



Providing a better life



Creating value

Summarised consolidated
annual financial statements
for the year ended 30 June 2021

SALIENT FEATURES – FINANCIAL PERFORMANCE

for the year ended 30 June 2021



Core revenue
(McConnell Dowell and Moolmans)

R20,9 billion

Increase from R14,2 billion

Work in hand

R25,3 billion

Compared to R26,8 billion
at June 2020

Operating earnings

R536 million

Increase from R532 million loss
for the period ended June 2020

Operating free cash flow

R1,5 billion inflow

June 2020: R5 million outflow

**Interest-bearing borrowings
held at amortised cost**

R879 million

Decreased by R1 billion from
R1,9 billion in June 2020

Net cash position

R1,1 billion

Net debt position of R1,0 billion at
30 June 2020

**Earnings attributable to
equity holders of the parent**

R990 million

Increase from R1,1 billion loss for the
period ended 30 June 2020

Headline earnings

R751 million

Increase from R950 million loss
at 30 June 2020

Earnings per share

2,7 cents

Improvement from 4,6 cents loss
per share (restated) at 30 June 2020

Headline earnings per share

2,0 cents

Improvement of 6,0 cents from
4,0 cents loss per share
at 30 June 2020

SALIENT FEATURES – SEGMENTAL ANALYSIS

for the year ended 30 June 2021

Net operating earnings / (loss) – segmental analysis

	FY21 Rm	FY20 Rm	Change %
Construction and Engineering: Australia and Asia*	312	(162)	>100
Mining	239	38	>100
Construction and Engineering: South Africa and rest of Africa	(164)	(174)	6
Aveng Construction: South Africa	(164)	(174)	6
Manufacturing and Processing	271	(41)	>100
Aveng Steel	247	13	>100
Aveng Manufacturing	24	(54)	>100
Other and Eliminations	(122)	(193)	37
Net operating earnings / (loss)	536	(532)	>100
Earnings / (loss) attributable to equity-holders of the parent	990	(1 119)	>100
Headline earnings / (loss)	751	(950)	>100

* Includes a claims write-down of R227 million in June 2020.

Revenue per operating group



Work in hand per operating group



SUMMARISED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Notes	2021 Rm	2020 Rm
ASSETS			
Non-current assets			
Goodwill arising on consolidation		100	100
Intangible assets		11	15
Property, plant and equipment		2 800	3 180
Equity-accounted investments		30	35
Infrastructure investments		257	259
Derivative instruments		–	1
Deferred taxation		725	813
Lease receivables		38	–
Long-term receivables		–	43
		3 961	4 446
Current assets			
Inventories		211	187
Derivative instruments		–	9
Amounts due from contract customers	9	3 398	2 531
Trade and other receivables		327	358
Taxation receivable		37	41
Lease receivables		3	–
Cash and bank balances		2 519	1 755
		6 495	4 881
Assets Held for Sale	10	1 989	2 309
TOTAL ASSETS		12 445	11 636
EQUITY AND LIABILITIES			
Equity			
Stated capital	11	4 747	3 874
Other reserves		847	1 102
Accumulated losses		(2 153)	(3 143)
Equity attributable to equity-holders of parent		3 441	1 833
Non-controlling interest		7	7
TOTAL EQUITY		3 448	1 840
Liabilities			
Non-current liabilities			
Deferred taxation		152	166
Borrowings and other liabilities	12	856	1 313
Payables other than contract-related		94	104
Employee-related payables		338	330
		1 440	1 913
Current liabilities			
Amounts due to contract customers	9	1 657	1 290
Borrowings and other liabilities	12	542	1 067
Payables other than contract-related		66	44
Employee-related payables		276	243
Trade and other payables		3 441	2 764
Bank overdrafts		–	424
		5 982	5 832
Liabilities Held for Sale	10	1 575	2 051
TOTAL LIABILITIES		8 997	9 796
TOTAL EQUITY AND LIABILITIES		12 445	11 636

SUMMARISED STATEMENT OF COMPREHENSIVE EARNINGS

for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Revenue		25 709	20 878
Continuing operations		21 511	14 185
Discontinued operations	5	4 198	6 693
Cost of sales		(23 744)	(19 907)
Continuing operations		(19 979)	(13 305)
Discontinued operations	5	(3 765)	(6 602)
Gross earnings		1 965	971
Other earnings		268	163
Continuing operations		160	37
Discontinued operations	5	108	126
Operating expenses		(1 675)	(1 647)
Continuing operations		(1 405)	(1 217)
Discontinued operations	5	(270)	(430)
Loss from equity-accounted investments*		(22)	(19)
Operating earnings / (loss)		536	(532)
Impairment loss on goodwill, intangible assets and property, plant and equipment	7	(241)	(147)
Impairment on equity-accounted investments	7	–	(21)
Impairment loss on long-term receivables	7	(26)	–
Gain on disposal of assets Held for Sale		28	24
Gain on disposal of subsidiaries	14	–	10
Gain on disposal of property, plant and equipment and intangible assets		10	61
Gain on early redemption of borrowings and other liabilities		486	–
Fair value adjustment on properties and disposal groups classified as Held for Sale	5 / 10	611	(13)
Earnings / (loss) before financing transactions		1 404	(618)
Interest earned on bank balances**		19	32
Other finance expenses		(394)	(461)
Earnings / (loss) before taxation		1 029	(1 047)
Taxation	15	(41)	(69)
Earnings / (loss) for the period		988	(1 116)
Earnings / (loss) from continuing operations		312	(825)
Earnings / (loss) from discontinued operations	5	676	(291)
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		(265)	318
Other comprehensive (loss) / earnings for the period, net of taxation		(265)	318
Total comprehensive earnings / (loss) for the period		723	(798)
Total comprehensive earnings / (loss) for the period attributable to:			
Equity-holders of the parent		723	(798)
Non-controlling interest		–	–
		723	(798)
Earnings / (loss) for the period attributable to:			
Equity-holders of the parent		990	(1 119)
Non-controlling interest		(2)	3
		988	(1 116)
Other comprehensive (loss) / earnings for the period, net of taxation			
Equity-holders of the parent		(267)	321
Non-controlling interest		2	(3)
		(265)	318

* This amount represents the loss from continuing and discontinued operations.

**Interest earned on bank balances is calculated using an effective interest rate.

SUMMARISED STATEMENT OF COMPREHENSIVE EARNINGS CONTINUED

for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Results per share (cents)			
From continuing and discontinued operations			
Earnings / (loss) – basic	8	2,7	(4,6)
Earnings / (loss) – diluted	8	2,4	(4,6)
From continuing operations			
Earnings / (loss) – basic	8	0,8	(3,4)
Earnings / (loss) – diluted	8	0,8	(3,4)
From discontinued operations			
Earnings / (loss) – basic	5/8	1,8	(1,5)
Earnings / (loss) – diluted	5/8	1,7	(1,5)
Number of shares (millions)*			
In issue	8	64 741,7	19 394,5
Weighted average	8	36 959,9	24 097,1
Diluted weighted average	8	40 447,9	24 097,1

The continuing and discontinued operations' earnings before interest, depreciation and amortisation for the Group, being net operating earnings before interest, tax, depreciation and amortisation, is R1 463 million. The earnings before interest, tax, depreciation and amortisation (EBITDA) for the Group in June 2020 was R362 million.

* As discussed in note 11: Stated capital, the Group undertook a renounceable rights offer to raise up to R300 million, to qualifying shareholders. The rights offer consisted of 20 000 000 000 rights offer shares in the ratio of 103,12203 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on Tuesday, 23 February 2021 and at a price of 1,5 cents per rights offer share. This included as many Class A shares as required to be issued to the co-underwriters to secure the minimum required subscription per fund, in terms of the underwriting agreement. The total number of rights offer shares subscribed for and excess allocations applied for was 25 262 843 702 ordinary shares and 725 472 919 class A shares.

Further to this, the Group undertook a follow-on renounceable rights offer to raise up to R100 million, to qualifying shareholders. The rights offer consisted of 6 666 666 668 rights offer shares in the ratio of 11,47941 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on Friday, 21 May 2021 and at a price of 1,5 cents per rights offer share. The total number of rights offer shares subscribed for was 4 914 149 950 ordinary shares and 1 752 516 718 class A shares.

SUMMARISED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2020

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm
Year ended 30 June 2020			
Balance at 1 July 2019 as previously reported	3 874	741	40
Adoption of <i>IFRS 16</i> accounting standard*	–	–	–
Balance at 1 July 2019	3 874	741	40
(Loss) / earnings for the period	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	321	–
Total comprehensive loss for the period	–	321	–
Balance as at 30 June 2020	3 874	1 062	40
Year ended 30 June 2021			
Balance at 1 July 2020	3 874	1 062	40
Loss for the period	–	–	–
Other comprehensive loss for the period (net of taxation)	–	(267)	–
Total comprehensive earnings for the period	–	(267)	–
Equity-settled share-based payments – shares granted	–	–	20
Equity-settled share-based payments – shares vested	8	–	(8)
Share issue – Rights to qualifying shareholders (15 March 2021)**	759	–	–
Share issue – Class A shares (15 March 2021)**	11	–	–
Share issue — Rights to qualifying shareholders (7 June 2021)	74	–	–
Share issue – Class A shares (7 June 2021)	21	–	–
Total contributions and distributions recognised	873	–	12
Balance at 30 June 2021	4 747	795	52
Note	11		

* The adoption of *IFRS 16* has reduced the accumulated losses opening balance by R184 million. Prior year balances have not been restated.

** Inclusive of R23 million transaction costs capitalised.

	Total other reserves Rm	Accumulated losses Rm	Total attributable to equity-holders of the parent Rm	Non- controlling interest Rm	Total equity Rm
	781	(2 208)	2 447	7	2 454
	–	184	184	–	184
	781	(2 024)	2 631	7	2 638
	–	(1 119)	(1 119)	3	(1 116)
	321	–	321	(3)	318
	321	(1 119)	(798)	–	(798)
	1 102	(3 143)	1 833	7	1 840
	1 102	(3 143)	1 833	7	1 840
	–	990	990	(2)	988
	(267)	–	(267)	2	(265)
	(267)	990	723	–	723
	20	–	20	–	20
	(8)	–	–	–	–
	–	–	759	–	759
	–	–	11	–	11
	–	–	74	–	74
	–	–	21	–	21
	12	–	885	–	885
	847	(2 153)	3 441	7	3 448

SUMMARISED STATEMENT OF CASH FLOWS for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Operating activities			
Cash retained / (utilised) from operations		1 369	(624)
Non-cash and other movements	16	(649)	110
Cash retained / (utilised) from operations after non-cash movements		720	(514)
Depreciation		923	885
Amortisation		4	9
Cash generated by operations		1 647	380
Changes in working capital:			
(Increase) / decrease in inventories		(6)	28
Increase in amounts due from contract customers		(627)	(57)
Decrease / (increase) in trade and other receivables		43	(85)
Increase in amounts due to contract customers		367	449
Increase / (decrease) in trade and other payables		475	(160)
Decrease / (increase) in derivative instruments		10	(11)
Increase / (decrease) in payables other than contract-related		–	12
Increase in employee-related payables		(20)	87
Increase in working capital held for sale		386	103
Total changes in working capital		628	366
Cash generated by operating activities		2 275	746
Finance expenses paid		(345)	(449)
Finance earnings received		19	32
Taxation paid		(37)	(50)
Cash inflow from operating activities		1 912	279
Investing activities			
Acquisition of property, plant and equipment – expansion		(9)	(3)
Acquisition of property, plant and equipment – replacement		(810)	(759)
Proceeds on disposal of property, plant and equipment		174	143
Proceeds on disposal of assets Held for Sale		90	110
Proceeds on disposal of subsidiaries		–	116
Capital expenditure net of proceeds on disposal		(555)	(393)

	2021 Rm	2020 Rm
Dividends received	57	25
Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale	96	84
Cash outflow from investing activities	(402)	(284)
Operating free cash inflow / (outflow)	1 510	(5)
Financing activities with equity-holders		
Proceeds from shares issued	865	–
Financing activities with debt-holders		
Repayment of external borrowings	(870)	(390)
Proceeds from external borrowings	271	115
Payment of capital portion of lease liabilities	(262)	(158)
Payment of capital portion of lease liabilities – Held for Sale	(73)	(57)
Cash outflow from financing activities	(69)	(490)
Net increase / (decrease) in cash and bank balances before foreign exchange movements	1 441	(495)
Foreign exchange movements on cash and bank balances	(253)	221
Cash and bank balances at the beginning of the period	1 331	1 605
Total cash and bank balances at the end of the period	2 519	1 331
Borrowings excluding bank overdrafts	1 398	2 380
Net cash / (debt) position	1 121	(1 049)

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

1. CORPORATE INFORMATION

The summarised consolidated financial statements (results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the period ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 27 August 2021.

Nature of business

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

Change in directorate

Mr Bradley Meyer was appointed as independent non-executive director with effect from 28 May 2021.

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

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

Basis of preparation

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

The summarised consolidated financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest million (Rm) except where otherwise indicated. The accounting policies adopted are consistent with those of the previous year as well as the Group's interim results as at 31 December 2020, except as disclosed in *note 4: Standards and interpretations effective and not yet effective* of the Group's summarised consolidated financial statements.

The summarised consolidated financial results do not include all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at 30 June 2021, which are available on the Company's website, www.aveng.co.za.

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

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

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

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

Changes to Group accounting policies

A number of other new standards and interpretations are effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

3.1 Judgements and estimation assumptions

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

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

3.1.1 Deferred taxation

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

3.1.2 Amounts due from / (to) 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. Positions related to long outstanding contract positions have been judged in conjunction with legal advice and potential timeframes associated with legal action.

Refer to *note 9: Amounts due from / (to) contract customers* for further detail.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.3 Loss-making and onerous contracts

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

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

3.1.4 Provision for expected credit losses

Provision for expected credit losses – specific debtors

The Group estimates the level of provision for expected credit losses for specific debtors on an ongoing basis based on historical experience, as well as other specific relevant factors.

Provision for expected credit losses

The Group uses a probability of default/loss-given-default/exposure-at-default (PD/LGD/EAD) approach to calculate expected credit losses (ECLs) for trade receivables and contract assets. The Group segments its portfolio of trade receivables and contract assets into various segments based on shared risk characteristics to ensure homogenous grouping of counterparties. The classification of counterparties into the various segments is based on judgement, however, is limited to categories established in *Basel III Accord* and SARB regulations (ie externally rated entity, unrated public institutions, other unrated corporate entities, and other unrated retail entities), as well as the country of operation of the counterparty to appropriately classify the counterparty into various risk-based segments based on external rating agencies' categorisation of sovereign debt.

The probability of default (PD) (defined by the Group as the probability that a pool of obligors that are included in the 0 – 90 days past due category; and the 90 days past due category, that will default in the next 12 months) is established by applying a benchmark approach using applicable segment's average PD as obtained from external rating agencies based on the classifications established above. The Group applies judgement through a regression model to adjust the estimated PD using historical information and historical default rates. The Group uses external rating agencies historical PDs to generate forward-looking PDs for each segment identified above.

Each established segment in the Group uses judgement to adjust the average LGDs found in the *AIRB banks of South Africa's Pillar 3 reports* in order to remove the securitisation (collateral), overhead costs and downturn components, inherently included within.

3. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

3.1 **Judgements and estimation assumptions** continued

3.1.4 **Trade and other receivables and contract receivables** continued

Provision for expected credit losses continued

Due to the short-term nature of the trade receivables portfolio (less than one year), the Group assumes that the EAD will equal to the amount outstanding at reporting date. The Group assumes that the period of exposure would amount to the payment term plus the number of days defined as default. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due (an appropriate payment term as determined from an analysis of historical data). This assumption is based on the fact that it is customary for the Group's customers to pay within 90 days and any amounts due from contract customers exceeding 90 days are at risk of becoming impaired. The Group considers this period to be the number of days defined as default as it is the maximum contractual period over which the Group is exposed to risk.

The Group uses a market-related interest rate in the determination of the effective interest rate used in the model.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group built a simple linear regression model to predict average forward-looking probability of defaults using GDP growth rates in which the Group operates. The Group determined a clear relationship between the probability of defaults of external rating agencies and the annual GDP growth of geographies in which it operates. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

3.1.5 **Fair value of assets and liabilities**

Financial assets and non-financial assets

The fair values of the infrastructure investments recognised in the statement of financial position are measured using the discounted cash flow approach and the market comparable 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 forecasted revenues, operating costs, capital expenditure, risk adjusted discount rates and other relevant financial performance measures.

Refer to note 17: Fair value of assets and liabilities for the detailed assumptions applied.

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

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

Impairment exists when the carrying amount of a CGU exceeds its recoverable amount. The 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.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

3. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

3.1 **Judgements and estimation assumptions** continued

3.1.7 **Revenue recognition**

The Group uses the input method in determining the satisfaction of the performance obligation over a period of time in accounting for its construction contracts.

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

- the determination of the point in the progress toward complete satisfaction of the performance obligation;
- the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations; 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 are reviewed and updated monthly, and more frequently as determined by events or circumstances.

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

3.1.8 **Leases**

Judgements made in the application of the accounting policies for leases include:

- determining whether a contract contains a lease;
- calculating the discount rate;
- determining the lease term;
- application of exemptions for short-term leases and leases of low-value assets; and
- separation of lease components.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. In determining whether a contract is, or contains a lease, the Group considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

3.1 **Judgements and estimation assumptions** continued

3.1.8 **Leases** continued

In determining an appropriate discount rate, the Group considers on a lease-by-lease basis whether there is an interest rate implicit in the lease or, if that rate cannot be readily determined, the Group uses judgement in determining an incremental weighted average borrowing rate. In calculating the weighted average incremental borrowing rate, the Group uses a portfolio approach whereby a single discount rate is calculated per portfolio of leases with reasonably similar characteristics. The basis of the discount rate is determined using a cost of debt rate that the Group would pay to borrow funds over a similar term, and with similar security, to obtain an asset of similar value to the right-of-use asset in particular jurisdiction.

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

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

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

3.1.9 **Uncertainty over income tax treatments**

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

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

3.1.10 **Impact of COVID-19 on operations**

At 30 June 2021, the impact and duration of the current COVID-19 pandemic and the related measures taken to control it, including the likelihood of a global recession, are not yet known. In preparing these financial statements, the short-term impact on items such as financial instruments, working capital, sales and provisions has been considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the reporting date. In assessing the carrying value of its other non-current assets, the Group has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing and scale of the economic impact and recovery remain uncertain.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

3. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** continued

3.1 **Judgements and estimation assumptions** continued

3.1.11 **Held for Sale – subsequent measurement criteria**

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

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

Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of was revised during the year. The appropriate level of management remains committed to a plan to sell the CGUs and expects that the sales will be concluded within the next 12 months.

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

4. **GOING CONCERN AND LIQUIDITY**

As detailed in *note 2: Basis of preparation and changes to the Group accounting policies* and *note 18: Events after the reporting period* to the financial statements, in determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group can continue in operational existence for the foreseeable future.

In determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group and Company can continue in operational existence for the foreseeable future. The financial performance of the Company is dependent on the wider economic environment in which the Company operates.

4. GOING CONCERN AND LIQUIDITY continued

Execution of plans

- Continued improvement in the operating performance and therefore underlying value and sustainability of both McConnell Dowell and Moolmans;
- Progress on the non-core asset disposal plan, including:
 - The receipt of proceeds of R120 million in the 2021 financial year, including *Aveng Duraset, Aveng Infraset Pietermaritzburg, De Aar, Brakpan and Swaziland factories, Ground Engineering Limited (GEL), and various properties;*
 - The sale of Aveng Automation & Control Systems (ACS) concluded during the year that is subject to the satisfaction or waiver of conditions precedent subsequent to year end, ongoing negotiations for the sale of Trident Steel and the remaining Infraset factories;
- Updated budget and business plans for the post-year-end period up to 30 June 2022 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved;
- Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the SA Banking group, Australian banks or other financing agreements within the individual liquidity pools;
- The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations;
- A successful conclusion of the rights offer, where shareholders demonstrated a much higher than anticipated interest, resulting in the raising of R392 million of new capital;
- Early partial settlement of an external and note debt and a debt restructure in March 2021 reduced the external debt from R2,1 billion at December 2020 to R1,0 billion in June 2021;
- A successful follow-up rights offer raising R100 million in June 2021; and
- An additional early debt repayment of R55 million at 30 June 2021.

Having dealt decisively with unsustainable debt levels, the Group has been provided with a new platform to pursue growth opportunities around its core businesses, McConnell Dowell and Moolmans. This brings to a culmination the restructuring announced on 25 November 2020.

In the 2021 financial year, the Group reported earnings for the period of R988 million, and an operating free cash inflow of R1,5 billion. The Group's available cash resources benefited from the performance. The Group continues to focus on improving operational performance, improving overhead efficiency and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded or are in progress.

The Group has cash (net of bank overdraft facilities) of R2,5 billion (30 June 2020: R1,3 billion) at 30 June 2021, of which R412 million (30 June 2020: R429 million) is held in joint arrangements. Unutilised facilities amounted to R364 million (30 June 2020: R483 million).

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

4. **GOING CONCERN AND LIQUIDITY** continued

COVID-19 pandemic

The Group's agile, resilient and diverse business model across customers, geographies, industry sectors and commodities continue to provide risk mitigation in the current circumstances. The Group proactively monitors and manages infection rates, restrictions and lockdowns to protect employees, operations, and our financial and liquidity position.

As reported previously, it is expected that the commercial impact of COVID-19-related matters will continue to impact the business due to the uncertainties posed by the pandemic and the related response by governments and societies around the globe.

Liquidity, solvency and ongoing funding

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely McConnell Dowell and the South African liquidity pool. McConnell Dowell's liquidity benefited from the receipt of advance payments and a growing order book. As a result, McConnell Dowell reported a strong cash balance with sufficient cash and liquidity to support the growing order book and the growth opportunities that this market continues to present. Despite the continued lockdown regulations in South Africa, the South African operations produced an improvement in the liquidity position. The South African liquidity pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period. Following the completion of the rights offering, the recapitalisation and the planned settlement of debt, the position improved substantially.

Management updated the forecast for the 2022 financial year and the following year, as well as preparing cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared with the assistance of several independent external consultants and were reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. Notably, the preparation of budgets, plans and forecasts included consideration of the impact of the COVID-19 pandemic. This included management's responses to the effects thereof. Whilst management has taken action to address these effects, this pandemic continues to evolve and presents a risk to the achievement of these budgets, plans and forecasts. Management will continue to respond to the circumstances as these emerge. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

Following the transformational balance sheet restructure transaction which extended the Group's debt maturity profile to three years, which simultaneously improved the Group's South African liquidity pool, the Group's current assets of R6,5 billion exceeded its current liabilities of R6,0 billion at 30 June 2021.

4. **GOING CONCERN AND LIQUIDITY** continued

Liquidity, solvency and ongoing funding continued

The forecasts indicate that the Group will have sufficient cash resources for the foreseeable future. The core businesses are performing in line with the plan and are therefore expected to generate sufficient cash to contribute to the repayment of the long-term debt. In addition, the Group's remaining non-core businesses (particularly Trident Steel) are expected to generate sufficient cash from operations to contribute to available liquidity. The disposals of the remaining non-core assets are expected to be completed during the 2022 financial year and will contribute to the repayment of the debt and available liquidity.

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

Refer to *note 18: Events after the reporting period*.

5. **DISCONTINUED OPERATIONS**

Identification and classification of discontinued operations

The Group structure comprises McConnell Dowell and Moolmans forming the core businesses of the Group, with Aveng Construction: South Africa (formerly Aveng Grinaker-LTA), Aveng Manufacturing and Trident Steel being deemed the non-core operating groups. As at 30 June 2021, management remained committed to its strategy to exit and dispose of the identified non-core operating groups.

Extension of discontinued operations beyond 12 months

The extension of the classification of the remaining operations within non-core operating segments as discontinued operations beyond 12 months is supported by the ongoing commitment from the Board to actively sell the Held for Sale assets in line with its strategy. Unforeseen challenges outside the control of management, including the negative effects of the COVID-19 pandemic on the disposal process, have delayed the execution of sales of the remaining assets. Except for the sale of ACS and REHM (refer to *note 18: Events after the reporting period*), the Group did not have binding offers to purchase the remaining assets. Despite the delays in the disposal of these assets, management believes that the sales remain highly probable and has embarked on renewed efforts to sell the assets by engaging external partners to assist in active programmes to locate buyers and complete the sale of these assets in line with its strategy. At year end, these assets remain available for immediate sale in their present condition subject only to terms that are usual and customary for the sales of such assets. Management continues to actively market the assets at prices that are reasonable in relation to their current fair value, which leads management to conclude that it is highly probable that the sale of the remaining assets within the non-core operating segments will be concluded in the next 12 months.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

5. **DISCONTINUED OPERATIONS** continued

Extension of discontinued operations beyond 12 months continued

As part of the extension to the period to complete the sales, the continued support by the Board and plan by management to locate buyers indicate that it is highly unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Aveng Construction: South Africa (formerly Aveng Grinaker-LTA), which forms part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment (refer to *note 6: Segmental report*) and Aveng Manufacturing and Trident Steel, both forming part of the *Manufacturing and Processing* reportable segment (refer to *note 6: Segmental report*), have met the requirements in terms of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* and have been presented as discontinued operations in the Group's summarised statement of comprehensive earnings.

The Group's intention to dispose of the non-core operating groups triggered an initial impairment assessment on classification of Held for Sale. Impairment was allocated to the identified CGUs of the operating groups (refer to *note 7: Impairment*).

The underlying assets and liabilities of the non-core operating groups were classified as Held for Sale per the requirements of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in separately identifiable disposal groups (refer to *note 10: Assets and liabilities classified as Held for Sale*).

Further to this, the Group remeasured the non-core operating groups by calculating the subsequent fair value less costs to sell as at 30 June 2021. The subsequent fair value measurement is detailed on the following page.

5. **DISCONTINUED OPERATIONS** continued

The loss from discontinued operations is analysed as follows:

	2021 Rm	2020 Rm
Revenue	4 198	6 693
Cost of sales	(3 765)	(6 602)
Gross earnings	433	91
Other earnings	108	126
Operating expenses	(270)	(430)
Loss from equity-accounted investments	(13)	(2)
Operating earnings / (loss)	258	(215)
Impairment loss on goodwill, intangible assets and property, plant and equipment	(102)	–
Gain on disposal of property, plant and equipment	13	36
Fair value adjustments on properties and disposal groups classified as Held for Sale	611	(13)
Earnings / (loss) before financing transactions	780	(192)
Net finance expenses	(104)	(110)
Earnings / (loss) before taxation	676	(302)
Taxation	–	11
Earnings / (loss) for the period	676	(291)
Attributable to:		
Equity-holders of the parent	676	(291)
Items by nature		
Capital expenditure	26	25
Net operating earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	258	(215)
Results per share (cents)		
Gain / (loss) – basic	1,8	(1,5)
Gain / (loss) – diluted	1,7	(1,5)
Net cash flows in relation to discontinued operations:		
Cash inflow / (outflow) from operating activities	167	(313)
Cash inflow from investing activities	96	108
Cash outflow from financing activities	(73)	(57)

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

6. SEGMENTAL REPORT

The reportable segments of the Group are components:

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

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

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

In line with the Group's strategy and as discussed in *note 10: Assets and liabilities classified as Held for Sale*, the *Manufacturing and Processing* reportable segment is presented and disclosed as discontinued operations. *The Construction and Engineering: Australasia and Asia, Mining, Construction and Engineering: South Africa and rest of Africa and Other and Eliminations* reporting segments are presented as continuing operations.

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

Details on the reportable segments are as follows:

6.1 Continuing operations

6.1.1 Construction and Engineering: Australasia and Asia

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

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.

6.1.2 Mining

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

6.1.3 Other and Eliminations

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

6. **SEGMENTAL REPORT** continued

6.1 **Continuing operations** continued

6.1.4 **Construction and Engineering: South Africa and rest of Africa** continued

This segment includes Aveng Construction: South Africa (formerly Aveng Grinaker-LTA) and Aveng Capital Partners.

In the current year, the Group sold Aveng Construction: Ground Engineering (GEL), the remaining business unit within the segment. Following the sale of businesses in the current and prior year, the segment included only the assets and liabilities related to the close out of a limited number of historical contracts not sold as part of the *Aveng Construction: South Africa* disposal. The Group expects that these will be completed in the next 12 months. These projects continue to be classified as part of the continuing operations within *Construction and Engineering: South Africa and rest of Africa*.

6.2 **Discontinued operations**

6.2.1 **Manufacturing and processing**

This segment comprises Aveng Manufacturing and Trident Steel.

The revenues from this segment comprise the supply of products, services and solutions to the mining, construction, Oil & Gas, water, power, automotive original equipment manufacturer and rail sectors across the Group's value chain locally and internationally.

Aveng Manufacturing business units include Aveng Automation and Control Solutions (ACS), Aveng Dynamic Fluid Control (DFC), Aveng Duraset and Aveng Infraset.

During the current year, Aveng Duraset and a number of Aveng Infraset factories and assets were sold. In the prior year Aveng Dynamic Fluid Control (DFC) was sold.

6.2.2 **Investment in REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited**

Equity-accounted investments (REHM Construction Co Limited and REHM Grinaker Properties Co Limited (REHM)) were classified as Held for Sale during the prior year. These investments form part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment. The carrying amount at 30 June 2021 amounted to Rnil (2020: R13 million) following a loss from equity-accounted investments in the current year of R13 million. The investment in REHM was sold subsequent to year end. Refer to *note 11: Events after the reporting period* for more information.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

6. SEGMENTAL REPORT continued

	Construction and Engineering: Australasia and Asia		Mining	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Assets				
Goodwill arising on consolidation	100	100	—	—
Intangible assets	—	—	11	15
Property, plant and equipment	709	837	2 074	2 263
Equity-accounted investments	3	2	4	3
Infrastructure investments	—	—	—	—
Deferred taxation	723	804	—	—
Long-term receivables	—	—	—	—
Lease receivables	—	—	—	—
Derivative instruments	—	—	—	10
Inventories	14	15	197	171
Amounts due from contract customers	2 963	2 084	396	369
Trade and other receivables	200	201	91	43
Taxation receivable / (payable)	25	39	(6)	(16)
Cash and bank balances	1 853	1 673	241	93
Assets Held for Sale	—	—	—	—
Total assets	6 590	5 755	3 008	2 951
Liabilities				
Deferred taxation	144	155	238	197
Borrowings and other liabilities	287	436	183	217
Payables other than contract related	—	—	—	—
Employee-related payables	428	387	130	118
Trade and other payables	2 286	1 697	606	454
Amounts due to contract customers	1 558	1 159	94	103
Bank overdraft	—	—	—	—
Liabilities Held for Sale	—	—	—	—
Total liabilities	4 703	3 834	1 251	1 089

Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
-	-	-	-	-	-	100	100
-	-	-	-	-	-	11	15
-	2	-	-	17	78	2 800	3 180
-	-	-	-	23	30	30	35
-	117	-	-	257	142	257	259
-	-	2	-	-	9	725	813
-	-	-	-	-	43	-	43
-	-	-	-	41	-	41	-
-	-	-	-	-	-	-	10
-	1	-	-	-	-	211	187
39	78	-	-	-	-	3 398	2 531
-	72	-	-	36	42	327	358
-	-	(3)	1	21	17	37	41
24	46	285	151	116	(208)	2 519	1 755
-	33	1 989	2 276	-	-	1 989	2 309
63	349	2 273	2 428	511	153	12 445	11 636
-	-	-	-	(230)	(186)	152	166
-	-	-	-	928	1 727	1 398	2 380
-	-	-	-	160	148	160	148
1	11	-	-	55	57	614	573
296	349	-	-	253	264	3 441	2 764
5	28	-	-	-	-	1 657	1 290
-	-	-	-	-	424	-	424
-	16	1 575	2 035	-	-	1 575	2 051
302	404	1 575	2 035	1 166	2 434	8 997	9 796

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

6. SEGMENTAL REPORT continued

	Construction and Engineering: Australasia and Asia		Mining	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Revenue	16 911	10 297	4 009	3 955
Construction contract revenue	16 911	10 297	4 000	3 943
Sale of goods	–	–	1	1
Other revenue	–	–	8	11
Transport revenue	–	–	–	–
Cost of sales	(15 726)	(9 704)	(3 602)	(3 741)
Gross earnings / (loss)	1 185	593	407	214
Other earnings	42	42	12	(31)
Operating expenses	(912)	(784)	(180)	(144)
Loss from equity-accounted investments	(3)	(13)	–	(1)
Net operating earnings / (loss)	312	(162)	239	38
Impairment loss on goodwill, intangible assets and property, plant and equipment	–	–	(81)	(132)
Impairment loss on equity-accounted investments	–	–	–	–
Impairment loss on long-term receivables	–	–	–	–
Gain / (loss) on disposal of property, plant and equipment	–	45	–	(5)
Gain on disposal of assets Held for Sale	–	–	–	–
Gain on disposal of subsidiaries	–	–	–	–
Gain on early redemption of borrowings	–	–	–	–
Fair value adjustments on properties and disposal groups classified as Held for Sale	–	–	–	–
Earnings / (loss) before financing transactions	312	(117)	158	(99)
Net finance income / (expenses)	(34)	(43)	(24)	(34)
Earnings / (loss) before taxation	278	(160)	134	(133)
Taxation	(24)	(36)	(61)	(5)
Earnings / (loss) for the period	254	(196)	73	(138)
Capital expenditure	170	148	649	609
Net operating earnings / (loss)	312	(162)	239	38
Depreciation	304	280	611	600
Amortisation	–	–	4	4
Net operating earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	616	118	854	642

Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
591	1 865	4 198	4 828	–	(67)	25 709	20 878
591	1 862	–	–	–	(16)	21 502	16 086
–	–	4 124	4 758	–	(52)	4 125	4 707
–	3	28	16	–	1	36	31
–	–	46	54	–	–	46	54
(747)	(2 007)	(3 765)	(4 595)	96	140	(23 744)	(19 907)
(156)	(142)	433	233	96	73	1 965	971
49	43	108	83	57	26	268	163
(38)	(73)	(270)	(357)	(275)	(289)	(1 675)	(1 647)
(19)	(2)	–	–	–	(3)	(22)	(19)
(164)	(174)	271	(41)	(122)	(193)	536	(532)
–	–	(102)	–	(58)	(15)	(241)	(147)
–	–	–	–	–	(21)	–	(21)
–	–	–	–	(26)	–	(26)	–
–	19	13	17	(3)	(15)	10	61
–	–	–	–	28	24	28	24
–	–	–	–	–	10	–	10
–	–	–	–	486	–	486	–
–	–	611	(13)	–	–	611	(13)
(164)	(155)	793	(37)	305	(210)	1 404	(618)
8	1	(104)	(111)	(221)	(242)	(375)	(429)
(156)	(154)	689	(148)	84	(452)	1 029	(1 047)
–	6	–	5	44	(39)	(41)	(69)
(156)	(148)	689	(143)	128	(491)	988	(1 116)
–	–	26	25	–	5	845	787
(164)	(174)	271	(41)	(122)	(193)	536	(532)
3	–	–	–	5	5	923	885
–	–	–	–	–	5	4	9
(161)	(174)	271	(41)	(117)	(183)	1 463	362

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2021 Revenue Rm	2020 Revenue Rm	2021 Segment assets Rm	2020 Segment assets Rm	2021 Capital expenditure Rm	2020 Capital expenditure Rm
South Africa	8 507	10 019	5 399	6 485	667	638
Rest of Africa including Mauritius	291	509	158	201	8	1
Australia	12 631	6 129	4 512	3 632	46	–
New Zealand	2 350	2 751	1 215	741	40	70
Southeast Asia	1 930	1 417	1 122	534	84	45
Other regions	–	53	39	43	–	33
	25 709	20 878	12 445	11 636	845	787

7. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2021. The test involves the assessment of internal and external qualitative factors for each CGU that may constitute an indicator of impairment. The test may be extended to individual assets in instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of the assets. For Held for Sale CGUs, the Group performed a subsequent impairment assessment whereby the carrying values of the CGUs were remeasured at the fair value less costs of disposal in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)*.

7.1 CGUs of the Group in the scope of *IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations*

Initial classification as Held for Sale

As detailed in the *note 5: Discontinued Operations*, the Board made the decision in 2018 that the operating groups of the following reportable segments no longer form part of the overall long-term strategy of the Group:

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

The intention of the Board is to discontinue the operations of these reportable segments and the subsequent classification of the underlying assets and liabilities as Held for Sale are indicators of impairment – refer to *note 10: Assets and liabilities classified as Held for Sale*.

The following business units were deemed to be individual CGUs for which individual impairment assessments were performed in terms of *IFRS 5* at 30 June 2021:

Manufacturing and Processing

- Trident Steel
- Aveng Automation and Control Solutions (ACS)
- Aveng Infraset (remaining assets).

7. IMPAIRMENT continued

7.1 CGUs of the Group in the scope of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations continued

Subsequent remeasurement of CGUs Held for Sale to fair value less costs of disposal

As at 30 June 2021, management determined the recoverable amounts of the CGUs within the *Manufacturing and Processing* segment to be fair value less cost of disposal.

In the current year, the Group had finalised the sale of the following CGUs:

Construction and Engineering: South Africa and rest of Africa

- Aveng Construction Ground Engineering Limited (GEL)

Manufacturing and Processing

- Aveng Duraset Westonaria
- Aveng Duraset Alrode
- Aveng Infraset Pietermaritzburg factory
- Aveng Infraset De Aar and Brakpan factories
- Aveng Infraset Swaziland factory

During the year, the Group completed the sale of Aveng Automotive & Control Solutions (ACS) business as a going concern for R70 million, adjusted for working capital, that is subject to the satisfaction or waiver of conditions precedent subsequent to year end. Refer to *note 18: Events after the reporting period*.

As at 30 June 2021, management calculated the recoverable amount of the CGU Held for Sale to be fair value less cost of disposal. As at 30 June 2021, a fair value adjustment of R611 million was recognised in the *Manufacturing and Processing* segment to reflect the CGU at fair value less cost of disposal.

The CGU fair values were all categorised as Level 2 per the *IFRS 13 Fair Value Measurement* hierarchy based on the inputs used in the valuation techniques; directly observable market inputs (fair value less cost of disposal using an offer to purchase).

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

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

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

7. **IMPAIRMENT** continued

7.2 **Assets in the scope of IAS 36 Impairments**

Goodwill arising on consolidation

A compulsory impairment assessment of goodwill allocated to the McConnell Dowell CGU was performed in the current year. The McConnell Dowell CGU falls under the *Construction and Engineering: Australasia and Asia* reportable segment. The recoverable amount of the CGU, being the value-in-use based on a discount rate of 12%, materially exceeded the carrying amount of the CGU and hence no goodwill impairment loss was recognised in the current year.

CGUs of the Group in the scope of IAS 36 Impairments

The Group performed an impairment assessment on the Moolmans CGU at 30 June 2021. No impairment was required for this CGU at 30 June 2021. Moolmans falls under the *Mining* reportable segment.

Other individual assets in the scope of IAS 36 Impairments

An impairment assessment was performed on:

- Property, plant and equipment at Moolmans, which is part of the *Mining* reportable segment. As at 30 June 2021, the Group determined that there was an additional impairment of R54 million (30 June 2020: R132 million) required for Moolmans relating to owned equipment and vehicles, and an impairment of R27 million was required on right-of-use land and buildings within the scope of *IAS 36 Impairments*. The recoverable amounts of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar assets within the market.
- Right-of-use land and buildings are part of the *Other and Eliminations* segment. An impairment of R58 million was required. The recoverable amount of these individual assets was based on their fair values less costs of disposal. The fair value of these falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using prices of similar rentals in the market.
- Intangible assets accounted for in *Other and Eliminations* determined that no additional impairment (30 June 2020: R15 million) was required.

Impairment charges of R10 million were recognised in the prior year on the Group's investment in REHM Grinaker Property Co Limited and REHM Grinaker Construction Co Limited as these investments were classified as Held for Sale at 30 June 2020. The recoverable amount of these investments was determined using Level 2; directly observable market inputs (fair value less cost of disposal using an offer to purchase). An amount of R11 million was recognised on the Steeledale accounts receivable loan at 30 June 2020 as the Group no longer considers this amount to be recoverable.

7. IMPAIRMENT continued

7.3 Assets in the scope of IFRS 9 Financial Instruments

Other individual assets in the scope of IFRS 9 Financial Instruments

Long-term receivables accounted for in *Other and Eliminations* determined that an impairment of R26 million (30 June 2020: Rnil) was required. The long-term receivable was determined to be unrecoverable and as such was written down to a recoverable amount of Rnil. The recoverable amount of this asset falls within Level 3 of the hierarchy identified in IFRS 13 and was calculated based on the expectation that no amount will be received from the counterparty.

7.4 Total impairment losses for the year

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

	2021		2020		
	Property, plant and equipment Rm	Long-term receivables Rm	Property, plant and equipment Rm	Intangible assets Rm	Equity- accounted investments Rm
CGUs in the scope of IFRS 5					
Trident Steel	102	–	–	–	–
Other individual assets in the scope of IAS 36					
Moolmans	81	–	132	–	–
Other and Eliminations	58	–	–	15	11
Aveng Capital Partners	–	–	–	–	10
Other individual assets in the scope of IFRS 9					
Other and Eliminations	–	26	–	–	–
	241	26	132	15	21

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

8. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2021		2020	
	Number of shares	Weighted average number of shares	Number of shares	Weighted average number of shares
Opening balance	19 394 498 220	19 394 498 220	19 394 498 220	19 394 498 220
Issue of shares – Rights offer (15 March 2021)	37 955 034 249	15 596 036 981	–	–
Issue of shares – Class A shares (15 March 2021)	725 472 919	298 102 813	–	–
Issue of shares – Rights offer (7 June 2021)	4 914 149 950	332 269 984	–	–
Issue of shares – Class A shares (7 June 2021)	1 752 516 718	118 496 323	–	–
	64 741 672 056	35 739 404 321	19 394 498 220	19 394 498 220
Less: Treasury shares				
Aveng Limited Share Purchase Trust	(6 018 386)	(6 018 386)	(6 018 386)	(6 018 386)
Aveng Management Company (Pty) Ltd	(788 684)	(788 684)	(788 684)	(788 684)
Equity-settled share-based payment plan	(3 500 186 838)	(3 500 186 838)	(18 046 763)	(18 046 763)
Total treasury shares	(3 506 993 908)	(3 506 993 908)	(24 853 833)	(24 853 833)
Rights issue – Bonus element (15 March 2021)*		3 313 124 926		3 313 124 926
Rights issue – Bonus element (7 June 2021)**		1 414 367 482		1 414 367 482
Weighted average number of shares	61 234 678 148	36 959 902 821	19 369 644 387	24 097 136 795
Add: Shares issuable in terms of the equity-settled share-based payment plan	3 488 000 000	3 488 000 000	–	–
Diluted weighted average number of shares	64 722 678 148	40 447 902 821	19 369 644 387	24 097 136 795
Note	11		11	

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

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

8. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

	2021		2020	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings / (loss)				
Earnings / (loss) for the period attributable to equity holders of parent		990		(1 119)
Impairment of intangible assets	–	–	15	15
Impairment of property, plant and equipment	139	139	132	132
Impairment of property, plant and equipment – Held for Sale	102	102	–	–
Impairment of equity-accounted investments	–	–	21	21
Gain on disposal of assets Held for Sale	(28)	(28)	(24)	(24)
Gain on disposal of subsidiaries	–	–	(10)	(10)
Gain on disposal of property, plant and equipment	(10)	(10)	(61)	(47)
Loss on derecognition of components	169	169	69	69
Fair value adjustment on properties and disposal groups classified as Held for Sale	(611)	(611)	13	13
Headline earnings / (loss)		751		(950)
Diluted headline loss		751		(950)
HEPS from continuing and discontinued operations				
Headline earnings / (loss) per share – basic (cents)		2,0		(4,0)
Headline earnings / (loss) per share – diluted (cents)		1,9		(4,0)
Issued shares		64 741,7		19 394,5
Weighted average shares		36 959,9		24 097,1
Diluted shares		40 447,9		24 097,1

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

9. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	2021 Rm	2020 Rm
Uncertified claims and variations (underclaims)* ¹	817	652
Contract contingencies	(50)	(290)
Progress billings received (including overclaims) ²	(1 656)	(1 285)
Uncertified claims and variations less progress billings received	(889)	(923)
Contract receivables ³	2 582	2 121
Provision for expected credit loss	(1)	(1)
Retention receivables ⁴	50	49
	1 742	1 246
Amounts received in advance ⁵	(1)	(5)
Net amounts due from contract customers	1 741	1 241
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations* ¹	817	652
Contract contingencies	(50)	(290)
Contract and retention receivables	2 632	2 170
Provision for expected credit losses	(1)	(1)
Amounts due from contract customers	3 398	2 531
Progress billings received	(1 656)	(1 285)
Amounts received in advance	(1)	(5)
Amounts due to contract customers	(1 657)	(1 290)
Net amounts due from contract customers	1 741	1 241

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

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

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

³ Amounts invoiced still due from customers.

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

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

The balances included in the table above relate only to continuing operations. Refer to note 10: *Assets and Liabilities classified as Held for Sale* for disclosure of the disposal groups' amounts due from / (to) contract customers classified as Held for Sale.

The net amounts due from contract customers includes R 266 million (2020: R297 million) which is subject to protracted legal proceedings.

9. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS continued

Expected credit losses

Amounts due from contract customers

As at 30 June 2021, the Group has amounts due from contract customers of R1 741 million (2020: R1 241 million) which is net of the provision for expected credit loss of R1 million (2020: R1 million).

Trade receivables

As at 30 June 2021, the Group has trade receivables of R4 million (2020: R6 million). The provision for expected credit loss relating to trade receivables is less than R1 million (2020: R3 million).

The provision for expected credit losses is only material for amounts due from contract customers and trade receivables. The Group has elected to measure the provision for expected credit losses at an amount equal to lifetime expected credit losses.

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

	2021 Rm	2020 Rm
Provision for expected credit losses		
Opening balance	4	1
Movement in the current year	(3)	*
Classified as Held for Sale – transferred in	–	3
	1	4
Attributable to:		
Amounts due from contract customers	1	1
Trade receivables	*	3
	1	4
Provision for expected credit losses – specific debtors		
Opening balance	26	4
Movement in the current year	(10)	22
	16	26
Attributable to:		
Trade receivables	16	26
	16	26

* Amounts less than R1 million.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As disclosed in *note 5: Discontinued operations*, the outcome of the strategic review led to the Board's decision to exclude the following reportable segments from the Group's long-term strategy:

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

These non-core reporting segments are presented as separately identifiable disposal groups and are disclosed as discontinued operations in the Group's statement of comprehensive earnings (refer to *note 6: Segmental report* and *note 5: Discontinued Operations*).

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Initial recognition

At initial recognition, the disposals were expected to occur within the succeeding 12 months; the assets and liabilities were classified as Held for Sale. The assets and liabilities of the disposal groups were allocated to their cash-generating units (CGUs) in the prior year and were subject to an impairment assessment prior to classification as Held for Sale. The recoverable amounts of all CGUs were assessed as the fair value less cost of disposal (refer to *note 7: Impairments*). On initial recognition, the proceeds from the sale were expected to equal the net carrying amounts. The carrying amounts of some of the assets in relation to the *Construction and Engineering: South Africa and the rest of Africa* and *Manufacturing and Processing* disposal group, exceeded their fair value less cost of disposal after being classified as Held for Sale. An adjustment was recognised to present these assets at their fair value less costs of disposal in the prior and current years.

Sales finalised in the current year

Construction and Engineering: South Africa and the rest of Africa

Aveng Construction Ground Engineering (GEL)

In June 2020, the Group entered into a binding sale of business agreement with Ground Engineering Proprietary Limited for the sale of GEL as a going concern for R5 million with an effective date of 1 July 2020.

Manufacturing and Processing

Aveng Duraset Alrode

In July 2020, the Group entered into a binding sale of business agreement with Carlmac Steel Proprietary Limited for the sale of Aveng Duraset Alrode as a going concern for R11 million with an effective date of 2 November 2020.

Aveng Duraset Westonaria

In September 2020, the Group entered into a binding sale of business agreement with Azkoyen Trading Proprietary Limited for the sale of Aveng Duraset Westonaria as a going concern for R8,5 million with an effective date of 2 November 2020.

Aveng Infraset Pietermaritzburg factory

In November 2020, the Group entered into a binding sale of business agreement with Rus Group Proprietary Limited for the sale of Infraset Pietermaritzburg factory as a going concern for R5 million with an effective date of 1 December 2020.

Aveng Infraset Swaziland

In February 2021, the Group entered into a binding sale of business agreement with Infracast Proprietary Limited for the sale of Infraset Swaziland as a going concern for R11,6 million with an effective date of 3 May 2021.

Aveng Infraset Brakpan and De Aar factories

In April 2021, the Group entered into a binding sale of business agreement with Colossal Africa Infrastructure Proprietary Limited for the sale of Infraset Brakpan and De Aar as a going concern for R32,7 million with an effective date of 1 June 2021.

10. **ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE** continued

Sales not finalised in the current year

The Group has determined that unforeseen challenges (including the continued negative effects of COVID-19 on the sales process) outside the control of management have prevented the execution of the sales of the remaining assets. Due to the dynamic nature of these businesses and the complex environment in which they operate, these assets were not sold by year end.

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

Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers. The overall plan to dispose of the assets remains, but the planned manner in which the assets will be disposed of has been revised during the year. The appropriate level of management remains committed to a plan to sell the CGUs and expect that the sales will be concluded within the next 12 months.

At year end, these assets remain available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets. Management continues to actively market the assets for sale at prices that are reasonable in relation to their current fair value, which leads management to conclude that it is highly probable that the sale of the remaining assets within non-core operating segments will be concluded in the next twelve months.

As part of the extension to the period to complete the sales, the continued support by the Board and plan by management to locate appropriate buyers indicates that it is highly unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets transferred into assets Held for Sale

Construction and Engineering: South Africa and the rest of Africa – Equity-accounted investments

Equity-accounted investments (REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited) accounted for under the *Construction and Engineering: South Africa and rest of Africa* reportable segment were classified as Held for Sale during the prior year. The carrying amounts of some of these investments exceeded their fair values less cost of disposal prior to being classified as Held for Sale, leading to the recognition of impairment losses (refer to *note 7: Impairments* for further details regarding the disclosures in terms of *IFRS 13 Fair Value Measurement*).

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Sales finalised after the year end

Construction and Engineering: South Africa and the rest of Africa – Equity-accounted investments

Subsequent to year end, the Group completed the disposal of the investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

Manufacturing and Processing

Subsequent to the reporting date, the Group disposed of Aveng Automotive & Control Solutions (ACS) business, as a going concern for R70 million subject to a working capital adjustment.

Refer to *note 18: Events after reporting period* for additional information.

Subsequent measurement

As envisaged in paragraph 9 of IFRS 5: Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Whilst there have been a number of unforeseen challenges, including, but not limited to, the effects of COVID-19 on the strategy and ability of potential purchasers to raise financing, the extension of the classification of the remaining assets within non-core operating segments as Held for Sale is supported by management's continued commitment to the disposal plan previously announced. Management took necessary action to respond to the changes in circumstances and continues to market the assets and CGUs at prices that are reasonable. The overall plan to dispose of the assets remains, but the planned manner in which the assets will be disposed of was revised during the year. Management expects that the sales will be concluded within the next 12 months.

Subsequent to initial classification as Held for Sale, the Group remeasured the assets at their fair value less costs of disposal. In the case where the carrying amount exceeded the fair value less costs of disposal, an adjustment was recognised to present these assets at the lower value. In the case where a binding offer had been received by 30 June 2021 for the sale of an asset, the fair value less costs of disposal is determined based on the value of the offer received, less costs required to dispose of the assets.

In the case where the fair value less costs of disposal exceeds the carrying amount, an adjustment could be recognised. The adjustment is subject to a limit on the amount of any gain that can be recognised as a result of an increase in fair value less costs to sell before disposal. The maximum increase (and therefore gain) that can be recognised is the cumulative amount of impairment losses recognised in accordance with IFRS 5 and previously in accordance with IAS 36.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Subsequent measurement continued

As at 30 June 2021, management calculated the recoverable amount of the *Manufacturing and Processing* segment to be the fair value less cost of disposal. As at 30 June 2021, a fair value adjustment of R611 million was recognised in the *Manufacturing and Processing* segment to reflect the CGU at fair value less cost of disposal.

	Rm	Rm
Assets Held for Sale	1 989	2 309
Liabilities Held for Sale	(1 575)	(2 051)
	414	258
Movement during the year		
Opening balance	258	407
Adoption of IFRS 16 accounting standard:		
Non-current assets*	–	926
Non-current liabilities**	–	(926)
Movements in:		
Non-current assets	(90)	(85)
Current assets	29	(1 276)
Non-current liabilities	51	265
Current liabilities	(413)	965
Sale of assets and liabilities Held for Sale	(35)	(111)
Adjustment to fair value less cost of disposal***	611	(13)
Transferred from / to:		
Transfer to assets classified as Held for Sale	–	13
Transfer from assets classified as Held for Sale	3	93
Net assets Held for Sale	414	258

* An amount of R926 million was included in the Held for Sale property, plant and equipment at 1 July 2019 as part of the adoption of IFRS 16.

** An amount of R926 million was included in the Held for Sale borrowings and other liabilities at 1 July 2019 as part of the adoption of IFRS 16.

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

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

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

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

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2020, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

30 June 2020	Construction and Engineering: South Africa and the rest of Africa – Disposal group Rm	Manufacturing and Processing – Disposal group Rm	Total Rm
ASSETS			
Non-current assets			
Intangible assets	–	8	8
Property, plant and equipment	17	956	973
Equity-accounted investments	13	–	13
	30	964	994
Current assets			
Inventories	–	839	839
Derivative instruments	–	9	9
Amounts due from contract customers	2	6	8
Trade and other receivables	1	458	459
	3	1 312	1 315
TOTAL ASSETS	33	2 276	2 309
LIABILITIES			
Non-current liabilities			
Borrowings and other liabilities	–	694	694
Employee-related payables	1	7	8
	1	701	702
Current liabilities			
Amounts due to contract customers	–	7	7
Borrowings and other liabilities	–	131	131
Employee-related payables	2	52	54
Trade and other payables	–	461	461
Provision for unallocated fair value adjustments	13	683	696
	15	1 334	1 349
TOTAL LIABILITIES	16	2 035	2 051
Net assets Held for Sale	17	241	258

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

11. STATED CAPITAL

	2021 Rm	2020 Rm
Authorised		
180 882 034 263 ordinary shares (2020: 180 882 034 263 ordinary shares)	9 044	9 044
500 000 000 000 class A** shares (2020: no class A shares)	5 000	—
Issued		
62 263 682 419 ordinary shares (2020: 19 394 498 220 ordinary shares)	4 710	3 874
2 477 989 637 Class A shares (2020: no class A shares)	37	—
Stated capital	4 747	3 874
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Number of shares	6 018 386	6 018 386
– Market value (Rm)	*	*
Shares held by the Aveng Management Company Proprietary Limited		
– Number of shares	788 684	788 684
– Market value (Rm)	*	*
Shares held in terms of equity-settled share-based payment plan		
– Number of shares	3 500 186 838	18 046 763
– Market value (Rm)	52	*
Reconciliation of number of shares issued	Number of shares	Number of shares
Opening balance	19 394 498 220	19 394 498 220
Share issue – Rights to qualifying shareholders (15 March 2021)	37 955 034 249	—
Share issue – Rights to qualifying shareholders (7 June 2021)	4 914 149 950	—
Share issue – Class A shares (15 March 2021)	725 472 919	—
Share issue – Class A shares (7 June 2021)	1 752 516 718	—
Closing balance	64 741 672 056	19 394 498 220
Less: treasury shares	(3 506 993 908)	(24 853 833)
Number of shares in issue less treasury shares	61 234 678 148	19 369 644 387

* Amounts less than R1 million.

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

11. STATED CAPITAL continued

Rights offer to qualifying shareholders (15 March 2021)

The Group undertook a fully co-underwritten renounceable rights offer to raise up to R300 million, to qualifying shareholders. The rights offer consisted of 20 000 000 000 rights offer shares in the ratio of 103,12203 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on Tuesday, 23 February 2021 and at a price of 1,5 cents per rights offer share. This included as many Class A shares as required to be issued to the co-underwriters to secure the minimum subscription in terms of the underwriting agreement. The total number of rights offer shares subscribed for and excess allocations applied for was 37 955 034 249 ordinary shares and 725 472 919 Class A shares. On completion of the rights offer, the total number of Aveng shares in issue (including treasury shares) was 57 349 532 469 ordinary shares and 725 472 919 Class A shares. An aggregate amount of R392 million was raised by the Company.

Follow-up rights offer to qualifying shareholders (7 June 2021)

The Group undertook a follow-up renounceable rights offer to raise up to R100 million, to qualifying shareholders. The rights offer consisted of 6 666 666 668 rights offer shares in the ratio of 11,47941 rights offer shares for every 100 Aveng ordinary shares and Class A shares held at the close of trade on Friday, 21 May 2021 and at a price of 1,5 cents per rights offer share. The total number of rights offer shares available was 6 666 666 668 shares and the number subscribed for was 4 574 843 251 Aveng ordinary shares and 1 393 374 057 Aveng Class A shares, representing 90% of the available follow-up rights offer. The underwriters took up the remaining 698 449 360 shares in terms of the underwriting agreement split between 339 306 699 Aveng ordinary shares and 359 142 661 Aveng Class A shares.

An aggregate amount of R100 million was raised by the Company as part of the follow-up rights issue.

On completion of the follow-up rights offer, the total number of Aveng shares in issue (including treasury shares) is 62 263 682 419 Aveng ordinary shares and 2 477 989 637 Aveng Class A shares.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

11. **STATED CAPITAL** continued Top 10 ordinary shareholders

	Number of shares	% holding
The top 10 shareholders (including class A shares) of the Group as at 30 June 2021 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	13 890 545 216	21,5
Whitebox Advisors LLC (US)**	9 266 152 112	14,3
Absa Bank Ltd (ZA)**	4 579 956 861	7,1
Steyn Capital Management (Pty) Ltd (ZA)**	3 343 277 446	5,2
Standard Bank Issuer Services Settle Acc (ZA)**	3 093 551 753	4,8
ATM Holding GmbH	1 361 080 053	2,1
J.P. Morgan Securities Plc (UK)	1 357 621 950	2,1
Personal Trust International (ZA)**	864 625 934	1,3
Investec (ZA)**	792 450 520	1,2
Legae Peresec (ZA)**	680 902 208	1,1
	39 230 164 053	60,7
The top 10 ordinary shareholders of the Group as at 30 June 2020 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	3 698 756 984	19,1
Coronation Asset Management (Pty) Ltd (ZA)*	2 663 691 702	13,7
ATM Holding GmbH (DE)*	1 359 584 404	7,0
Allan Gray Pty Ltd (ZA)*	969 530 966	5,0
SBG Securities (Pty) Ltd (ZA)*	894 428 635	4,6
J.P. Morgan Securities Plc (UK)	750 005 542	3,9
Ninety One Plc (ZA)*	634 076 028	3,3
Personal Trust International (ZA)	629 530 200	3,3
Investec Securities (Pty) Limited*	612 471 519	3,2
Envisionit Stock Lending Solutions (ZA)**	582 586 898	3,0
	12 794 662 878	66,1

* Shareholder no longer in the top 10.

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

12. BORROWINGS AND OTHER LIABILITIES

	2021 Rm	2020 Rm
Borrowings and other liabilities comprises:		
Interest-bearing borrowings held at amortised cost	879	1 883
Lease liabilities	519	497
Total borrowings and other liabilities	1 398	2 380
12.1 Borrowings held at amortised cost		
Borrowings held at amortised cost comprises:		
Credit and term facilities	828	1 708
Asset-backed financing arrangements	51	175
Total borrowings held at amortised cost	879	1 883
Payment profile		
– within one year	388	893
– between two and five years	491	990
	879	1 883
Interest rate structure		
Fixed and variable (interest rates)		
Fixed – long-term	12	422
Fixed – short-term	31	72
Variable – long-term	479	568
Variable – short-term	357	821
	879	1 883

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

12. **BORROWINGS AND OTHER LIABILITIES** continued

12.1 **Borrowings held at amortised cost** continued

Description	Terms	Rate of interest	2021 Rm	2020 Rm
Credit and term facilities				
Restructured term facility ^{*/**}	Repayable September 2023	3M JIBAR + 4,78%	628	–
Restructured Super Senior Liquidity Facility ^{*/**}	Repayable June 2022	3M JIBAR + 3,98%	200	–
Term facility [*]	Settled March 2021	1M JIBAR + 5,02%	–	623
Revolving credit facility [*]	Settled March 2021	1M JIBAR + 4,89%	–	558
Revolving credit facility [*]	Settled March 2021	Fixed rate of 13,986%	–	316
Term facility [*]	Settled March 2021	1M JIBAR + 5,02%	–	195
Term loan facility denominated in ZAR	Settled April 2021	Fixed interest rate of 10,58%	–	16
Asset-backed financing arrangements				
Facilities denominated in AUD	Monthly instalments ending in March 2023	Fixed interest rate of 6,95%	40	73
Facilities denominated in AUD	Monthly instalments ending in February 2025	Fixed range of 2,99% to 7,60%	4	24
Facilities denominated in ZAR	Monthly instalments ending in November 2022	South African prime	6	10
Facility denominated in ZAR	Monthly instalments ending in February 2022	Fixed interest rate of 8,00%	1	2
Hire purchase facility denominated in USD	Settled August 2020	Fixed interest rate of 6,70%	–	34
Facility of AUD12 million	Settled November 2020	Fixed interest rate of 4,60%	–	25
Hire purchase agreement denominated in ZAR	Settled April 2021	Fixed interest rate of 12,27%	–	4
Hire purchase agreement denominated in ZAR	Settled August 2020	South African prime plus 3,00%	–	3
Total interest-bearing borrowings			879	1 883

^{*} On 19 March 2021, Aveng announced the successful conclusion of its rights offer and debt restructure. As part of the rights offer and debt restructure, Aveng used R232 million of the proceeds from the rights offer to partially settle debt at a significant discount. Certain lenders subscribed for R396 million of new equity at 5 cents per share (compared to the rights offer price of 1,5 cents per share) in a specific issue of shares for cash and the proceeds thereof were used to settle debt. The settlement of the debt resulted in a gain of R486 million.

^{**} These loans follow the debt restructure in terms of the fourth Amended and Restated Common Terms Agreement (CTA) and the signed implementation agreement entered into on 11 February 2021 with the different commercial banks.

Unutilised borrowing facilities

At 30 June 2021, the Group had available R364 million (includes bank overdraft facilities of R205 million) (2020: R271 million(includes bank overdraft facilities of R181 million)) of unutilised borrowing facilities.

12. BORROWINGS AND OTHER LIABILITIES continued

12.1 Borrowings held at amortised cost continued

Asset-backed financing arrangements

Construction and Engineering: Australasia and Asia

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

The total asset-backed finance facilities amounted to AUD4 million (2020: AUD13 million). The amount outstanding on these facilities as at year end was AUD4 million (2020: AUD13 million) and is equivalent to R43 million (2020: R129 million). These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R78 million (2020: R69 million).

Mining

The operating segment entered into various asset-backed 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 2022. The total amount outstanding on these facilities amounted to R7 million (2020: R178 million). Equipment with a net carrying amount of R6 million (2020: R321 million) has been pledged as security for the facility.

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

	2021 Rm	2020 Rm
Asset-backed financing arrangements are payable as follows:		
Minimum payments due		
– within one year	40	93
– in two to five years	15	94
Less: future finance charges	(4)	(12)
Present value of minimum payments	51	175
12.2 Lease liabilities		
The table below represents only the lease liabilities not Held for Sale. Refer to <i>note 10: Assets and Liabilities classified as Held for Sale</i> for disclosure of the disposal groups' lease liabilities classified as Held for Sale.		
Opening balance	497	–
Adoption of <i>IFRS 16</i>	–	557
New leases	243	98
Lease instalments	(377)	(195)
Interest on lease liabilities	115	37
Classified as Held for Sale – transferred in*	69	–
Unrealised foreign exchange movements	(28)	–
Closing balance	519	497

* Following the sale of assets in the Manufacturing and Processing segment in the current year, some lease liabilities were not sold. These liabilities no longer met the classification requirements of Held for Sale and were transferred from Assets Held for Sale in the current year. Refer to *note 10: Assets and liabilities classified as Held for Sale*.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

12. BORROWINGS AND OTHER LIABILITIES continued

12.2 Lease liabilities continued

	2021 Rm	2020 Rm
Maturity analysis		
Lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	197	208
– in two to five years	353	287
– more than five years	80	106
Less: future finance charges	(111)	(104)
Present value of minimum lease payments	519	497
Non-current lease liabilities	365	323
Current lease liabilities	154	174

The total cash outflow related to leases for the year amounted to R563 million. This includes short-term leases and low-value leases.

13. CONTINGENT LIABILITIES AND ASSETS

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

	2021 Rm	2020 Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	554	1 018
Parent company guarantees (ZARm)	82	30
	636	1 048
Australasia and Asia		
Guarantees and bonds (AUDm)	352	290
Parent company guarantees (AUDm)	14	22
	366	312

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. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are probable.

14. DISPOSAL OF SUBSIDIARIES

Manufacturing and Processing disposal group

On 30 September 2019, the Group concluded the sale of the following subsidiaries for R44 million cash:

- Vent-O-Mat Australia Proprietary Limited (Australia)
- Aveng Indústria E Comércio De Válvulas Do Brasil Limitada (Brazil)
- RF Valves Osakeyhtiö (Finland)
- RF Valves, Incorporated (USA)

All of the subsidiaries formed part of the *Manufacturing and Processing disposal group*. The subsidiaries were not considered an operating segment nor a separate major line of business or geographical area.

	Vent-O-Mat Australia Proprietary Limited Rm	Aveng Indústria E Comércio De Válvulas Do Brasil Limitada Rm	RF Valves Osakeyhtiö Rm	RF Valves Incorporated Rm
30 June 2020				
Net cash impact of sale				
Total assets (excluding cash and bank balances)	25	3	20	97
Property, plant and equipment, net of accumulated depreciation and impairment losses	2	*	1	20
Inventories	17	3	13	44
Trade and other receivables, net of provisions	6	–	6	33
Cash and bank balances	–	–	–	–
Total liabilities	(24)	(4)	(13)	(59)
Trade and other payables	(13)	(4)	(4)	(12)
Lease liabilities	(2)	*	–	(15)
Provision for unallocated fair value adjustment	(9)	–	(9)	(32)
Net assets sold	1	(1)	7	38
Gain / (loss) on disposal of subsidiary	7	1	1	(10)
Net proceeds received in cash	8	–	8	28
Total proceeds received in cash	8	–	8	28
Less: Transaction costs paid**	*	*	*	*

* Amounts less than R1 million

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

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

14. DISPOSAL OF SUBSIDIARIES continued

Construction and Engineering: South Africa and rest of Africa disposal group

On 1 December 2019, the Group concluded the sale of the following subsidiaries for R72 million cash:

- Grinaker-LTA Proprietary Limited
- Grinaker-LTA (Botswana) Proprietary Limited
- Aveng Namibia Proprietary Limited

Grinaker-LTA Proprietary Limited owned 100% of Grinaker-LTA (Botswana) Proprietary Limited and Aveng Namibia Proprietary Limited. These were sold as part of the sale. All these subsidiaries formed part of the *Construction and Engineering: South Africa and the rest of Africa* disposal group. The subsidiaries were not considered an operating segment nor a major line of business or geographical area.

	Grinaker- LTA Proprietary Limited Rm	Grinaker- LTA (Botswana) Proprietary Limited Rm	Aveng Namibia Proprietary Limited Rm
30 June 2020			
Net cash impact of sale			
Total assets (excluding cash and bank balances)	154	23	9
Property, plant and equipment, net of accumulated depreciation and impairment losses	12	–	3
Inventories	1	–	–
Taxation Receivable	–	4	–
Amounts due from contract customers	138	19	6
Trade and other receivables, net of provisions	3	–	*
Cash and bank balances	–	–	–
Total liabilities	(106)	(19)	–
Amounts due to contract customers	(13)	(12)	–
Trade and other payables	(73)	(6)	1
Employee-related payables	(20)	(1)	(1)
Net assets sold	48	4	9
Gain on disposal of subsidiary	9	–	2
Net proceeds received in cash	57	4	11
Total proceeds received in cash	57	4	11
Less: Transaction costs paid**	*	*	*

* Amounts less than R1 million

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

15. TAXATION

	2021 Rm	2020 Rm
Major components of the taxation expense		
Current taxation		
Local income taxation – current period	–	1
Local income taxation – recognised in the current taxation for prior periods	(2)	14
Foreign income taxation or withholding taxation – current period	47	49
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	(5)	(4)
	40	60
Deferred taxation		
Deferred taxation – current period	2	71
Deferred taxation – arising from prior period adjustments	(1)	(62)
	1	9
	41	69

South African income taxation is calculated at 28% (2020: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

16. NON-CASH AND OTHER MOVEMENTS

	2021 Rm	2020 Rm
Impairment loss on goodwill, property, plant and equipment and intangible assets	241	147
Impairment loss on long-term receivables	26	–
Impairment loss on equity-accounted investments	–	21
Claims write-down	–	227
Gain on sale of assets Held for Sale	(28)	(24)
Gain on sale of subsidiaries	–	(10)
Gain on disposal of property, plant and equipment	(10)	(61)
Gain on early settlement of borrowings and other liabilities	(486)	–
Fair value adjustment on properties and disposal groups classified as Held for Sale	(611)	13
Non-cash working capital movement	(4)	–
Unrealised foreign exchange losses on borrowings and other liabilities	(32)	(5)
Realised foreign exchange gain	–	(12)
Movements in foreign currency translation	66	(212)
Equity-settled share-based payment expense	20	–
Increase in long-term receivables	–	(43)
Derecognition of components included in property, plant and equipment	169	69
	(649)	110

17. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments; and
- Forward exchange contracts (FECs).

Infrastructure investments

The Group measures its remaining infrastructure investment, Dimopoint Proprietary Limited at fair value through profit or loss. The investments in Imvelo Concession Company Proprietary Limited and Firefly Investments 238 Proprietary Limited were classified as Held for Sale in the prior year – refer to *note 10: Non-current assets and liabilities classified as Held for Sale*.

(i) Dimopoint Proprietary Limited (Dimopoint)

Methodology

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

Valuation parameters and assumptions

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

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

(ii) Imvelo Concession Company Proprietary Limited (Imvelo)

Methodology

The value of the Group's share in Imvelo was determined by calculating the present value of the projected equity cash flows related to the Group's 30% shareholding. A risk-adjusted discount rate of 17,0% was applied. The projected equity cash flows comprise dividends, shareholder loan interest and principal payments, and advances of equity. The cash flows were sourced from the independently audited and lender approved base case financial model. The financial model is based upon a 27-year concession term in accordance with the unitary payment, indexation and other provisions of the Public Private Partnership Agreement with the Department of Environmental Affairs.

Valuation parameters and assumptions

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

- In estimating the fair value of Imvelo, a discount rate of 17,0% was applied;
- Free cash flows based on the underlying long-term contractual equity distributions (dividends) and shareholder loan interest and principal repayments.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED for the year ended 30 June 2021

17. FAIR VALUE OF ASSETS AND LIABILITIES continued

Infrastructure investments continued

(iii) 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 14,82% was applied;
- Free cash flows based on the underlying long-term contractual revenue streams and operating cost forecasts
- Long-term revenue and cost indexation (ZAR based) of 4,9% and 1,9% (EUR based) respectively

Forward exchange contracts (FECs)

Valuation methodology

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

Fair value hierarchy

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

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobservable inputs Level 3 Rm
2021					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	257	257	–	–	257
Liabilities					
FECs (Held for Sale)	1	1	–	1	–
2020					
Assets recognised at fair value					
Assets					
Infrastructure investments	259	259	–	–	259
FECs	10	10	–	10	–
FECs (Held for Sale)	9	9	–	9	–

17. FAIR VALUE OF ASSETS AND LIABILITIES continued

Fair value hierarchy continued

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

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

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

Sensitivity analysis: Financial assets valuations using observable and unobservable inputs

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

	Significant unobservable input %	Reasonably possible changes to significant unobservable inputs %	Potential effect recorded directly in profit and loss	
			Increase Rm	Decrease Rm
Infrastructure investments				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	16,0	0,5	(4)	4
– Imvelo Concessions Company Proprietary Limited	17,0	0,5	(2)	2
– Firefly Investments 238 Proprietary Limited	14,8	0,5	(2)	2

18. EVENTS AFTER THE REPORTING PERIOD

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

18.1 Sale of investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited

During the year, the Group entered into a sale of the investment of REHM Construction Co Limited and REHM Grinaker Properties Co Limited. Subsequent to year end, the remaining conditions within the contract were satisfied and the cash was received. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

18.2 Sale of Aveng Automotive & Control Solutions (ACS)

During the year, the Group completed the sale of the Aveng Automotive & Control Solutions (ACS) business as a going concern for R70 million, adjusted for working capital, that is subject to the satisfaction or waiver of conditions precedent subsequent to year end. This disposal did not require separate disclosure in terms of the JSE Listings Requirements.

18.3 Trident Steel customs dispute

In 2019, SARS issued a letter of demand to the Group for a portion of customs duty relating to "the value determination". The Group disagreed with the letter of demand and referred the matter to the SARS Customs and Excise National Appeals Committee (CENAC). Subsequent to year end, CENAC ruled in favour of the Group and confirmation was received that the letter of demand had been withdrawn completely. The matter is therefore now finalised.

COMMENTARY



SALIENT FEATURES

AVENG LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06) ISIN: ZAE000111829
SHARE CODE: AEG (Aveng, the Company or the Group)

RESULTS FOR THE YEAR ENDED 30 JUNE 2021

- **Group revenue increased to R25,7 billion (June 2020: R20,9 billion), with core revenue increasing by 47%**
- **Significant turnaround in operating earnings to R536 million (June 2020: R532 million loss)**
- **Headline earnings substantially improved to R751 million (June 2020: R950 million headline loss)**
- **Equity raised of R873 million**

RESULTS FOR THE YEAR ENDED 30 JUNE 2021

Aveng has recorded its first full-year profit and headline earnings since June 2014.

The positive results reflect the successful implementation of the Group's strategy. Core objectives to the strategy included the disposal of non-core assets, the reduction of unsustainable debt levels and the improvement in the operational performance of the core businesses, McConnell Dowell and Moolmans.

The Group recorded an operating earnings of R536 million due to strong operational performance in McConnell Dowell, Moolmans and Trident Steel, coupled with improved performances in Aveng Manufacturing. Both

McConnell Dowell and Moolmans delivered growth in operating earnings and generated positive cash flows.

This improved operational performance resulted in operating free cash flow of R1,5 billion and coupled with a reduction in debt from R2,4 billion to R1,4 billion, has resulted in a significantly improved net cash position of R1,1 billion from a net debt position of R1 billion in June 2020.

The turnaround of the Group is underpinned by our commitment to our purpose of Providing a Better Life and our values of Safety and Care, Honesty & Integrity, Customer Focus, Working Together and Performance Excellence. These values



- Generated operating free cash flow of **R1,5 billion** (June 2020: R5 million outflow)
- Group debt reduced from **R2,4 billion** to R1,4 billion
- Net cash position of **R1,1 billion** (June 2020: R1 billion net debt)
- Work in hand of **R25,3 billion** (June 2020: R26,8 billion)
- Earnings per share of **2,7 cents** (June 2020: 4,6 cents loss per share, restated)
- Headline earnings per share of **2,0 cents** (June 2020: 4,0 cents loss per share, restated)

inform and guide the way in which we operate across all levels of the Group. Our success is ultimately driven by the behaviours and actions of our people. Over the last year we have continued to ensure that our businesses are led and resourced by people with the appropriate skills and experience who demonstrate behaviours in line with these values.

COVID-19

COVID-19 remained a threat to our operations as governments continued to impose varying lockdown restrictions at city, state, province and country levels in their attempt to manage the spread of the virus. Although these restrictions add complexity to the management of our businesses, our

leadership teams proactively monitor and respond to challenges to minimise impacts on our people and operations. The Group's agile, resilient and diverse business model across customers, geographies, industry sectors and commodities serves as a key factor in minimising COVID-19 impacts. All of this has been brought about by our people who have demonstrated resilience, flexibility and a willingness to adapt personal and professional lives to meet the requirements of this new normal.

As at 26 August 2021, the Group had 846 confirmed COVID-19 cases, mainly in Indonesia, Singapore and South Africa with a 90% recovery rate for Group employees to date. Whilst the vast majority of our people

COMMENTARY CONTINUED

have recovered, we think of our colleagues who are currently in hospital or recovering at home. Formal and informal engagements with employees continue in order to address the rising mental health concerns.

Sadly, 10 of our colleagues have to date succumbed to this dreadful virus and the Board and management once again extend their sincere condolences to the families and colleagues of those who have lost their lives.

Aveng supports the view of most governments around the world that the implementation of a vaccination program is the route to a sustainable future and strongly recommends that everybody who medically can and has access to the vaccine should be vaccinated as soon as possible.

Aveng is monitoring the rollout of the vaccination process in its operating jurisdictions and where appropriate and in line with local protocols, is facilitating access to a vaccine for all its employees. To date, the Group have procured vaccines in Southeast Asia which are being made available to staff and their families. In South Africa, interventions are in place to facilitate the vaccination of employees at remote sites.

The Group continues to adapt its response to the ongoing uncertainty and potential impacts of COVID-19 as the situation evolves.

DE-RISKING THE BALANCE SHEET

The recapitalisation and debt restructure was successfully completed during the year ended 30 June 2021 raising R492m of new capital. This followed from the Fourth Amended and Restated Common Terms Agreement (CTA) entered into with the SA Banking Group on 11 February 2021. The debt restructure was executed on 19 March 2021 using proceeds of the rights offer. This

resulted in the Group improving its net cash position by R1 billion from December 2020 including a R260 million cash injection of additional liquidity after settlement of debt.

The first repayments of the term debt, amounting to R55 million, were made on 30 June 2021, including R25 million early settled.

The restructuring and recapitalisation transaction has allowed the Group to reset its capital structure, deleveraging the balance sheet by more than R1 billion, extending the Group's debt maturity profile to 3 years, and simultaneously materially improving the Group's South African liquidity pool.

In addition to lower on-balance sheet borrowings, Aveng has significantly reduced its contingent liability exposure in South Africa through a reduction in guarantees from R3,8 billion at June 2017 to R554 million at June 2021. Subsequent to year end this has reduced by a further R76 million to R478 million.

NON-CORE ASSET DISPOSALS

The following disposals were concluded during the year:

- Ground Engineering, Duraset, Infraset Pietermaritzburg, Infraset Swaziland, Infraset Brakpan and De Aar factories and various properties amounting to R120 million with proceeds received during the year.
- The sale of the investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited and Aveng Automotive Controls & Solutions (ACS) were subject to conditions precedent and were sold for a combined value of R80 million. We expect all conditions precedent to be met in the next reporting period.

These individual disposals to unrelated

parties did not require separate disclosure in terms of the JSE Listings Requirements.

OPERATIONAL PERFORMANCE

McConnell Dowell

McConnell Dowell achieved 50% growth in revenue to AUD1,5 billion and the gross profit margin increased from 5,8% in June 2020 to 7,0%, despite COVID-19 challenges. Operating earnings of AUD28 million recorded in the current year represent a AUD22 million increase from the prior period normalised earnings of AUD6 million (after adding back the AUD19 million impact of non-cash impairment on settlement of two legacy claims).

Disciplined and consistent project delivery underpinned McConnell Dowell's strong results, with 91% of projects profitable.

A small number of projects did not meet expectations and McConnell Dowell has applied key learnings to avoid repetition.

Australia remained the primary driver of McConnell Dowell's growth, with revenue and operating profits more than doubling year-on-year as new projects were secured in all Australian states and across McConnell Dowell's specialist capabilities. New contract awards include Kidston Pumped Hydro Storage and BHP Mitsubishi Alliance's Hay Point Coal Terminal projects in Queensland; Lake Way and Karlawinda gas pipeline and Murrin pipeline projects in Western Australia; Healesville to Kooweerup Bypass in Victoria; Overseas Passenger Terminal in New South Wales and Granite Island Causeway Renewal in South Australia. The Australia operations also secured additional works packages on the Western Program Alliance in Victoria, and the Public Transport Program Alliance and

Water Framework infrastructure development programmes in South Australia.

Revenue in Southeast Asia grew by 24%, despite COVID-19 restrictions. The operations were awarded the full scope of work on the Jurong Regional Line (J108) project for Singapore's Land Transport Authority, the Batangas LNG Gas Importation Terminal in the Philippines and additional works on the Palembang Wastewater Treatment Plant in Indonesia.

Built Environs increased its operating earnings despite a decrease in revenue. This was due to strong performances on projects such as the Oval Hotel in Adelaide, the Modbury Hospital upgrade and the Auckland City Mission Home Ground. The restructuring of Built Environs and key leadership appointments paved the way for entry into the Victorian market where the business unit secured its first project for the Victorian Schools Building Authority at Beaumaris Secondary School. Expansion into New Zealand gained momentum with the award of the Puhinui Station upgrade and the Otahuhu logistics project in Auckland.

The revenue of New Zealand and Pacific Islands operations decreased primarily due to COVID-19 delays in several key project awards. Despite this, the business unit improved its profitability and liquidity. The complex pipe-jacking projects at St Mary's Bay and Snells-Algies were successfully delivered during the year and the completion on schedule of the landmark Wynyard Edge redevelopment ahead of the successful 2021 America's Cup defence by Team New Zealand, was another highlight. New project awards included the strategically

COMMENTARY CONTINUED

important Pakakura to Pukekohe Rail Electrification project for state-owned KiwiRail; re-establishment of the fuel line works at Auckland International Airport; and the American Samoa Power Authority (ASPA) asphalt works and Futiga Concrete Road in American Samoa.

Work in hand of AUD1,9 billion is made up of quality projects across McConnell Dowell's target markets, sectors and customers. The value of preferred tender projects has grown to AUD1,7 billion, after projects worth AUD900 million having converted to new work won during the period. McConnell Dowell currently has a further AUD8,8 billion in its FY22 tender pipeline.

McConnell Dowell enters the 2022 financial year with cash reserves of AUD172 million, minimal debt, undrawn credit lines and sufficient available guarantee facilities to meet its growth aspirations.

McConnell Dowell recorded a 12-month rolling Lost-Time Injury Frequency Rate (LTIFR) of 0,06 (2020: 0,11), against a target of 0,09 and Total Recordable Injury Frequency Rate (TRIFR) of 0,73 (2020: 0,69) against a target of 1,00. No serious environmental incidents were recorded.

Moolmans

Moolmans met its profitability objective and recorded operating earnings of R239 million (June 2020: R38 million). Gross Profit margin increased from 5,4% to 10,2%. Moolmans' turnaround and steady improvement over the past 24 months is largely attributable to the focused intervention by management to strengthen the leadership team and operational disciplines.

The year saw good performances from

open cast operations at Sishen, Klipspruit, Gamsberg, Lefa and Nkomati as well as underground operations. However, this performance was partially offset by disappointing results at the Tshipi and Kolomela operations. Management has implemented remedial plans in consultation with customers.

Moolmans increased its operating free cash flow to R480 million and work in hand increased to R5,4 billion.

New contract awards included a R1,3 billion contract for open cast mining services at Seriti's Klipspruit mine and open cast services contracts amounting to R1,5 billion at Vedanta's Gamsberg mine. A renewed focus on increasing work in hand has resulted in the business tendering for contracts for existing clients and new projects for new clients in South Africa and the rest of Africa.

Aveng's strengthened balance sheet allows Moolmans to embark on a Heavy Mining Equipment (HME) Renewal Plan which will enhance Moolmans' value offering to its customers during a positive stage in the commodity cycle. The HME Renewal Plan will be implemented in a phased and disciplined manner to ensure an attractive return to shareholders.

In November 2021, Moolmans reported a confirmed fatality and a presumed fatality as a result of a slope failure at the Gamsberg mine. The Board and management extend their sincere condolences to the families and our employees affected by this tragic event and continue to offer ongoing support to them while continuing with the complex

recovery operation which remains a top priority.

Moolmans recorded an improved 12-month rolling Lost-Time Injury Frequency Rate LTIFR of 0.14 (2020: 0,32), against a target of 0.26 and Total Recordable Injury Frequency Rate TRIFR of 0.59 (2020: 0,61), against a target of 0,70. No major environmental issues were recorded.

NON-CORE BUSINESSES

Trident Steel

As part of the strategic intent to position Trident Steel as a steel service centre business, the tube and merchandising divisions were exited. Whilst this resulted in a reduction of revenue for the year to R3,1 billion (June 2020: R3,5 billion), Trident Steel recorded a substantial increase in operating earnings to R247 million (June 2020: R14 million). Operating free cash flow increased to R567 million from R172 million due to increased profitability and the once-off sale of merchandising inventory.

Aveng Manufacturing

This consists of Aveng Automation & Controls Solutions (ACS) and Aveng Infraset.

The manufacturing operating group recorded lower revenue of R1 billion (June 2020: R1,3 billion) following the disposal of various business units. The remaining business units achieved combined operational earnings of R24 million (June 2020: R55 million loss).

Project Management Office

The project management office continues to manage and implement the significant task of closing out the non-core disposals and ensuring that the Group complies with all statutory, legal, technical, commercial and human resources obligations. This primarily

relates to Aveng Construction: South Africa.

MARKET REVIEW

McConnell Dowell's core market sectors continue to grow driven largely by public sector investments particularly in Australia.

The Australian economy is rebounding from the impact of COVID-19. The infrastructure market is performing well and is underpinned by strategic Government investments to stimulate the economy. The private sector market is starting to pick up on the back of strong commodity prices.

The New Zealand & Pacific Islands markets have slowed as a consequence of COVID-19. Government continues to invest in stimulus plans, however the lead time in awarding tenders has increased, resulting in lower market confidence.

Southeast Asia has been impacted by COVID-19 lockdowns and international border closures have impacted the economies in our operating countries. The Singaporean market remains strong and significant infrastructure projects are being delivered in Indonesia and the Philippines. The region's medium-term to long-term outlook remains promising, however opportunities continue to be tempered by current uncertainties.

The global mining industry market is on an upward trend on the back of a positive commodity price outlook for the medium and longer term. Global mining financing hit an eight-year high in 2020 and funds raised by junior and intermediate companies increased 35% year-on-year. All commodity groups benefitted with gold up approximately 40% followed by base and other metals at 37%.

The South African market continues to

COMMENTARY CONTINUED

underperform relative to its potential due to ongoing policy uncertainty and weak economic conditions.

FINANCIAL PERFORMANCE

Aveng reported headline earnings of R751 million (June 2020: R950 million loss) for the first time since 2014, and net earnings of R988 million (June 2020: R1 116 million loss). The basic earnings per share was 2,7 cents (June 2020: 4,6 cents loss per share (restated for bonus element)) and the headline earnings per share was 2,0 cents (June 2020: 4,0 cents loss per share (restated for bonus element)).

Statement of comprehensive earnings

Group revenue of R25,7 billion increased by 23% (June 2020: R20,9 billion) despite the impact from COVID-19 and non-core asset disposals. Core business revenue of R20,9 billion makes up 82% of total group revenue (June 2020: 68%).

Operating earnings increased to R536 million (June 2020: R532 million loss) following improved performance from all businesses, both core and non-core.

Impairment of PPE and long-term receivables of R54 million in PPE and R187 million on right-of-use assets and R26 million in long-term receivables.

Gain on early redemption of borrowings and other liabilities of R486 million was recognised as part of the balance sheet restructuring, following the early settlement of debt at a significant discount.

Fair value adjustment on disposal groups

classified as Held for Sale of a positive R611 million reversing a previously recognised impairment in order to reflect the fair value of the disposal group in the *Manufacturing and Processing* segment. The increase ensures that the CGU represents the fair value less costs to sell in line with *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)*.

Net finance charges reduced to R260 million excluding IFRS 16 Leases (IFRS 16) notional interest of R115 million (June 2020: R299 million excluding notional interest of R130 million). Finance expenses decreased in comparison to prior year due to the profile of debt and lower underlying interest rates.

Statement of financial position

Property, plant and equipment (PPE) decreased by R380 million to R2,8 billion. Included in the amount is continuing operations right-of-use assets amounting to R337 million (June 2020: R439 million) after depreciation.

The Group incurred capital expenditure, including non-core assets, of R845 million (June 2020: R787 million), applying R828 million (June 2020: R781 million) to replace and R17 million (June 2020: R6 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- R170 million at McConnell Dowell, relating to specific projects across the various business units; and
- R649 million at Moolmans, primarily as a result of investment in existing fleet.

Amounts due from contract customers for

the Group increased by R867 million to R3,4 billion (June 2020: R2,5 billion) due to increased revenue at McConnell Dowell and an increase in uncertified claims and variations (underclaims), a significant amount of which has been received post year end.

Assets Held for Sale decreased by R320 million to R2,0 billion (June 2020: R2,3 billion) mainly due to the sale of non-core assets and the realisation of inventory at Trident Steel.

Borrowings and other liabilities, excluding IFRS 16 lease liabilities, decreased by R1,0 billion to R879 million from June 2020 as a result of the balance sheet restructuring. Lease liabilities increased by R22 million to R519 million mainly due to new leases at core operations, with R154 million classified as current liabilities and R365 million classified as non-current liabilities at 30 June 2021.

Amounts due to contract customers increased by R367m to R1,7 billion (June 2020: R1,3 billion) as a result of progress billings received (over-claims), which include upfront mobilisation payments in McConnell Dowell.

Liabilities Held for Sale decreased by R476 million to R1,6 billion (June 2020: R2,1 billion) due to the movement in working capital associated with non-core assets, the disposal of businesses and a fair value adjustment of R611 million in the Manufacturing and Processing segment to better align the carrying amount of the CGU at fair value less costs to sell in line with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).

Operating free cash flow amounted to an

inflow of R1,5 billion (June 2020: R5 million outflow) due to:

- Cash inflow of R711 million (June 2020: R506 million inflow) in McConnell Dowell;
- Cash inflow of R480 million (June 2020: R191 million inflow) in Moolmans;
- Cash outflow of R79 million (June 2020: R545 million outflow) in Construction and Engineering: South Africa;
- Cash inflow of R567 million in Aveng Steel (June 2020: R172 million inflow);
- R120 million of proceeds on disposal of non-core assets;
- Net finance expenses paid of R326 million; and
- Taxation paid of R37 million.

Cash and bank balances (net of bank overdrafts) increased to R2,5 billion (June 2020: R1,3 billion) and the net debt position converted into a net cash position of R1,1 billion (June 2020: net debt position of R1 billion).

POSTIONING FOR LONGER TERM STRATEGIC GOALS

Aveng will focus on:

- Continued improvement of operational performance in Moolmans and McConnell Dowell
- Growing work in hand
- Resourcing for growth
- Completing the disposal of non-core assets
- Reducing debt
- Strengthening of the balance sheet
- Managing liquidity
- Share consolidation
- Renewing the Group's Environment, Social and Governance (ESG) strategy in line with our purpose

COMMENTARY CONTINUED

Disclaimer

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

By order of the Board



SJ Flanagan

Group chief executive officer



AH Macartney

Group finance director

Date of release: 30 August 2021

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SJ Flanagan (Group CEO),
AH Macartney (Group FD),
MA Hermanus (Lead independent director)**,
MJ Kilbride**, B Modise**, BC Meyer**

*Non-executive #Independent

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