary Limited;
– Dimopoint Proprietary Limited; and
– GoldlinQ Holdings*.

Except for Dimopoint and Firefly, the methodology, valuation parameters and assumptions for all other infrastructure investments have remained unchanged since 30 June 2015. For more detail refer to the 30 June 2015 consolidated financial statements available on the Group's website.

The Group has reassessed the fair value of its infrastructure investments and those transferred to held-for-sale as at 30 June 2016. R251 million (2015: R185 million) fair value gain has been recognised.
** Transferred to held-for-sale.*

Infrastructure investments

(i) Firefly Investments 238 Proprietary Limited ("Firefly")

Methodology

The value of the Group's share in Firefly was determined on the basis of the long-term contractual operations and maintenance fees charged by Firefly. The fair value was determined by performing a discounted cash flow valuation over a contract term of approximately 20 years.

Valuation parameters and assumptions

The following parameters and assumptions were considered in arriving at the valuation:
– In estimating the fair value of Firefly, a discount rate of 18% was applied;
– Free cash flows based on the underlying long-term contractual revenue streams and operating cost forecasts; and
– Long-term revenue and cost indexation (ZAR-based) of 5,7% and 6% respectively.

(ii) 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; and
– Market comparable yields applicable to the underlying investment property portfolio.

Foreign exchange contracts ("FEC") liabilities

Valuation methodology

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

49. FAIR VALUE OF ASSETS AND LIABILITIES continued

Fair value hierarchy

The table below shows 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
2016					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	**177**	**177**	**–**	**–**	**177**
Infrastructure investments (held-for-sale)	**944**	**944**	**–**	**–**	**944**
Forward exchange contracts (FECs)	**20**	**20**	**–**	**20**	**–**
Liabilities					
Forward exchange contracts (FECs)	**27**	**27**	**–**	**27**	**–**

	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
2015					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	778	778	–	–	778
Forward exchange contracts (FECs)	41	41	–	41	–
Liabilities					
Forward exchange contracts (FECs)	2	2	–	2	–

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

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

49. FAIR VALUE OF ASSETS AND LIABILITIES continued

Sensitivity analysis: Financial asset valuations, using observable and unobservable inputs

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

	Significant unobservable input %	Reasonably possible changes to significant unobservable inputs %	Potential effect recorded directly in profit and loss Increase Rm	Potential effect recorded directly in profit and loss Decrease Rm
Infrastructure investments				
Risk-adjusted discount rate:				
– N3 Toll Concession (RF) Proprietary Limited	12,3	0,5	(11)	11
– Blue Falcon 140 Trading Proprietary Limited	18,3	0,5	(8)	8
– Windfall 59 Properties Proprietary Limited	16,7	0,5	(10)	10
– Imvelo Concession Company Proprietary Limited	18,9	0,5	(1)	1
– Firefly Investments 238 Proprietary Limited	18,0	0,5	(1)	1
– Dimopoint Proprietary Limited	17,0	0,5	(9)	9
Internal rate of return:				
– GoldlinQ Holdings Proprietary Limited	10,0	0,5	(2)	2

The estimated fair value would increase or (decrease) if:

– the risk-adjusted discount rate was lower / (higher)

– the internal rate of return was lower / (higher)

50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with *IAS 32*, the Group reports financial assets and financial liabilities, on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Where relevant the Group reports derivative financial instruments and other financial assets and financial liabilities on a net basis.

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

The following table shows the impact of netting arrangements on the statement of financial position for recognised financial assets and financial liabilities that are reported net on the statement of financial position and those derivative financial instruments and other financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar agreements which did not qualify for presentation on a net basis. The table also shows potential netting not recognised on the statement of financial position that results from arrangements that do not meet all the *IAS 32* netting criteria, because there is no intention to net settle or realise simultaneously, and related financial collateral that mitigates credit risk.

The net amounts presented are not intended to represent the Group's actual credit exposure as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Amounts subject to enforceable netting arrangements Effects of netting on statement of financial position		
	Gross amounts Rm	Amounts set off Rm	Net amounts reported on the statement of financial position Rm
30 June 2016			
Derivative instruments	**20**	**–**	**20**
Cash and bank balances*	**652**	**–**	**652**
Total assets	**672**	**–**	**672**
Derivative instruments	**(27)**	**–**	**(27)**
Total liabilities	**(27)**	**–**	**(27)**
30 June 2015			
Derivative instruments	41	–	41
Cash and bank balances*	282	(5)	277
Total assets	323	(5)	318
Derivative instruments	(2)	–	(2)
Total liabilities	(2)	–	(2)

* *Relates to the offsetting of transactional banking counterparty's balances, namely the offsetting of notional bank overdrafts. The balances have been settled against the current accounts.*

** *Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.*

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

Amounts subject to enforceable netting arrangements – Related amounts not set off: Offsetting financial instruments Rm	Amounts subject to enforceable netting arrangements – Related amounts not set off: Financial collateral** Rm	Net amount Rm	Amounts not subject to enforceable netting arrange-ments Rm	Total as per statement of financial position*** Rm	Current Rm	Non-current Rm
–	**–**	**20**	**–**	**20**	**20**	**–**
–	**–**	**652**	**1 798**	**2 450**	**2 450**	**–**
–	**–**	**672**	**1 798**	**2 470**	**2 470**	**–**
–	**–**	**(27)**	**–**	**(27)**	**(27)**	**–**
–	**–**	**(27)**	**–**	**(27)**	**(27)**	**–**
–	–	41	–	41	35	6
–	–	277	2 579	2 856	2 856	–
–	–	318	2 579	2 897	2 891	6
–	–	(2)	–	(2)	(2)	–
–	–	(2)	–	(2)	(2)	–

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

51. EVENTS AFTER THE REPORTING PERIOD

Disposal of assets

Subsequent to year-end both the Aveng Capital Partners infrastructure investments and the Steeledale business sales agreements were signed. Refer to *note 20: Non-current assets held-for-sale*. These transactions are still subject to various conditions precedent. The proceeds from these transactions will be used to primarily strengthen the balance sheet of the Group to support Aveng's move to the next phase of its strategy, namely, ***positioning for profitable growth.***

52. RELATED PARTIES

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

The Group also had transactions and balances with associates, joint ventures, key management personnel, entities controlled by key management personnel and principal shareholders. These are detailed below.

There have been no significant changes to the nature of related-party transactions since 30 June 2015.

Refer to transactions with key management disclosed in *note 47: Directors' emoluments and interests.*

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

	2016 Rm	2015 Rm
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.		
Associates and joint ventures		
Loans advanced – associates and joint ventures	**65**	74
Loans advanced – infrastructure investments	**65**	208
Trade and other receivables – associates and joint ventures	**18**	13
Trade and other payables – associates and joint ventures	**(1)**	(5)
	147	290
Parent company guarantees (ZARm)	**1 489**	2 094
Parent company guarantees (AUDm)	**4 246**	5 409

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

	2016 Rm	2015 Rm
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.		
Interest paid to / (received from) related parties	**(46)**	(36)
Purchase of goods and services from principal shareholders	**–**	11
	(46)	(25)

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

53. STRUCTURED ENTITIES

53.1 Nature and extent of significant restrictions relating to investments in subsidiaries

There are significant restrictions on the ability of the Group to require distributions of capital, access the assets, or repay the liabilities of members of its group arising from statutory, regulatory and contractual requirements and from the protective rights of non-controlling interests.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements to not make distributions of capital and unrealised profits so as to maintain solvency. These requirements restrict the ability of subsidiaries to make remittances of dividends to Aveng Limited, the ultimate parent, except in the event of a legal capital reduction or liquidation.

53.2 Consolidated structured entities

During the reporting period the Group provided financial or other support to the following consolidated structured entities despite not being contractually obliged to do so:

Name	Nature of support	Reason for providing support	2016 Support provided Rm	2015 Support provided Rm
Aveng Limited Share Purchase Trust	Loans by Group companies that employ participants	The Trust is constituted to fund shares in Aveng Limited in terms of the forfeitable share plan	–	–
Qakazana Investment Holdings Proprietary Limited*	Loans by Group companies	Was to facilitate the BEE transaction	1 300	1 300

* *A provision for non-performing loans of R500 million has been raised in Aveng Limited relating to the loan to Qakazana.*

The Group has consolidated Aveng Limited Share Purchase Trust and Qakazana Investment Holdings Proprietary Limited since 1999 and 2004 respectively.

The Group does not intend to provide financial or other support to any of the Group's consolidated structured entities.

53.3 Unconsolidated structured entities

The level of risk that the Group is exposed to is determined by the nature and purpose of it holding an interest in the entity. Information about such entities has been aggregated according to the purpose for which the entity was established.

	2016 Empowerment vehicles Rm	2016 Structured investment vehicles Rm	Total Rm
Assets			
Investment in subsidiaries	–	30	30
Interest receivable	–	–	–
Cash and bank balances	3	36	39
	3	66	69
Liabilities			
Borrowings and other liabilities – internal**	*	26	26
Taxation payable	–	–	–
Other payables	–	–	–
Provisions	–	–	–
Undrawn liquidity facilities (notional value)* **	*	26	26
Maximum exposure to loss****	3	66	69

* *Less than R1 million.*

** *The loan from the Group is unsecured, interest-free and has no fixed terms of repayment.*

*** *There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interests in unconsolidated structured entities.*

**** *The Group's maximum exposure to loss can be calculated as the sum of its assets recognised in the statement of financial position.*

Notes to the consolidated financial statements continued
for the year ended 30 June 2016

53. STRUCTURED ENTITIES continued

53.3 Unconsolidated structured entities continued

	2015 Empowerment vehicles Rm	2015 Structured investment vehicles Rm	Total Rm
Assets			
Investment in subsidiaries	–	49	49
Interest receivable	*	*	*
Cash and bank balances	49	1	50
	49	50	99
Liabilities			
Borrowings and other liabilities – internal**	–	26	26
Taxation payable	*	–	*
Other payables	*	–	*
Provisions	4	–	4
	4	26	30
Undrawn liquidity facilities (notional value)* **	–	–	–
Maximum exposure to loss****	49	50	99

* *Less than R1 million.*

** *The loan from the Group is unsecured, interest-free and has no fixed terms of repayment.*

*** *There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity's interests in unconsolidated structured entities.*

**** *The Group's maximum exposure to loss can be calculated as the sum of its assets recognised in the statement of financial position.*

Financial support provided or to be provided to unconsolidated structured entities

The Group has no intention to provide further financial assistance or other support to any of the unconsolidated structured entities.

53.4 Sponsored entities

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

54. GROUP OPERATING ENTITIES

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities		
ACP Investment Managers Proprietary Limited	South Africa	100
Aimykeet Proprietary Limited	Australia	100
Andersen & Hurley Instruments (SA) Proprietary Limited	South Africa	100
Atval Proprietary Limited	South Africa	100
Aveng Proprietary Limited	Malawi	100
Aveng (Africa) Lesotho Proprietary Limited	Lesotho	100
Aveng (Africa) Proprietary Limited	South Africa	100
Aveng Australia (GCRT) Proprietary Limited	Australia	100
Aveng Australia Holdings Proprietary Limited	Australia	100
Aveng Australia Investments Proprietary Limited	Australia	100
Aveng Concessions (Mauritius) Road Limited	Mauritius	100
Aveng Construcciones Chile Limitada	Chile	100
Aveng Extractive Technologies Proprietary Limited	South Africa	51
Aveng Ghana Limited	Ghana	100
Aveng Management Company Proprietary Limited	South Africa	100
Aveng Mining DRC Société à Responsabilité Limitée	Democratic Republic of Congo	100
Aveng Moolmans Proprietary Limited	South Africa	100
Aveng Moolmans Mauritius Limited	Mauritius	100
Aveng Mozambique Limitada	Mozambique	100
Aveng Namibia Proprietary Limited	Namibia	100
Aveng Rail Australia Proprietary Limited	Australia	100
Aveng Swazi Proprietary Limited	Swaziland	100
Aveng Tanzania Limited	Tanzania	100
Aveng Trident Steel Holdings Proprietary Limited	South Africa	100
Aveng Trident Steel Proprietary Limited	South Africa	100
Aveng Water Proprietary Limited	South Africa	100
Aveng Water Australia Proprietary Limited	Australia	100
Aveng Water Treatment Proprietary Limited	Namibia	100
Aveng Zimbabwe (Private) Limited	Zimbabwe	100
Built Environs Proprietary Limited	Australia	100
Built Environs Holdings Proprietary Limited	Australia	100
Built Environs Qld Proprietary Limited	Australia	100
Built Environs WA Proprietary Limited	Australia	100
CMM Consultants Proprietary Limited	South Africa	100
Consorcio Aveng-Mas Errazuriz Société Anonyme	Chile	60
Dynamic Fluid Control Proprietary Limited	South Africa	100
Dynamic Fluid Control Water Proprietary Limited	South Africa	100
Dutco McConnell Dowell Fabrication LLC	Qatar	99
Dutco McConnell Dowell Qatar LLC	Qatar	100
E+PC Engineering & Projects Company (Zambia) Limited	Zambia	100
E+PC Engineering & Projects Company Australia Proprietary Limited	Australia	100
E+PC Engineering and Projects Company Limited	South Africa	100
EESTech Africa Proprietary Limited	South Africa	51
Ensimbini Reinforcement Proprietary Limited*	South Africa	100

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

54. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities continued		
Fort Concrete Holdings (Private) Limited	Zimbabwe	100
Fort Concrete Central (Private) Limited	Zimbabwe	100
Fort Concrete Koala (Private) Limited	Zimbabwe	100
Grinaker-LTA (Botswana) Proprietary Limited	Botswana	100
Grinaker-LTA Construction Zimbabwe (Private) Limited	Zimbabwe	100
Grinaker-LTA Construction (Zambia) Limited	Zambia	100
Grinaker-LTA Construction and Development Proprietary Limited	South Africa	100
Grinaker-LTA Engineering and Mining Services Proprietary Limited	South Africa	100
Grinaker-LTA Intellectual Property Proprietary Limited	South Africa	100
Grinaker-LTA Zimbabwe Limited	Zimbabwe	100
Grinaker Pieterse Housing Proprietary Limited	South Africa	100
Grunwald Construction Proprietary Limited	Botswana	100
Grinaker-LTA International Construction Limited	Mauritius	100
Grinaker-LTA International Holdings Limited	Mauritius	100
Grinaker-LTA Properties Proprietary Limited	South Africa	100
Hylekite Proprietary Limited	Australia	100
HRNG Properties Share Block Proprietary Limited	South Africa	100
IHIH (Private) Limited	Zimbabwe	100
Infraset Zambia Limited	Zambia	100
Karibib Mining and Construction Company (Namibia) Limited	Namibia	100
KNM Grinaker-LTA Proprietary Limited	South Africa	100
Koala Park Estates (Private) Limited	Zimbabwe	100
Lennings Rail Services Proprietary Limited	South Africa	100
Lesotho Reinforcing Proprietary Limited*	Lesotho	100
LTA Construction Kenya Limited	Kenya	100
LTA Mali Société Anonyme	Mali	100
Macintosh Property Holding Company Proprietary Limited	South Africa	100
McConnell Dowell (American Samoa) Limited	American Samoa	100
McConnell Dowell (Fiji) Limited	Fiji	100
McConnell Dowell (Malaysia) Sendirian Berhad	Malaysia	100
McConnell Dowell Proprietary Limited	Australia	100
McConnell Dowell (Thailand) Limited	Thailand	100
McConnell Dowell (UK) Limited	United Kingdom	100
McConnell Dowell Constructors (Australia) Proprietary Limited	Australia	100
McConnell Dowell Constructors (PNG) Limited	Papua New Guinea	100
McConnell Dowell Constructors Hong Kong Limited	Hong Kong, China	100
McConnell Dowell Constructors Lao Company Limited	Laos	100
McConnell Dowell Constructors Limited	New Zealand	100
McConnell Dowell Constructors Thai Limited	Thailand	100
McConnell Dowell Holdings Proprietary Limited	Australia	100
McConnell Dowell Corporation (NZ) Limited	Australia	100
McConnell Dowell Corporation Limited	Australia	100
McConnell Dowell International Limited	Hong Kong, China	100
McConnell Dowell – Kelana Sendirian Berhad	Malaysia	100

54. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %
Subsidiaries and consolidated structured entities continued		
McConnell Dowell NC Société à Responsabilité Limitée	New Caledonia	100
McConnell Dowell PDS Sendirian Berhad	Brunei	100
McConnell Dowell Philippines Incorporated	Philippines	64
McConnell Dowell Southeast Asia Private Limited	Singapore	100
McConnell Dowell Gulf Ltd	Hong Kong	100
McConnell Dowell Abu Dhabi LLC Ltd	UAE	100
Micawbar 282 Proprietary Limited	South Africa	100
Moolman Mining (Botswana) Proprietary Limited	Botswana	100
Moolman Mining Ghana Limited	Ghana	100
Moolman Mining Tanzania Limited	Tanzania	100
Moolman Mining Zambia Limited	Zambia	100
Moolmans Mining Guinea S.A	Guinea	100
Newco (Private) Limited	Zimbabwe	100
NFI Holdings Limited	Thailand	100
Perseroan Terbatas McConnell Dowell Services	Indonesia	100
Perseroan Terbatas Wanamas Puspita	Indonesia	100
Perseroan Terbatas McConnell Dowell Indonesia	Indonesia	94
Pybus 108 Proprietary Limited	South Africa	100
Qakazana Investment Holdings Proprietary Limited	South Africa	100
Richtrau 191 Proprietary Limited	South Africa	100
RF Valves Osakeyhtiö	Finland	100
RF Valves, Incorporated	United States of America	100
Steeledale Proprietary Limited	South Africa	100
Steeledale Reinforcing and Trading Namibia Proprietary Limited*	Namibia	100
Steelmetals Proprietary Limited	South Africa	100
Stockton Pipelines Limited	United Kingdom	100
Toll Highway Development Company Proprietary Limited	South Africa	100
Trident Steel Intellectual Properties Proprietary Limited	South Africa	100
Tsurumi Pumps Proprietary Limited	South Africa	100
Tweed River Entrance Sand Bypassing Company Proprietary Limited	Australia	100
Vent-O-Mat Australia Proprietary Limited	Australia	100
Vexicom Proprietary Limited	South Africa	100
Wedelin Investments 46 Proprietary Limited	South Africa	60
Associates, joint ventures and infrastructure investments		
AEF Mining Services Proprietary Limited	South Africa	30
Allied Grinaker Properties Proprietary Limited	South Africa	39
Blue Falcon 140 Trading Proprietary Limited*	South Africa	29
Dimopoint Proprietary Limited	South Africa	30
Dutco McConnellDowell Middle East LLC	United Arab Emirates	49
Dutco McConnell Dowell Saudi Arabia LLC (KSA)	Saudi Arabia	49

Notes to the consolidated financial statements continued

for the year ended 30 June 2016

54. GROUP OPERATING ENTITIES continued

Name	Country	Aveng Group effective consolidation %
Associates, joint ventures and infrastructure investments		
Firefly Investments 238 Proprietary Limited	South Africa	45
Grinaker-LTA Fair Construction SARL	Rwanda	50
Imvelo Concession Company Proprietary Limited*	South Africa	30
J S G Developments Proprietary Limited	South Africa	33
Lesedi Tracks Proprietary Limited	South Africa	25
McConnell Dowell Saudi Arabia Limited	Saudi Arabia	39
Midstream Way Investments Proprietary Limited	South Africa	40
Oakleaf Investment Holdings 86 Proprietary Limited	South Africa	50
REHM Grinaker Construction Co Limited	Mauritius	43
REHM Grinaker Properties Co Limited	Mauritius	43
RPP Developments Proprietary Limited*	South Africa	10
RPP Properties JV Proprietary Limited*	South Africa	40
Salestalk 406 Proprietary Limited	South Africa	33
Specialised Road Technologies Proprietary Limited	South Africa	15
Windfall 59 Properties Proprietary Limited*	South Africa	29
Joint operations		
ADR JV	Swaziland	80
AGLTA Enza 1 JV	South Africa	40
AGLTA Enza 2 JV	South Africa	50
AGLTA Shondoni	South Africa	100
AGLTA Trenco JV	South Africa	50
Aveng Liviero Pavilion JV	South Africa	60
Bella Bella JV	South Africa	50
Aveng Grinaker-LTA Keren Kula DEA	South Africa	75
GLTA Raillink JV	South Africa	75
GLTA Sedibeng Brewery JV	South Africa	50
Masakhane JV (R61)	South Africa	70
Medupi Power Station JV	South Africa	33

** Held-for-sale at year-end.*

Contents

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

Separate statement of financial position

as at 30 June 2016

	Notes	2016 Rm	2015 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	1	**2 225**	2 225
		2 225	2 225
Current assets			
Amounts owing by subsidiaries*	3	**7 931**	6 752
Other receivables*		**28**	18
Cash and bank balances	4	**124**	14
		8 083	6 784
TOTAL ASSETS		**10 308**	9 009
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	5	**2 340**	2 354
Reserves		**233**	351
Retained earnings		**5 852**	4 307
		8 425	7 012
Liabilities			
Non-current liabilities			
Deferred taxation	2	**84**	–
Borrowings and other liabilities	6	**1 586**	1 506
		1 670	1 506
Current liabilities			
Amounts owing to subsidiaries	3	**48**	336
Borrowings and other liabilities*	6	**145**	145
Other payables	7	**18**	10
Taxation payable	15	**2**	–
		213	491
TOTAL LIABILITIES		**1 883**	1 997
TOTAL EQUITY AND LIABILITIES		**10 308**	9 009

** The Company will continue to measure the loan at amounts which were initially advanced, as the Company is unable to reasonably estimate the timing of cash flows.*

Separate statement of comprehensive earnings

for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Other earnings		**1 621**	22
Operating expenses		**(40)**	(167)
Net operating earnings / (loss)	8	**1 581**	(145)
Finance earnings	9	**207**	277
Interest on convertible bonds	6	**(225)**	(167)
Other finance expenses	10	**(38)**	(55)
Earnings / (loss) before taxation		**1 525**	(90)
Taxation	11	**20**	(11)
Earnings / (loss) for the period		**1 545**	(101)
Other comprehensive earnings for the period		**–**	–
Total comprehensive earnings / (loss) for the period		**1 545**	(101)
Results per share (cents)			
Earnings / (loss) – basic	12	**388,8**	(25,2)
Earnings / (loss) – diluted	12	**362,0**	(25,1)
Number of shares (millions)			
In issue	12	**416,7**	416,7
Weighted average	12	**397,4**	400,6
Diluted weighted average	12	**471,6**	402,1

Separate statement of changes in equity

for the year ended 30 June 2016

	Share capital Rm	Share premium Rm	Total share capital Rm	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	Convertible bond equity reserve Rm	Total reserves Rm	Retained earnings Rm	Total equity Rm
Balance at 1 July 2014	20	2 319	2 339	26	(54)	–	(28)	4 408	6 719
Loss for the year	–	–	–	–	–	–	–	(101)	(101)
Total comprehensive loss for the period	–	–	–	–	–	–	–	(101)	(101)
Purchase of treasury shares	–	(7)	(7)	–	–	–	–	–	(7)
Equity-settled share-based payment release	–	22	22	(22)	–	–	(22)	–	–
Equity-settled share-based payment charge for the period	–	–	–	11	–	–	11	–	11
Transfer of convertible bond option to convertible bond equity reserve	–	–	–	–	–	402	402	–	402
Deferred transaction costs allocated to convertible bond equity reserve	–	–	–	–	–	(12)	(12)	–	(12)
Total contributions by and distribution to owners of company recognised directly in equity	–	15	15	(11)	–	390	379	–	394
Balance at 1 July 2015	**20**	**2 334**	**2 354**	**15**	**(54)**	**390**	**351**	**4 307**	**7 012**
Earnings for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 545**	**1 545**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 545**	**1 545**
Purchase of treasury shares	**–**	**(23)**	**(23)**	**–**	**–**	**–**	**–**	**–**	**(23)**
Equity-settled share-based payment release	**–**	**9**	**9**	**(9)**	**–**	**–**	**(9)**	**–**	**–**
Equity-settled share-based payment charge	**–**	**–**	**–**	**13**	**–**	**–**	**13**	**–**	**13**
Recognition of deferred tax on convertible bond	**–**	**–**	**–**	**–**	**–**	**(122)**	**(122)**	**–**	**(122)**
Total contributions by and distribution to owners of company recognised directly in equity	**–**	**(14)**	**(14)**	**4**	**–**	**(122)**	**(118)**	**–**	**(132)**
Balance at 30 June 2016	**20**	**2 320**	**2 340**	**19**	**(54)**	**268**	**233**	**5 852**	**8 425**
Notes	5	5	5			6			

Separate statement of cash flows

for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Operating activities			
Cash utilised from operations	14	**(20)**	(18)
Non-cash and other movements	16	**13**	11
Cash utilised by operations		**(7)**	(7)
Increase in other receivables		**(10)**	(16)
Increase / (decrease) in other payables		**5**	(3)
Total changes in working capital		**(5)**	(19)
Cash utilised by operating activities		**(12)**	(26)
Finance expenses paid	17	**(178)**	(91)
Finance earnings received	18	**207**	256
Taxation paid	15	**(16)**	–
Cash inflow from operating activities		**1**	139
Dividend earnings	8	**1 618**	22
Cash inflow from investing activities		**1 618**	22
Operating free cash inflow		**1 619**	161
Financing activities with equity-holders			
Shares repurchased	5	**(23)**	(7)
Financing activities with debt-holders			
Proceeds from convertible bonds		**–**	1 947
Repayment of borrowings		**–**	(1 315)
Increase in amounts owing by subsidiaries		**(1 486)**	(776)
Net increase in cash and bank balances		**110**	10
Cash and bank balances at beginning of the period		**14**	4
Total cash and bank balances at the end of the period	4	**124**	14
Borrowings excluding bank overdrafts		**1 731**	1 651
Net cash position		**(1 607)**	(1 637)

Notes to the separate financial statements
for the year ended 30 June 2016

1. INVESTMENTS IN SUBSIDIARIES

Name of company	Country	% holding 2016	2016 Rm	2015 Rm
Aveng Australia Holdings Proprietary Limited	Australia	**100,00**	**1 148**	1 148
Aveng (Africa) Proprietary Limited	South Africa	**75,00**	**1 058**	1 058
Grinaker-LTA Properties Proprietary Limited	South Africa	**100,00**	*****	*
Grinaker-LTA Intellectual Property Proprietary Limited	South Africa	**100,00**	**15**	15
Qakazana Investment Holdings Proprietary Limited	South Africa	**100,00**	**-**	–
Richtrau 191 Proprietary Limited	South Africa	**100,00**	*****	*
Steelmetals Proprietary Limited	South Africa	**100,00**	**4**	4
Aveng Trident Steel Holdings Proprietary Limited	South Africa	**75,00**	*****	*
Aveng Management Company Proprietary Limited	South Africa	**100,00**	*****	*
			2 225	2 225

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

* *Amounts are less than R1 million.*

2. DEFERRED TAXATION

	2016 Rm	2015 Rm
Balance at year-end comprises		
Convertible bond	**(84)**	–
	(84)	–
Reconciliation of deferred taxation liabilities		
At the beginning of the year	**–**	11
Transfer from statement of comprehensive earnings – current year	**20**	*
Transfer from statement of comprehensive earnings – prior year	**18**	(11)
Accounted for directly in equity	**(122)**	–
	(84)	–

* *Amounts are less than R1 million.*

Unused taxation losses

As at June 2016 the Company had unused taxation losses of R1 million (2015: Rnil million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the uncertainty of future taxable profits.

		2016 Rm	2015 Rm
3.	**AMOUNTS OWING BY / (TO) SUBSIDIARIES**		
	Reconciliation of amounts owing by subsidiaries		
	Opening balance	**6 752**	5 863
	Current year movement	**1 179**	889
	Balance at the end of the year	**7 931**	6 752
	Reconciliation of amounts owing to subsidiaries		
	Opening balance	**(336)**	(95)
	Current year movement	**288**	(241)
	Balance at the end of the year	**(48)**	(336)
	Interest-bearing loans to subsidiaries	**7 107**	5 909
	Non-interest-bearing loans to subsidiaries	**824**	843
	Non-interest-bearing loans from subsidiaries	**(48)**	(336)
	Net amounts owing by subsidiaries	**7 883**	6 416
	Current assets	**7 931**	6 752
	Current liabilities	**(48)**	(336)
	Net amounts owing by subsidiaries	**7 883**	6 416

A provision for impairment of R19 million (2015: R149 million) relating to the loan to Aveng Management Company Proprietary Limited was raised during the year. The provision was due to the entity having a negative equity balance of R189 million (2015: R170 million).

The total allowance for non-performing loans relating to amounts owing by subsidiaries amounted to R689 million (2015: R670 million), R500 million of the allowance relates to the impairment of Qakazana Investment Holdings raised in previous years.

A premium of 0% (2015: 3,5%) is charged on the interest rate used by applicable financial institutions.

Refer to *note 20: Related parties.*

Notes to the separate financial statements continued

for the year ended 30 June 2016

		2016 Rm	2015 Rm
4.	**CASH AND BANK BALANCES**		
	Cash and bank balances	**124**	14
5.	**SHARE CAPITAL AND SHARE PREMIUM**		
	Authorised		
	882 034 263 ordinary shares of 5 cents each	**44**	44
	Issued		
	Share capital (411 371 077 ordinary shares of 5 cents each)	**20**	20
	Share premium	**2 320**	2 334
	Share capital and share premium	**2 340**	2 354
	Share premium		
	Opening balance	**2 334**	2 319
	Purchase of 4 294 700 (2015: 491 000) treasury shares in terms of equity-settled share-based payment plan	**(23)**	(7)
	279 200 (2016: 625 285) forfeitable share plan ("FSP") shares vested during the year	**9**	22
		2 320	2 334
	Shares held in terms of equity-settled share-based payment plan		
	– Number of shares	**5 299 854**	1 284 354
	– Market value (Rm)	**19**	7

		Number of shares	Number of shares
	Reconciliation of number of shares issued		
	Number of shares in issue	**416 670 931**	416 670 931
	Closing balance – shares of 5 cents each	**416 670 931**	416 670 931
	Less: Treasury shares held in terms of the equity-settled share-based payment plan	**(5 299 854)**	(1 284 354)
	Number of shares in issue less treasury shares	**411 371 077**	415 386 577

		2016 Rm	2015 Rm
6.	**BORROWING AND OTHER LIABILITIES**		
	Held at amortised cost		
	Interest-bearing borrowings	**1 731**	1 651
	Non-current liabilities		
	At amortised cost	**1 586**	1 506
	Current liabilities		
	At amortised cost	**145**	145
		1 731	1 651
	Fixed interest-bearing borrowings comprise:		
	Payment profile financial		
	– within one year	**145**	145
	– from two to five years	**1 586**	1 506
		1 731	1 651

6. BORROWING AND OTHER LIABILITIES continued

Description	Terms	Rate of interest	2016 Rm	2015 Rm
Convertible bond	Interest coupon payable bi-annually until July 2019	Coupon of 7,25%	**1 731**	1 651
Total interest-bearing borrowings			**1 731**	1 651

2016	**Convertible bond liability Rm**	**Convertible bond equity reserve Rm**	**Total Rm**
Opening balance	**1 651**	**390**	**2 041**
Coupon bi-annual payment	**(145)**	**–**	**(145)**
Recognition of deferred tax on convertible bond	**–**	**(122)**	**(122)**
Interest determined with the effective interest rate*	**225**	**–**	**225**
Accrual of coupon interest for convertible bond	**145**	**–**	**145**
Unwinding of liability owing to:			
– Transaction costs capitalised	**7**	**–**	**7**
– Effect of fair value adjustment of derivative liability	**6**	**–**	**6**
– Effect of fair value of conversion option reclassification to equity	**67**	**–**	**67**
	1 731	**268**	**1 999**

2015	**Convertible bond liability Rm**	**Derivative liability Rm**	**Convertible bond equity reserve Rm**	**Total Rm**
Issued July 2014	1 562	438	–	2 000
Transaction costs	(41)	–	–	(41)
Fair value adjustment to comprehensive earnings	(73)	–	–	(73)
Transfer to equity*	–	(36)	402	366
Transaction costs allocated to equity component	–	(402)	(12)	(414)
Interest determined with the effective interest rate*	203	–	–	203
Accrual of coupon interest for convertible bond	136	–	–	136
Unwinding of liabilities owing to:				
– Transaction costs capitalised	6	–	–	6
– Effect of fair value adjustment of derivative liability	5	–	–	5
– Effect of fair value of conversion option reclassification to equity	56	–	–	56
	1 651	–	390	2 041

** Interest on convertible bond.*

Notes to the separate financial statements continued

for the year ended 30 June 2016

		2016 Rm	2015 Rm
7.	**OTHER PAYABLES**		
	Shareholders for dividends	**6**	8
	Other*	**12**	2
		18	10
	** Other includes interest payable and expense accruals.*		
8.	**NET OPERATING EARNINGS**		
	Net operating earnings for the year is stated after accounting for the following:		
	Bank charges	**–**	(4)
	Directors' fees	**(10)**	(8)
	Dividend earnings	**1 618**	22
	Provision for non-performing loans	**(19)**	(149)
9.	**FINANCE EARNINGS**		
	Amounts owing by subsidiaries	**206**	276
	Cash and bank balances	**1**	1
		207	277
10.	**OTHER FINANCE EXPENSES**		
	Interest on borrowings	**24**	55
	Transaction costs	**14**	
		38	55
11.	**TAXATION**		
	Major components of the taxation expense / (income)		
	Current		
	Local income taxation – recognised in current taxation for prior periods	**18**	–
	Deferred		
	Deferred taxation – current period	**(20)**	11
	Deferred taxation – arising from prior period adjustment	**(18)**	–
		(20)	11
	Reconciliation between applicable taxation rate and effective taxation rate:	**%**	%
	Applicable taxation rate	**28,0**	28,0
	Prior period adjustments	**0,0**	(11,5)
	Exempt income*	**(29,7)**	18,0
	Disallowable charges	**0,4**	(46,2)
	Effective taxation rate for the year	**(1,3)**	(11,7)
	** The items impacting the tax rate in this regard relate mainly to dividends received.*		

		2016 Number of shares	2016 Weighted average number of shares	2015 Number of shares	2015 Weighted average number of shares
12.	**EARNINGS PER SHARE**				
	Opening balance	**416 670 931**	**416 670 931**	416 670 931	416 670 931
		416 670 931	**416 670 931**	416 670 931	416 670 931
	Less: Treasury shares				
	Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
	Aveng Management Company Proprietary Limited	**(8 586 593)**	**(8 586 593)**	(8 586 593)	(8 586 593)
	Equity-settled share-based payment plan	**(5 299 854)**	**(4 658 538)**	(1 284 354)	(1 421 433)
	Total treasury shares	**(19 904 833)**	**(19 263 517)**	(15 889 333)	(16 026 412)
	Weighted average number of shares	**396 766 098**	**397 407 414**	400 781 598	400 644 519
	Add: Contingently issuable shares in terms of BEE				
	Add: Contingently issuable shares in terms of the equity-settled share-based payment plan	**5 299 854**	**4 658 538**	1 284 354	1 421 433
	Add: Contingently issuable shares in terms of convertible bond	**69 541 029**	**69 541 029**	–	–
	Diluted weighted average number of shares in issue*	**471 606 981**	**471 606 981**	402 065 952	402 065 952

	2016 Rm	2015 Rm
Determination of diluted earnings		
Earnings / (loss) for the period attributable to equity-holders of the parent	**1 545**	(101)
Add: Interest on convertible bonds (net of taxation)	**162**	–
Diluted earnings / (loss) for the period attributable to equity-holders of the parent	**1 707**	(101)*
Earnings / loss per share – basic (cents)	**388,8**	(25,2)
Earnings / loss per share – diluted (cents)	**362,0**	(25,1)

* *The convertible bonds were anti-dilutive for the year ended 30 June 2015 and have therefore not been included in the calculation of diluted number of shares.*

13. EQUITY-SETTLED SHARE-BASED PAYMENT

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.

	2016	2015
Opening balance	**15**	26
Equity-settled share-based payment	**13**	11
Equity-settled shares vested	**(9)**	(22)
	19	15

Forfeitable share plan

In terms of the Company FSP, senior executives of the Company, including executive directors, are granted shares in the Company for no consideration. The provision of shares will initially serve as a retention mechanism but can in future be used as an incentive mechanism with retention awards only made on an ad hoc basis as and when required. As such, there are no other performance conditions attaching to awards made to date. Vesting of the awards will be subject to the satisfaction of performance conditions measured over the performance period of three years. These shares 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 third anniversary of the award date.

On resignation, the employee will forfeit all unvested shares. On death, retrenchment, sale of employer company, disability or retirement, only a portion of the shares will vest, calculated based on the number of months worked over the total vesting period, subject to the satisfaction of performance conditions, if any are applicable at that stage. The plan is settled in shares and therefore is equity settled. There are no portions of the plan that have been cash settled.

Notes to the separate financial statements continued

for the year ended 30 June 2016

13. EQUITY-SETTLED SHARE-BASED PAYMENT continued

	Number of shares 2016	Number of shares 2015
The movements during the year were as follows:		
Opening balance	**1 284 354**	1 418 639
Shares granted*	**4 294 700**	491 000
Shares vested / exercised	**(279 200)**	(625 285)
Shares forfeited**	**(116 782)**	–
	5 183 072	1 284 354
Average share price (R)	**5,15**	20,18
Total value of forfeitable shares issued during the year to employees (Rm)	**22**	11

* *The shares were purchased on the market in the name of the participants and are currently held in escrow accounts.*

** *The forfeited shares are held by the scheme in the escrow account, they will be reallocated to the participants at the next grant date.*

This scheme has been replaced by the Aveng Long Term Incentive Plan ("LTIP") approved at the AGM in October 2015.

		Note	2016 Rm	2015 Rm
14.	**CASH UTILISED FROM OPERATIONS**			
	Profit / (loss) before taxation		**1 525**	(90)
	Adjustments for:			
	Dividend earnings		**(1 618)**	(22)
	Finance earnings		**(207)**	(277)
	Finance and transaction expenses paid		**263**	222
	Allowance for impairment		**19**	149
	Sundry income		**(2)**	–
			(20)	(18)
15.	**TAXATION PAID**			
	Amounts charged to the statement of comprehensive earnings – normal tax	11	**(18)**	*
	Amounts unpaid at the end of period		**2**	–
			(16)	*
	* *Amounts are less than R1 million.*			
16.	**NON-CASH AND OTHER MOVEMENTS**			
	Movement in equity-settled share-based payment reserve		**13**	11
17.	**FINANCE AND TRANSACTION EXPENSES PAID**			
	Amounts charged to the statement of comprehensive earnings		**(263)**	(222)
	Movement in accrued finance expenses		**85**	131
			(178)	(91)
18.	**FINANCE EARNINGS RECEIVED**			
	Amounts charged to the statement of comprehensive earnings		**207**	277
	Movement in accrued finance earnings		**–**	(21)
			207	256

19. CONTINGENT LIABILITIES

Contingent liabilities at reporting date, not otherwise provided for in the financial statements, arising from:

	2016	2015
Parent company guarantees issued in:		
– South Africa and rest of Africa (ZARm)	**4**	26
– Australasia and Asia (AUDm)	**521**	1 215

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.

20. 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.

	2016 Rm	2015 Rm
Related-party balances		
Net indebtedness due by / (to) subsidiaries		
Aveng Management Company Proprietary Limited	**31**	50
Aveng (Africa) Proprietary Limited	**6 365**	5 668
Qakazana Investment Holdings Proprietary Limited*	**793**	793
Steelmetals Proprietary Limited	**–**	(47)
Aveng Australia Holdings Proprietary Limited	**742**	–
Aveng Limited Share Purchase Trust	**(48)**	(48)
	7 883	6 416
Related-party transactions		
Finance earnings		
Aveng (Africa) Proprietary Limited	**172**	276
Aveng Australia Holdings Proprietary Limited	**34**	–
	206	276
Dividend earnings		
Aveng Trident Steel Holdings Proprietary Limited	**1 571**	–
Steelmetals Proprietary Limited	**47**	22
	1 618	22

** Structured entity.*

21. RISK MANAGEMENT

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

The Company actively monitors the following risks:

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 2015 and 30 June 2016.

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 R8 425 million (2015: R7 012 million).

Liquidity risk

At year-end, the Group had two revolving credit facilities, R1 billion and R500 million from Absa and Nedbank, respectively. Both of these were undrawn at year-end.

The 18-month revolving credit bridge facility of R1 billion that was secured in the 2014 year had expired as at the 2016 year-end upon the finalisation of the property sale.

During July 2014, the Company issued convertible bonds denominated in South Africa Rand with a nominal value of R2 billion and a coupon rate of 7,25% with the bond repayment date being five years from the issue date at par plus interest or convertible into shares.

As a result of the issuance of the convertible bond, the Company extended its debt repayment profile.

The extension of the Company's debt repayment profile and the undrawn facilities at year-end have resulted in the Company's exposure to liquidity risk being decreased.

Notes to the separate financial statements continued

for the year ended 30 June 2016

21. RISK MANAGEMENT continued

Interest rate risk

The Company's exposure to interest rate risk relates to the Company's debt obligations with variable interest rates. The Company's policy is to manage interest rate risk through both fixed and variable, long and short instruments.

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

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

For the year ended 30 June 2016, the Company had no exposure to interest rate risk as the Company had no variable interest rate obligations. The only obligation related to the convertible bond which is repayable semi-annually at a fixed interest rate.

Credit risk

The Company's only material exposure to credit risk is in its cash balances (refer to *note 4: 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 the cash and bank balance notes. There was no collateral held on the above balances as at year-end, an impairment of R19 million (2015: R149 million) was provided for.

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.

Borrowing capacity

The Company's borrowings capacity is unlimited in terms of the Company's memorandum of incorporation.

	2016 Rm	2015 Rm
The Company had the following undrawn facilities:		
Total borrowing facilities (includes bank overdraft facility of R435 million (2015: R859 million))	**3 666**	5 510
Current utilisation	**(1 731)**	(1 651)
Borrowing facilities available	**1 935**	3 859

Maturity profile of financial instruments

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

Financial instruments	Less than one year Rm	One to five years Rm	Beyond five years Rm	Total Rm
2016				
Non-derivative financial liabilities				
Interest bearing borrowings	**256**	**1 764**	**–**	**2 020**
Amounts owing to subsidiaries	**48**	**–**	**–**	**48**
Other payables	**18**	**–**	**–**	**18**
	322	**1 764**	**–**	**2 086**
2015				
Non-derivative financial liabilities				
Interest bearing borrowings	80	1 920	–	2 000
Amounts owing to subsidiaries	336	–	–	336
Other payables	10	–	–	10
	426	1 920	–	2 346

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 Company's financial statements which significantly affects the financial position of the Company as at 30 June 2016 or the results of its operations or cash flows for the year then ended.

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