AVENG
Leaders in infrastructure

Summarised audited consolidated annual financial statements for the year ended 30 June 2015

Our vision

During the strategic realignment of Aveng, a renewed vision statement was developed to guide the Group in achieving its purpose as a sustainable leader in infrastructure development, including support products and mining services.

The Aveng Group aims to own and operate a portfolio of infrastructure, mining and manufacturing-related businesses, each of which will achieve top-quartile performance compared to its peers when measured against return on invested capital, earnings growth, and positive cash flow generation through the business cycle.

Our mission

Building a positive and lasting legacy of which our stakeholders, their families and future generations will be proud.

Achieved through:

- Our ongoing development of infrastructure which forms the backbone of many economies in developing countries
- Our dedication to a values-based culture of safety, honesty and accountability across all levels of the Group
- Our commitment to prioritising people, equality and fairness in all relationships we forge with stakeholders
- Our active contribution to social development and integration of sustainability throughout our Group.

Our values

Our values of safety, honesty and accountability underpin the way we expect employees to conduct business and interact with our stakeholders

HOME WITHOUT HARM
EVERYONE EVERYDAY

Safety is paramount, never to be compromised in the pursuit of any objective

Forward-looking statements

This report contains forward-looking statements about the Company's operations and financial conditions. They are based on Aveng Limited's best estimates and information at the time of writing. They are nonetheless subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Unanticipated events will occur and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the Company or its joint operations as well as other factors. Any of these factors may materially affect the Company's future business activities and its ongoing results.

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2015 FINANCIAL YEAR-END RESULTS PRESENTATION
18 August 2015

Notes


AGENDA
OVERVIEW
Kobus Verster
CEO
FINANCIAL PERFORMANCE
Adrian Macartney
FD
OPERATIONAL REVIEW
Kobus Verster
CEO
STRATEGY
Kobus Verster
CEO
OUTLOOK
Kobus Verster
CEO
Q & A
Kobus Verster
CEO
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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015
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Notes


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SISHEN SOLAR FARM, NORTHERN CAPE
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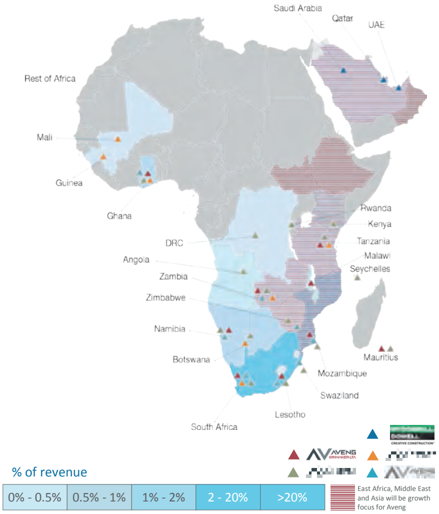
OVERVIEW

Notes

MARKET CONDITIONS | South Africa and rest of Africa

MARKET

- Local construction market remained weak due to the lack of investment in large infrastructure projects in both the public and private sectors
- Building industry remained relatively strong
- Depressed international steel prices due to falling demand and over capacity
- Limited new mining opportunities in SA and rest of Africa across most commodities and postponement and scale back of existing projects
- Continued demand for concrete, rail products, rail construction and maintenance services
- Increased labour disruptions

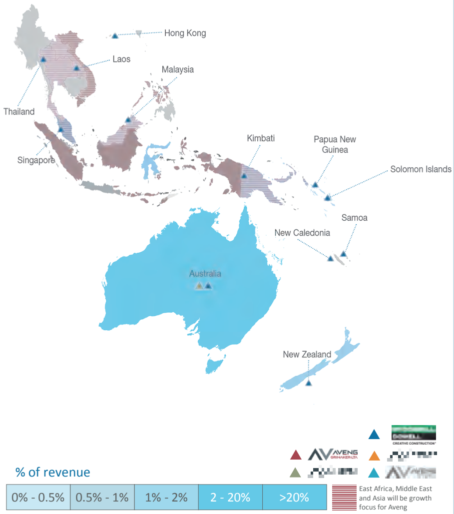


Notes

MARKET CONDITIONS | Australasia and Asia

MARKET

- Declining investment in infrastructure development exacerbated by the sharp decline in oil & gas prices and further reductions in iron ore and coal prices
- Good opportunities in social and transport-related infrastructure projects
- Competitive market conditions as a result of foreign entrants and decelerating workload
- More onerous contracting conditions
- Reasonable opportunities in Southeast Asia and strong growth in New Zealand
- Construction spend reducing into 2017



Notes

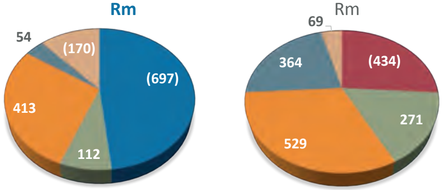
SALIENT FEATURES | 2015 compared to 2014

REVENUE	NET OPERATING (LOSS)/ EARNINGS
▼ by 17% to R43,9 billion June 2014: R53,0 billion	▼ to (R288) million June 2014: R799 million

OPERATING FREE CASH OUTFLOW	NET CASH
▼ by 29% to R1,0 billion June 2014: R1,4 billion	▼ by 69% to R0,4 billion June 2014: R1,3 billion

HEADLINE (LOSS)/ EARNINGS	LOSS PER SHARE
▼ to (R578) million June 2014: R421 million	▼ by 13% to (114,8) cents June 2014: (101,9 cents)

JUNE 2015 NET OPERATING EARNINGS Rm JUNE 2014 NET OPERATING EARNINGS Rm



- South Africa and the rest of Africa
- Australasia and Asia
- Mining
- Manufacturing and Processing
- Other

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

Notes

SALIENT FEATURES

MAJOR TRANSACTIONS

- Successful issue of convertible bond
- Successful sale of Electrix
- Sale of South African property portfolio is imminent- Competition Commission approval received

TWO YEAR ORDER BOOK

- Declined by 22% to R28,9 billion from R37,1 billion
- Mainly due to a lack of new work won in McConnell Dowell, with a large portion of major contracts reaching completion

AVENG GRINAKER-LTA TURNAROUND

- Slower resolution of problem contracts and weaker local infrastructure market
- Still loss making despite progress
- Expect to break even in FY16

CLAIMS

RESOLVED
- APLNG
- GLNG
- Port Botany
- Hay Point Berth

ON-GOING
- QCLNG
- Gold Coast

LIQUIDITY

- Net cash position of R393 million
- Sufficient available facilities

OTHER INTERVENTIONS

- Restructurings and cost savings
- Strengthened people / leadership
- Improved risk management

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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Notes

SALIENT FEATURES

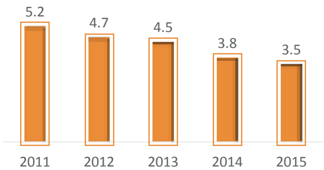
SAFETY

- Regret to report the loss of five people's lives (under the supervision of Aveng)
- Improvement in the All Injury Frequency Rate (AIFR) to 3,5

SAFETY ACHIEVEMENTS:

- Aveng Grinaker-LTA M&E Fabrication facilities
  – **six years without a lost-time injury (LTI)**
- Aveng Mining Tumelo Shaft operations
  – **four years without LTI**
- Aveng Mining's Sadiola gold mine in Mali
  – **5 million LTI-free hours**
- Aveng Steel's Cape Town and Rosslyn branches
  – **four years without LTI**
- Aveng Grinaker-LTA Civil Engineering Nacala Section 2 Rail Corridor – **4 million LTI-free hours**
- Aveng Grinaker-LTA M&E: Medupi Power Station
  – **3 million LTI-free hours**
- McConnell Dowell – lowest LTIFR in the Group

AVENG FIVE-YEAR AIFR TREND (PER 200 000 HOURS)



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EVERYONE EVERYDAY

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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AVENG RAIL
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FINANCIAL PERFORMANCE | EARNINGS

Notes

STATEMENT OF COMPREHENSIVE EARNINGS

	30 June 2015 Rm	30 June 2014 Rm	Change %
Revenue	**43 930**	52 959	(17)
Operating expenses	**(3 063)**	(3 171)	3
Net operating (loss) / earnings	**(288)**	799	>(100)
Profit on sale of subsidiary	**777**	-	100
Impairments	**(621)**	(831)	25
Net finance (expense) / earnings	**(306)**	(183)	(67)
Loss for the year	**(518)**	(376)	(38)
Headline (loss) / earnings	**(578)**	421	>(100)
Loss per share (cents)	**(114,8)**	(101,9)	(13)
Headline (loss) / earnings per share (cents)	**(144,3)**	112,5	>(100)

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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Notes

EARNINGS | Segmental

	Revenue FY 2015 Rm	Revenue FY2014 Rm	Change %	Net Operating Earnings FY2015 Rm	Net Operating Earnings FY2014 Rm	Change %
Construction & Engineering: South Africa and rest of Africa	**8 355**	8 677	(4)	**(697)**	(434)	(61)
Construction & Engineering: Australasia and Asia	**20 912**	28 169	(26)	**112**	271	(59)
Mining	**5 956**	6 582	(10)	**413**	529	(22)
Manufacturing and Processing	**9 928**	10 612	(6)	**54**	364	(85)
Other and Eliminations	**(1 421)**	(1 081)	(32)	**(170)**	69	>(100)
Total	**43 730**	52 959	(17)	**(288)**	799	>(100)

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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Notes


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SADIOLA GOLD MINE, MALI
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FINANCIAL PERFORMANCE | FINANCIAL POSITION

Notes

STATEMENT OF FINANCIAL POSITION

	30 June 2015 Rm	30 June 2014 Rm	Change %
Goodwill and Intangible assets	**681**	984	(31)
Property, plant and equipment	**5 626**	6 432	(13)
Investments	**929**	496	87
Deferred taxation	**1 580**	1 403	13
Derivative assets	**41**	1	>100
Inventories	**2 529**	2 793	(9)
Amounts due from contract customers	**10 294**	11 351	(9)
Trade and other receivables	**2 424**	2 785	(13)
Cash and bank balances	**2 856**	4 136	(31)
Non-current assets held-for-sale	**559**	607	(8)
TOTAL ASSETS	**27 519**	30 988	(11)

- Infrastructure investments
- IFRS 9 early adopted for available-for-sale investments

Investments- Rm	2015	2014
Equity-accounted	**151**	306
Infrastructure investments*	**778**	-
Financial Investment	**-**	190
TOTAL	**929**	496

*Designated at fair value through profit and loss

Impairments- Rm	2015	2014
Goodwill	(291)	(816)
Intangible assets	(57)	(15)
Property, plant equipment	(273)	
TOTAL	**(621)**	(831)

- Built Environs goodwill and intangible assets impaired
- Under utilised PPE in business units and Mozambique PPE impaired

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

Notes

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	30 June 2015 Rm	30 June 2014 Rm	Change %
EQUITY	**12 998**	13 396	(3)
Deferred Taxation	**221**	257	(14)
Borrowings and liabilities	**2 463**	2 867	(14)
Employee-related payables	**1 116**	1 575	(29)
Payables other than contract related	**102**	197	(48)
Derivative liabilities	**2**	63	(97)
Amounts due to contract customer	**2 562**	2 677	(4)
Trade and other payables	**7 961**	9 743	18
Taxation payable	**94**	213	(56)
TOTAL LIABILITIES	**14 521**	17 592	(17)
TOTAL EQUITY AND LIABILITIES	**27 519**	30 988	(11)

Total Borrowings	2015 Rm	2014 Rm
Convertible bond	**1 651**	-
Finance lease liability	**103**	268
Short term facility	**159**	631
Secured loan	**-**	66
Hire Purchase	**550**	652
Revolving credit facilities	**-**	1 250
Balance at 30 June	**2 463**	2 867

Notes

LIQUIDITY

OBJECTIVES	INITIATIVES	REPORT BACK	
Diversification of funding source Extension of debt maturity profile	▪ Convertible bond	Equity settled R2 billion convertible bond successfully issued and listed on the JSE. Extend debt maturity profile by 2.5 years	●
Reduction of the Group's overall borrowing levels	▪ Sale of Electrix	Disposal of Electrix business finalised in October 2014. Reduced borrowings and improved liquidity profile of McConnell Dowell	●
	▪ Pursue resolution of large outstanding contract claims	Intensify resolution of large outstanding claims	●
	▪ Sale of South African properties	Properties disposal in advanced stage of completion and should be finalised by September 2015. Review completed	●
	▪ Cash and liquidity review	Aveng currently has sufficient liquidity	●
Reduce investment in inventory in accordance with market demand in Manufacturing and Processing segment	▪ Improve working capital management	Inventory down 9%, but days are up and thus further work is required	●
Ensure that each operating group targets positive operating free cash flow	▪ Turnaround of underperforming businesses	Refer to operational review	●

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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WORKING CAPITAL

	FY2015 Rm	FY2014 Rm	Change %	FY2015 Days	FY2014 Days
Inventory	**2 529**	2 793	(9)	**22**	19
Receivables	**12 718**	14 136	(9)	**106**	97
Trade and other receivables	**2 424**	2 785	(13)	**20**	19
Amounts due from contract customers	**10 294**	11 351	(9)	**86**	78
Payables	**10 523**	12 411	(15)	**92**	92
Trade and other payables	**7 961**	9 734	(18)	**70**	72
Amounts due to contract customers	**2 562**	2 677	(4)	**22**	20
Working capital	**4 724**	4 518	5		

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	FY 2015 Rm	FY 2014 Rm
Uncertified claims and variations	**5 862**	6 763
Contract and retention receivables	**5 390**	5 736
Provision for amounts due from contract customers	**(958)**	(1 148)
AMOUNTS DUE FROM CUSTOMERS (CURRENT AND NON CURRENT ASSETS)	**10 294**	11 351
Progress billings received	**(1 921)**	(1 766)
Amounts received in advance	**(641)**	(911)
AMOUNTS DUE TO CUSTOMERS (CURRENT LIABILITY)	**(2 562)**	(2 677)
Net amounts due from contract customers	**7 732**	8 674

Rm	2015	2014
Material contracts	3 255	3 240

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

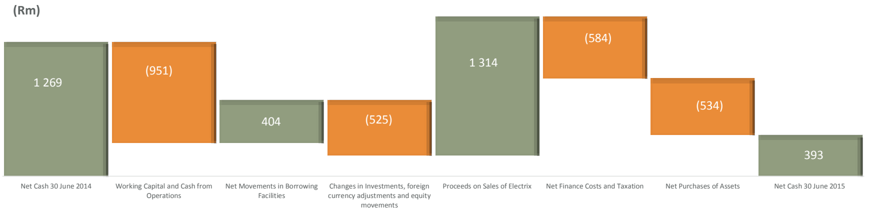
AVENG Leaders in infrastructure

Notes

CASH AND BANK BALANCES

Rm		2015	2014
Cash	South Africa	**508**	1 306
	Australia and other	**2 348**	2 830
	Total	**2 856**	4 136
Borrowings	South Africa	**2 213**	2 005
	Australia and other	**250**	862
Net Cash		**393**	1 269
Unutilised facilities		**4 188**	2 700
Total liquidity		**4 581**	3 969

Rm	2015	2014
Cash	**2 856**	4 136
Less:		
Joint Operations	(675)	(636)
Advanced payments incl. QCLNG	(1 696)	(2 244)
Available cash	**485**	1 256



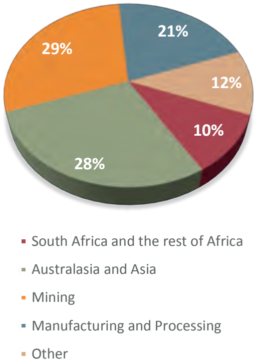
Notes

CAPITAL EXPENDITURE

	FY2015 Rm	FY2014 Rm
Replacement	649	677
Expansion	175	384
PROPERTY PLANT AND EQUIPMENT	824	1 061
Intangible assets	52	176
TOTAL CAPITAL EXPENDITURE	876	1 237
Proceeds from disposals	(342)	(256)
NET CAPITAL OUTFLOW	534	981
Depreciation and amortisation	949	909
Multiple of depreciation spent	0,6	1,1

MINING
- Sufficient spending on repairs and maintenance and replacement on capital expenditure
- Idle fleet is available should the need arise

CAPITAL EXPENDITURE PER SEGMENT



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OPERATIONAL REVIEW

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CONSTRUCTION & ENGINEERING | South Africa and rest of Africa
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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015
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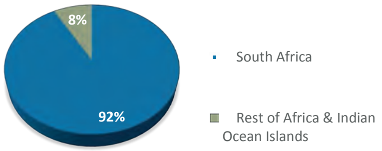
Notes

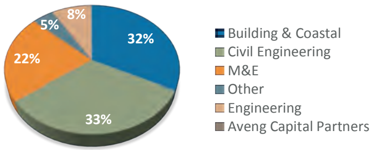
CONSTRUCTION & ENGINEERING | South Africa and rest of Africa Overview

- Revenue decreased by 4% to R8,4 billion and includes projects such as:
  - Sishen and Gouda renewable energy projects
  - Nacala and Majuba Rail contracts
  - Eight Eskom-related projects
  - Mokolo Pipeline project
  - Sasol Head Office and
  - Mall of the South
- R697 million net operating loss on the adverse impact of losses on legacy contracts
- Restructuring of the business largely completed and stabilised
- Strengthened and stable management team

REVENUE BY GEOGRAPHY



REVENUE BY BUSINESS UNIT



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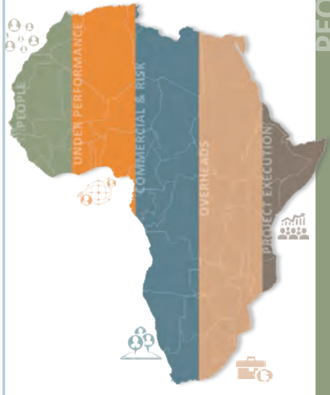
AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

Notes

RECOVERY AND STABILISE



PEOPLE

- New management team substantially changed
- Attracted and retained project management and commercial skills
- Commitment to business turnaround
- Simplified management structures based on key disciplines
- Focused on performance management
- Revised performance incentive scheme
- Reduction of 10% in headcount

PERFORMANCE

- Managed completion of problematic contracts
- Civil Engineering
- Mechanical & Electrical
- Water
- Re-negotiation of long-standing commercial risks
- Rand Roads' loss making operations largely resolved
- Engineering substantially discontinued, Water business repositioned

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

Notes

RECOVERY AND STABILISE

COMMERCIAL & RISK

- Improved risk management processes and 3 lines of defence
- Portfolio and pipeline management
- Targeted improved tender margins
- Enhanced estimating capabilities
- Improved review and oversight
- Commercial & peer reviews
- Cost / project reviews
- Start-up reviews
- Internal audit

OVERHEADS

- Structural changes
- Consolidation of support functions
- Closure and consolidation of offices
- Sustainable head count reduction and cost savings

PROJECT EXECUTION

- Appointing experienced project leaders with proven track records
- Promote a transparent and performance culture
- Discipline around reporting, monitoring and oversight
- Regular reviews and engagement by senior management
- Improving operational delivery

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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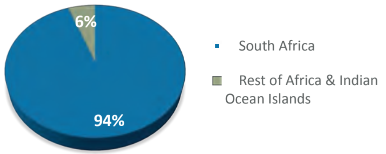
Notes

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa | Order book

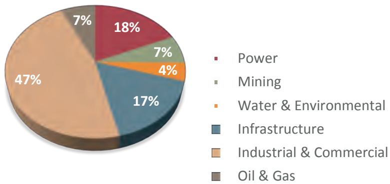
TWO YEAR ORDER BOOK

	June-15 Rm	June-14 Rm	Change %
Civil Engineering	**1 482**	2 021	(27)
Mechanical and Electrical	**1 667**	1 699	(2)
Building and Coastal	**3 547**	2 869	24
Other	**151**	209	(28)
Total Aveng Grinaker-LTA	**6 847**	6 798	1
Engineering	**507**	565	(10)
TOTAL	**7 354**	7 363	(0.1)

ORDER BOOK BY GEOGRAPHY



ORDER BOOK BY SECTOR



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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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Notes

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

OUTLOOK

- Market expected to remain subdued in the short- to medium- term with limited evidence of large infrastructure contracts
- Overcapacity in the market expected to continue
- Benefits from optimisation initiatives implemented to date and improved project execution
- Pursuing opportunities in the rest of Africa
- Continue execution of the turnaround strategy and targeted breakeven in the 2016 financial year
- Unsecured work and adapting the business to fit

DEPARTMENT OF ENVIRONMENTAL AFFAIRS BUILDING, TSHWANE, SOUTH AFRICA

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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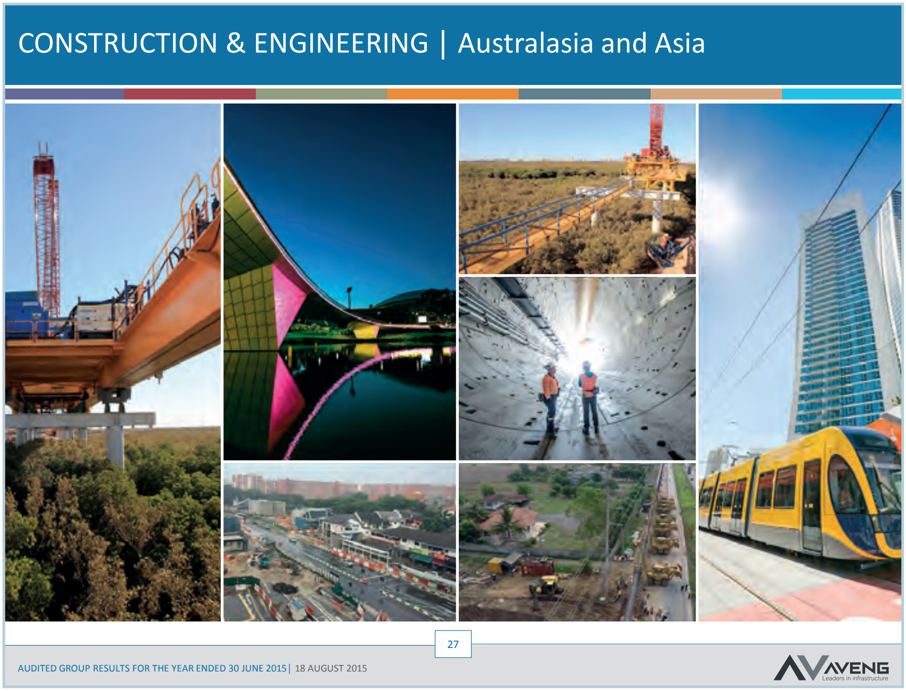
CONSTRUCTION & ENGINEERING | Australasia and Asia
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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015
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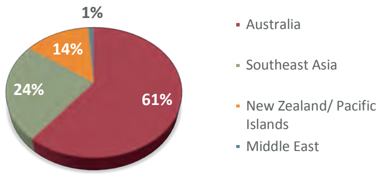
Notes

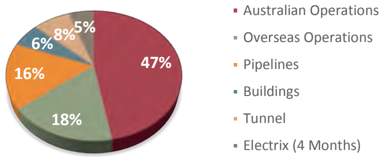
CONSTRUCTION & ENGINEERING | Australasia and Asia | Overview

- Revenue decreased by 27% to AUD2,2 billion on completion of various pipeline and infrastructure contracts, and the sale of Electrix.
- Net operating earnings decreased by 61% to AUD11 million and was impacted by:
  - Hay Point Berth liquidated damages
  - Costs associated on the close-out of Gold Coast Rapid Transit ("Gold Coast")
  - Contract and tender expenses for unsecured contracts
  - Restructuring costs
- Sound operating performance on a number of projects
- Successfully resolved claims on Australia Pacific LNG, Gladstone LNG, Port Botany and Hay Point Berth
- Continuous efforts to finalise and resolve claims on QCLNG and Gold Coast contracts

REVENUE BY GEOGRAPHY



REVENUE BY BUSINESS UNIT



AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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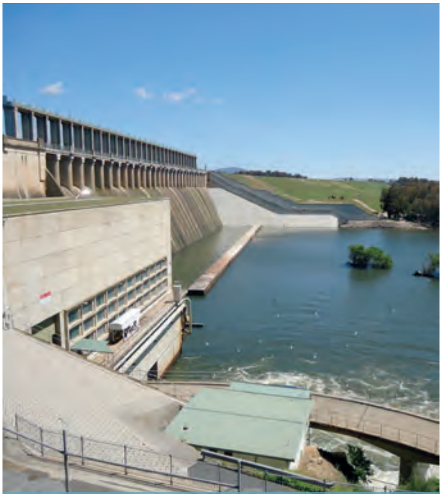
Notes

CONSTRUCTION & ENGINEERING | Australasia and Asia | Overview

- Completion of Gold Coast and Perth Airport projects expected in the first quarter of 2016
- Fixed cost reductions implemented to align with reduced revenue
- David Robinson has retired. Scott Cummins appointed as his successor



HUME DAM, NEW SOUTH WALES, AUSTRALIA

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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Notes

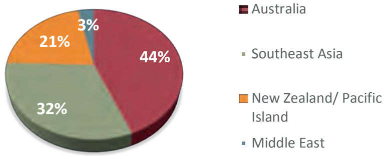
CONSTRUCTION & ENGINEERING | Australasia and Asia

TWO YEAR ORDER BOOK

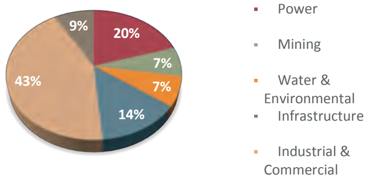
	June-15 Rm	June-14 Rm	Change %
Construction- Australia	**5 466**	13 091	(70)
Pipelines	**860**	4 754	(82)
Construction- Offshore	**3 710**	4 111	(10)
Buildings	**259**	927	(72)
Electrical*	**-**	4 217	>(100)
Tunnelling	**1 334**	2 708	(51)
TOTAL	**11 629**	29 808	(66)

* Electrix sold during the year

ORDER BOOK BY GEOGRAPHY



ORDER BOOK BY SECTOR



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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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Notes

CONSTRUCTION & ENGINEERING | Australasia and Asia

OUTLOOK

- Despite continued weakness in the Australian market, reasonable opportunities exist in the social- and transport-related infrastructure, and in New Zealand and Southeast Asia
- Substantial reduction in revenue is anticipated in the 2016 financial year
- Resolution of large claims remain a priority
- Improved financial performance expected
- Unsecured work and business resizing

WATERVIEW CONNECTION, NEW ZEALAND

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

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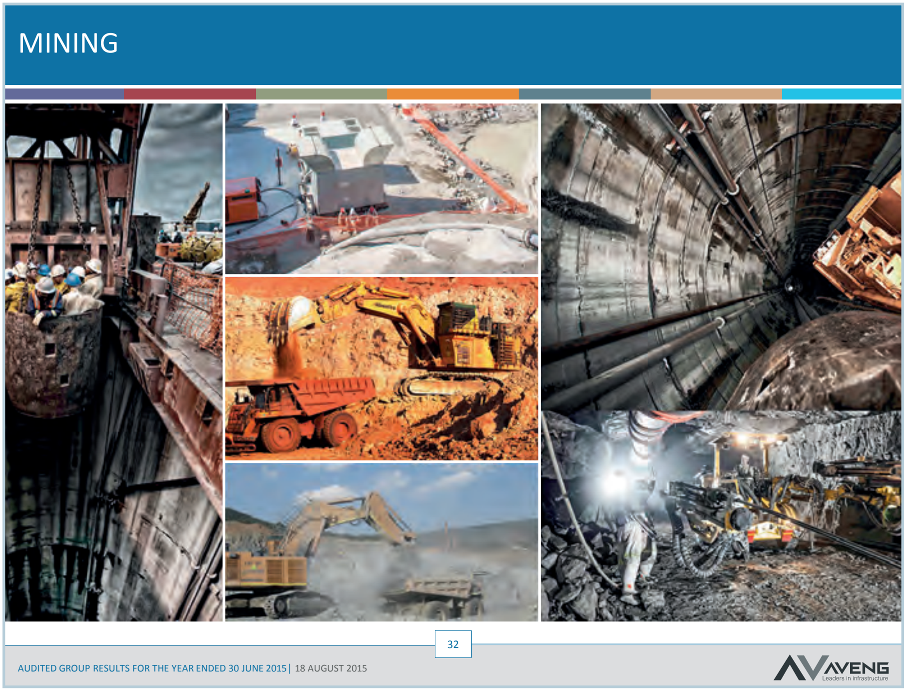
MINING
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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015
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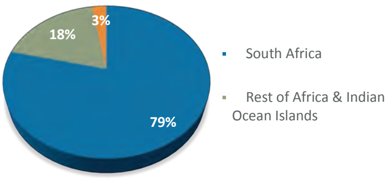
Notes

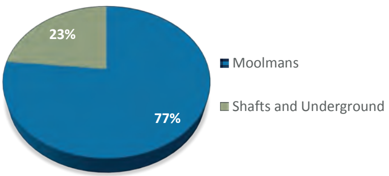
MINING | Overview

- Revenue decreased by 9% to R6 billion due to the non-renewal of three gold mining contracts, partially offset by the increased activity
- Net operating earnings decreased by 22% to R413 million impacted by:
  - Losses on Chuquicamata and Wesizwe deep-level shaft-sinking contracts
  - Pressures from customers to lower costs
  - Mobilisation costs incurred
- Continued strong operational performance by Aveng Moolmans
- Chuquicamata contract made further commercial and technical progress
- Improvement on the Nkomati contract

REVENUE BY GEOGRAPHY



REVENUE BY BUSINESS UNIT



Notes

MINING | Overview

- 15%-20% of Aveng Moolmans fleet available for new projects
- Successful integration of Aveng Shafts & Underground and Aveng Moolmans
- Stuart White has been appointed as the new Managing Director of consolidated Aveng Mining

WESIZWE PLATINUM MINE, NORTH WEST, SOUTH AFRICA

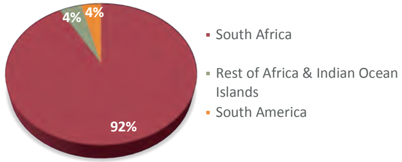
Notes

MINING

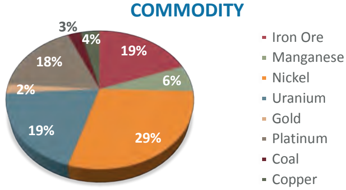
TWO YEAR ORDER BOOK

	June-15 Rm	June-14 Rm	Change %
Moolmans	**5 802**	5 877	(1)
Shafts & Underground	**2 100**	2 709	(22)
TOTAL	**7 902**	8 586	(8)

TWO YEAR ORDER BOOK BY GEOGRAPHY



TWO YEAR ORDER BOOK BY COMMODITY



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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

Notes

MINING

OUTLOOK

- Mining industry to remain constrained in the medium term
- Securing work for the idle fleet remains a focus although challenging in the short term
- Order book is under pressure
- Cost and efficiency initiatives implemented to maintain margins
- Cash returns and capital allocation optimisation

NKOMATI NICKEL MINE, MPUMALANGA, SOUTH AFRICA

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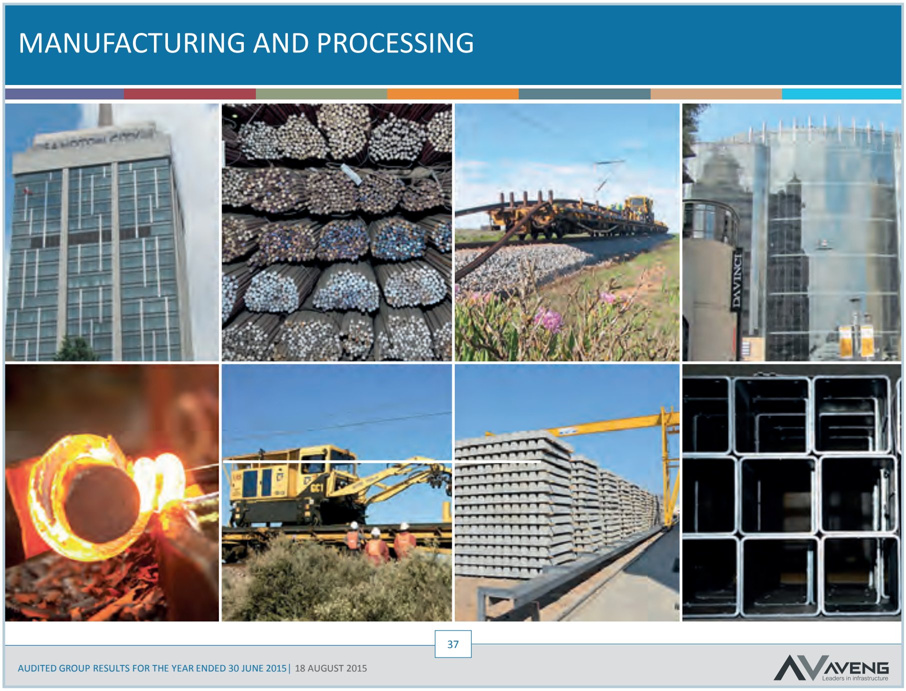
AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

AVENG Leaders in infrastructure

Notes


MANUFACTURING AND PROCESSING
37
AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015
AVENG
Leaders in infrastructure

Notes

MANUFACTURING AND PROCESSING | Aveng Manufacturing Overview

AVENG MANUFACTURING

- Revenue decreased by 5% to R3,3 billion on lower activity at Aveng ACS and Aveng Facades
- Despite tough market and impact of labour disruptions, net operating earnings decreased by 1% to R226 million
- Acceptable performance as a result of:
  - strong demand in concrete construction and rail products
  - sustained optimisation drive
- Restructuring and optimisation initiatives undertaken at Aveng Duraset during 2014 contributed to revenue growth and return to profitability
- Aveng Facades, the only loss-making business in the operating group, completed all legacy contracts and will focus on winning work at acceptable margins

AVENG INFRASET CONCRETE RAIL PRODUCTS

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

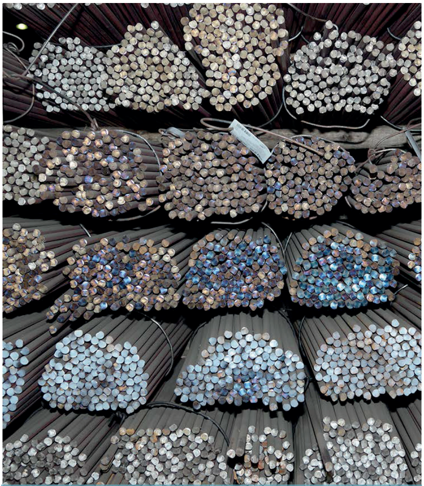
AVENG Leaders in infrastructure

Notes

MANUFACTURING AND PROCESSING | Aveng Steel Overview

AVENG STEEL

- Revenue declined by 7% to R6,7 billion due to labour disruptions, and lower international steel prices and demand
- Profitability further impacted by increased competition, lower margins and restructuring costs
- Restructuring measures at Aveng Trident Steel and Aveng Steel Fabrication to resize their fixed cost bases resulted in a 18% reduction in headcount
- Despite substantial improvement and optimisation initiatives in 2014 and 2015, the Steel division still reported a substantial loss



AVENG STEEL PRODUCT – STEEL RODS

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

Notes

MANUFACTURING AND PROCESSING | Initiatives

- Aveng Manufacturing invested R156 million to increase capacity and optimise its factories
  - Zambian factory was upgraded
  - Factory in Tete, Mozambique performing well
  - Rail workshop in Boksburg expanded
- Newly acquired Atval is performing in line with expectations
- Aveng DFC is pursuing growth in America and established a distribution presence in Australia
- Aveng ACS focusing on the mining, water and power sectors and established a presence in Mozambique and Zambia.
- Aveng Rail awarded additional work on the Nacala project and a maintenance contract in Mozambique
- Aveng Steel to focus on efficiency improvements and liquidity management

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

AVENG Leaders in infrastructure

Notes

MANUFACTURING AND PROCESSING | Outlook

OUTLOOK

AVENG MANUFACTURING

- Despite a challenging environment, the outlook for Aveng Manufacturing is encouraging
- Transport infrastructure remains a key growth market
- Mining and water supply markets expected to remain subdued
- Improved financial performance expected

AVENG STEEL

- Steel industry anticipated to remain difficult in the medium term
- Limited improvement in prices or volume projected in the current economic climate
- Business adaptations are expected to continue, to align to the tough market

AVENG STEEL PRODUCTS – STEEL BARS

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AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

AVENG Leaders in infrastructure

Notes

AVENG Leaders in infrastructure

ARTIST IMPRESSION OF CAPE TOWN INTERNATIONAL CONVENTION CENTRE, SOUTH AFRICA

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STRATEGY

Notes

STRATEGY

OPERATING GROUP	BUSINESS UNIT	INDUSTRY OUTLOOK	STRATEGIC	CURRENT FINANCIAL	ACTIONS
AVENG GRINAKER-LTA	All	🟡	🟢	🔴	Turnaround
McCONNELL DOWELL	All	🟢	🟢	🟢	Restore returns
AVENG ENGINEERING	E+PC	🟡	🔴	🔴	Discontinue
	Aveng Water	🟢	🟢	🔴	Retain
AVENG MINING	Moolmans	🟢	🟢	🟡	Improve returns
	Shafts & Underground	🟡	🟢	🟡	Improve operational performance
AVENG STEEL	All	🔴	🔴	🔴	Strategic refocus
AVENG MANUFACTURING	ACS	🟢	🟢	🟢	Grow
	DFC	🟢	🟢	🟢	Grow
	Duraset	🟡	🔴	🟡	Turnaround
	Infraset	🟢	🟢	🟢	Grow
	Rail	🟢	🟢	🟢	Grow
AVENG CAPITAL PARTNERS	All	🟢	🟢	🟢	Strategic opportunities

- >15% ROIC
- Positive OFCF
- Positive real earnings growth

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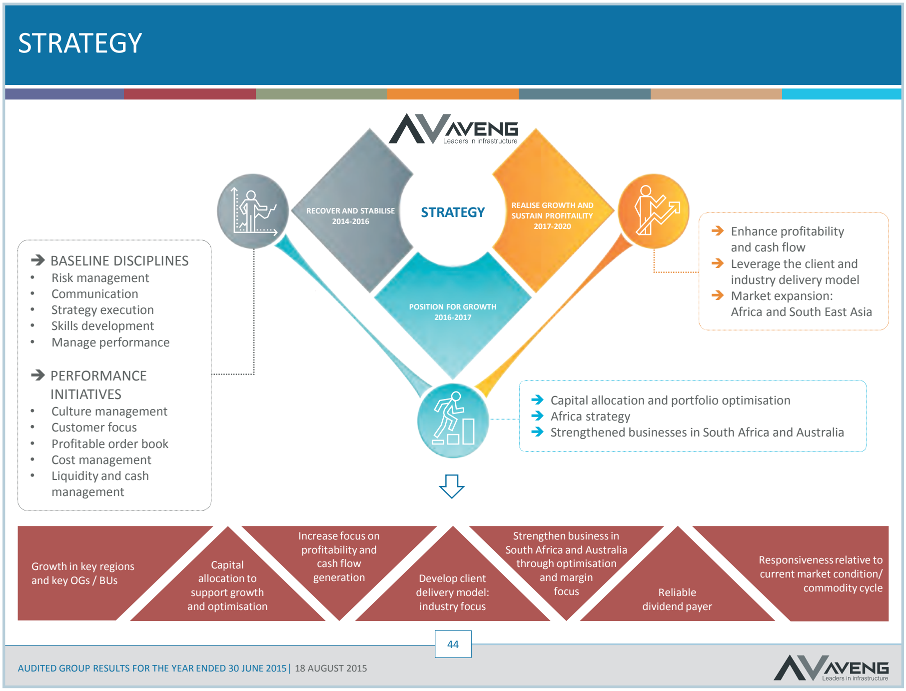
AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015

AVENG Leaders in infrastructure

Notes


STRATEGY
AVENG
Leaders in infrastructure
RECOVER AND STABILISE
2014-2016
STRATEGY
REALISE GROWTH AND SUSTAIN PROFITABILITY
2017-2020
POSITION FOR GROWTH
2016-2017
BASELINE DISCIPLINES
Risk management
Communication
Strategy execution
Skills development
Manage performance
PERFORMANCE INITIATIVES
Culture management
Customer focus
Profitable order book
Cost management
Liquidity and cash management
Enhance profitability and cash flow
Leverage the client and industry delivery model
Market expansion: Africa and South East Asia
Capital allocation and portfolio optimisation
Africa strategy
Strengthened businesses in South Africa and Australia
Growth in key regions and key OGs / BUs
Capital allocation to support growth and optimisation
Increase focus on profitability and cash flow generation
Develop client delivery model: industry focus
Strengthen business in South Africa and Australia through optimisation and margin focus
Reliable dividend payer
Responsiveness relative to current market condition/ commodity cycle
44
AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015
AVENG
Leaders in infrastructure

Notes

AVENG
Leaders in infrastructure

45

OUTLOOK

Notes

OUTLOOK
No imminent improvement in the Australian and domestic infrastructure markets
Pursuing attractive opportunities especially in Australia, New Zealand and Southeast Asia
Substantial lower revenue expected for our construction businesses, but improved financial performance
Challenging operating environment anticipated for Aveng Mining and Aveng Steel in the short term
Aveng Manufacturing to continue focus on growth and improved financial performance
Focus on strengthening and preserving the balance sheet
Resolving unsettled claims
Returning Aveng Grinaker-LTA to break even with positive cash flows
Realise restructuring and optimisation
46
AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2015 | 18 AUGUST 2015
AVENG Leaders in infrastructure

Notes

ARTIST IMPRESSION OF DR PIXLEY KA ISAKA SEME MEMORIAL HOSPITAL, KWA-ZULU NATAL, SOUTH AFRICA

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QUESTION & ANSWERS

Notes

Notes

AVENG
Leaders in infrastructure





Summarised audited consolidated annual financial statements for the year ended 30 June 2015

Salient features – financial performance

For the year ended 30 June 2015:

Revenue
R43,9 billion
Decrease of 17% from R53,0 billion at June 2014

Net operating loss
R288 million
Decrease from R799 million earnings at June 2014

Profit on sale of subsidiary
R777 million
Sale of Electrix, subsidiary of McConnell Dowell

Impairment of goodwill, PPE and related intangible assets
R621 million
Decrease by 25% from R831 million at June 2014

Loss for the period attributable to equity holders of the parent
R460 million
Increase of 21% from R381 million at June 2014

Headline loss
R578 million
Decrease from R421 million earnings at June 2014

Operating free cash flow
R1 027 million outflow
June 2014: R1 398 million outflow

Loss per share
114,8 cents
Increase of 13% from 101,9 cents at June 2014

Headline loss per share
144,3 cents
Decrease from 112,5 cents earnings at June 2014

Group structure

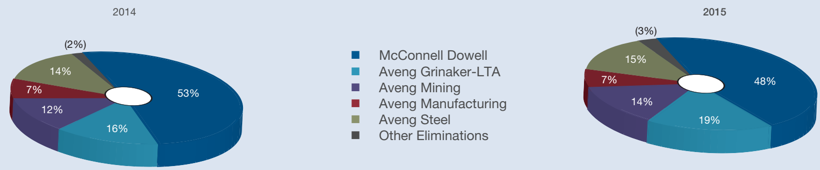
THE AVENG GROUP COMPRISES THE FOLLOWING OPERATING GROUPS:

Net operating (loss) / earnings – segmental analysis

	FY2015 Rm	FY2014 Rm	Change %
South Africa and rest of Africa*	**(697)**	(434)	(61)
Australasia and Asia	**112**	271	(59)
Total Construction and Engineering	**(585)**	(163)	>(100)
Mining	**413**	529	(22)
Manufacturing and Processing	**54**	364	(85)
Other and Eliminations*	**(170)**	69	>(100)
Total	**(288)**	799	>(100)

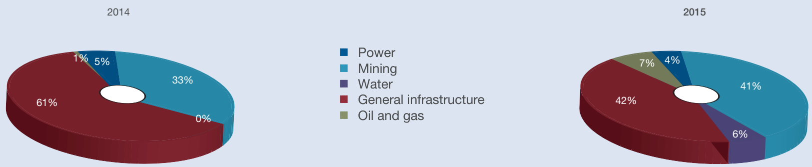
* *Aveng Capital Partners have been reallocated from Other and Eliminations segment to the Construction and Engineering: South Africa and rest of Africa segment to more accurately reflect the synergies with Aveng Grinaker-LTA and Aveng Engineering. Comparatives have been adjusted accordingly.*

Revenue per operating group



Order book per operating group

Order book by sector



Summarised audited statement of financial position

as at 30 June 2015

	Notes	2015 Rm	2014 Rm
ASSETS			
Non-current assets			
Investment property		**–**	86
Goodwill arising on consolidation	8	**342**	663
Intangible assets		**339**	321
Property, plant and equipment		**5 626**	6 346
Equity-accounted investments	9	**151**	306
Infrastructure investments	10	**778**	–
Financial investments*		**–**	190
Deferred taxation	11	**1 580**	1 403
Derivative instruments*		**6**	**
Amounts due from contract customers	12	**900**	2 946
		9 722	12 261
Current assets			
Inventories		**2 529**	2 793
Derivative instruments*		**35**	1
Amounts due from contract customers	12	**9 394**	8 405
Trade and other receivables		**2 424**	2 785
Cash and bank balances		**2 856**	4 136
		17 238	18 120
Non-current assets held-for-sale	13	**559**	607
TOTAL ASSETS		**27 519**	30 988
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium		**2 023**	2 008
Other reserves*		**1 162**	1 127
Retained earnings*		**9 790**	10 250
Equity attributable to equity-holders of parent		**12 975**	13 385
Non-controlling interest		**23**	11
TOTAL EQUITY		**12 998**	13 396

** Comparatives have been amended as detailed in note 3: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

*** Less than R1 million.*

	Notes	2015 Rm	2014 Rm
LIABILITIES			
Non-current liabilities			
Deferred taxation	11	**221**	257
Borrowings and other liabilities	14	**2 037**	2 303
Payables other than contract-related		**–**	102
Employee-related payables	16	**468**	682
Derivative instruments*		**–**	3
		2 726	3 347
Current liabilities			
Amounts due to contract customers	12	**2 562**	2 677
Borrowings and other liabilities	14	**426**	564
Payables other than contract-related		**102**	95
Employee-related payables	16	**648**	893
Derivative instruments*		**2**	60
Trade and other payables*	15	**7 961**	9 743
Taxation payable		**94**	213
		11 795	14 245
TOTAL LIABILITIES		**14 521**	17 592
TOTAL EQUITY AND LIABILITIES		**27 519**	30 988

** Comparatives have been amended as detailed in note 3: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

Summarised audited statement of comprehensive earnings

for the year ended 30 June 2015

	Notes	**2015 Rm**	2014 Rm
Revenue		**43 930**	52 959
Cost of sales*		**(41 566)**	(49 324)
Gross earnings		**2 364**	3 635
Other earnings*		**471**	302
Operating expenses*	17	**(3 063)**	(3 171)
(Loss) / earnings from equity-accounted investments	9	**(60)**	33
Net operating (loss) / earnings		**(288)**	799
Impairment / loss with derecognition of property, plant and equipment and intangible assets		**(330)**	(15)
Impairment of goodwill arising on consolidation	8	**(291)**	(816)
Profit on sale of subsidiary	5	**777**	–
Loss before financing transactions		**(132)**	(32)
Finance earnings		**177**	136
Interest on convertible bonds	14	**(167)**	–
Other finance expenses		**(316)**	(319)
Loss before taxation		**(438)**	(215)
Taxation	18	**(80)**	(161)
LOSS FOR THE PERIOD		**(518)**	(376)
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		**(372)**	402
Available-for-sale fair value reserve		**–**	93
Other comprehensive loss released / (recognised) from equity-accounted investments		**28**	(28)
Other comprehensive (loss) / earnings for the period, net of taxation		**(344)**	467
Total comprehensive (loss) / earnings for the period		**(862)**	91

** Comparatives have been amended as detailed in note 3: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

EBITDA for the Group, being net operating earnings before interest, tax, depreciation and amortisation is R662 million (June 2014: R1 708 million).

	2015 Rm	2014 Rm
Total comprehensive (loss) / earnings for the period attributable to:		
Equity-holders of the parent	**(804)**	86
Non-controlling interest	**(58)**	5
	(862)	91
Loss for the period attributable to:		
Equity-holders of the parent	**(460)**	(381)
Non-controlling interest	**(58)**	5
	(518)	(376)
Other comprehensive (loss)/earnings for the period, net of taxation		
Equity-holders of the parent	**(344)**	467
Results per share (cents)		
Loss – basic	**(114,8)**	(101,9)
Loss – diluted	**(114,4)**	(94,8)
Headline (loss) / earnings – basic	**(144,3)**	112,5
Headline (loss) / earnings – diluted	**(143,8)**	104,7
Number of shares (millions)		
In issue	**416,7**	416,7
Weighted average	**400,6**	374,0
Diluted weighted average	**402,1**	402,1

** Comparatives have been amended as detailed in note 3: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications.*

Summarised audited statement of changes in equity

for the year ended 30 June 2015

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency trans-lation reserve Rm	Available-for-sale fair value reserve* Rm
Balance at 1 July 2013	19	1 369	1 388	727	–
Loss for the period	–	–	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	–	–	402	93
Adoption of IFRS 9 accounting standard	–	–	–	–	(93)
Total comprehensive earnings for the period	–	–	–	402	–
Movement in treasury shares	–	(1)	(1)	–	–
Equity-settled share-based payment charge	–	–	–	–	–
Issue of shares to BEE consortium	1	620	621	–	–
Dividends paid	–	–	–	–	–
Total contributions and distributions recognised	1	619	620	–	–
Balance at 1 July 2014 as restated	**20**	**1 988**	**2 008**	**1 129**	**–**
Loss for the period	**–**	**–**	**–**	**–**	**–**
Other comprehensive loss for the period (net of taxation)	**–**	**–**	**–**	**(372)**	**–**
Total comprehensive loss for the period	**–**	**–**	**–**	**(372)**	**–**
Movement in treasury shares	**–**	**15**	**15**	**–**	**–**
Equity-settled share-based payment charge	**–**	**–**	**–**	**–**	**–**
Transfer of convertible bond option to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**
Deferred transaction costs allocated to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**
Increase in equity investment	**–**	**–**	**–**	**–**	**–**
Foreign currency translation movement	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**
Total contributions and distributions recognised	**–**	**15**	**15**	**–**	**–**
Balance at 30 June 2015	**20**	**2 003**	**2 023**	**757**	**–**

** Comparatives have been amended as detailed in note 3: New accounting standards and interpretations adopted, changes in accounting policies and other reclassification.*

Equity-accounted invest-ments reserve Rm	Equity-settled share-based payment reserve Rm	Conver-tible bond equity reserve Rm	Total other reserves* Rm	Retained earnings* Rm	Total attri-butable to equity-holders of the parent* Rm	Non-controlling interest Rm	Total equity Rm
–	21	–	748	11 159	13 295	12	13 307
–	–	–	–	(381)	(381)	5	(376)
(28)	–	–	467	–	467	–	467
–	–	–	(93)	93	–	–	–
(28)	–	–	374	(288)	86	5	91
–	–	–	–	–	(1)	–	(1)
–	5	–	5	–	5	–	5
–	–	–	–	(621)	–	–	–
–	–	–	–	–	–	(6)	(6)
–	5	–	5	(621)	4	(6)	(2)
(28)	**26**	**–**	**1 127**	**10 250**	**13 385**	**11**	**13 396**
–	**–**	**–**	**–**	**(460)**	**(460)**	**(58)**	**(518)**
28	**–**	**–**	**(344)**	**–**	**(344)**	**–**	**(344)**
28	**–**	**–**	**(344)**	**(460)**	**(804)**	**(58)**	**(862)**
–	**–**	**–**	**–**	**–**	**15**	**–**	**15**
–	**(11)**	**–**	**(11)**	**–**	**(11)**	**–**	**(11)**
–	**–**	**402**	**402**	**–**	**402**	**–**	**402**
–	**–**	**(12)**	**(12)**	**–**	**(12)**	**–**	**(12)**
–	**–**	**–**	**–**	**–**	**–**	**76**	**76**
–	**–**	**–**	**–**	**–**	**–**	**1**	**1**
–	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
–	**(11)**	**390**	**379**	**–**	**394**	**70**	**464**
–	**15**	**390**	**1 162**	**9 790**	**12 975**	**23**	**12 998**

Summarised audited statement of cash flows

for the year ended 30 June 2015

	Note	2015 Rm	2014 Rm
Operating activities			
Cash utilised by operations		**(92)**	(98)
Depreciation		**929**	881
Amortisation		**21**	28
Non-cash and other movements	19	**(457)**	549
Cash generated by operations		**401**	1 360
Changes in working capital:			
Decrease / (increase) in inventories		**201**	(13)
Decrease / (increase) in amounts due from contract customers		**547**	(2 094)
Decrease / (increase) in trade and other receivables		**357**	(12)
(Decrease) / increase in amounts due to contract customers		**(43)**	310
(Decrease) / increase in trade and other payables		**(1 953)**	693
(Decrease) / increase in derivative instruments		**(101)**	62
Decrease in payables other than contract-related		**(102)**	(102)
Decrease in employee-related payables		**(258)**	(106)
Total changes in working capital		**(1 352)**	(1 262)
Cash (utilised) / generated by operating activities		**(951)**	98
Finance expenses paid		**(361)**	(283)
Finance earnings received		**174**	127
Taxation paid		**(397)**	(252)
Cash outflow from operating activities		**(1 535)**	(310)
Investing activities			
Property, plant and equipment purchased			
– expansion		**(175)**	(384)
– replacement		**(649)**	(677)
Proceeds on disposal of property, plant and equipment		**245**	256
Proceeds on disposal of investment property		**97**	–
Acquisition of intangible assets		**(52)**	(176)
Capital expenditure net of proceeds on disposal		**(534)**	(981)

	2015 Rm	2014 Rm
Loans advanced to equity-accounted investments net of dividends received	**(68)**	(140)
Proceeds on disposal of equity-accounted investments	**5**	–
Loans advanced to infrastructure investment companies	**(208)**	–
Acquisition of subsidiary (net of cash acquired)	**(23)**	–
Net proceeds on disposal of subsidiary	**1 314**	–
Dividend earnings	**22**	33
Cash inflow / (outflow) from investing activities	**508**	(1 088)
Operating free cash outflow	**(1 027)**	(1 398)
Financing activities with equity-holders		
Shares repurchased	**(7)**	(7)
Loans advanced by non-controlling interest	**76**	–
Dividends paid	**(7)**	(6)
Financing activities with debt-holders		
Proceeds from convertible bonds	**1 947**	–
(Repayment) / proceeds from borrowings raised	**(2 066)**	1 336
Net decrease in cash and bank balances before foreign exchange movements	**(1 084)**	(75)
Foreign exchange movements on cash and bank balances	**(196)**	314
Cash and bank balances at beginning of the period	**4 136**	3 897
Total cash and bank balances at end of the period	**2 856**	4 136
Borrowings excluding bank overdrafts	**2 463**	2 867
Net cash position	**393**	1 269

Summarised audited accounting policies

for the year ended 30 June 2015

1. CORPORATE INFORMATION

The summarised consolidated financial statements of Aveng Limited (the "Company") and its subsidiaries (the "Group") for the period ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 17 August 2015.

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.

Business restructuring

Effective from 1 July 2014, management responsibility for Aveng Engineering moved to Aveng Grinaker-LTA. The change in reporting structure enhanced the Group's competitive advantage in the renewable power and water markets, which is expected to grow over the next few years. There was no change in the segment reports as both operating groups fall within the same reporting segment.

During the period, the Aveng Moolmans (surface mining) and Aveng Shafts & Underground (shaft sinking and access development) businesses merged into Aveng Mining. The full consolidation of these business units was completed to create a single sizeable entity operating under a common management team with shared support services.

Changes in directorate

Mr AH Macartney was appointed as Group Finance Director effective from 8 September 2014.
Mr PA Hourquebie was appointed as a non-executive director effective from 5 August 2015.
Mr DG Robinson retired as executive director effective from 17 August 2015.

2. PRESENTATION OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

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.

These summarised consolidated financial statements are presented in South Africa Rand ("ZAR") and all values are rounded to the nearest million ("Rm") except where otherwise indicated. The summarised consolidated financial statements are prepared in accordance with IAS 34 *Interim Financial Statements* and the Listing Requirements of the Johannesburg Stock Exchange Limited ("JSE"). The accounting policies adopted are consistent with those of the previous year, except as disclosed in note 3 relating to the adoption of new and revised Standards and Interpretations that became effective during this reporting period.

The summarised consolidated financial statements 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 2015 that are available on the Company's website, www.aveng.co.za.

The Company's integrated report for the year ended 30 June 2015 will be available by 4 September 2015.

The financial results have been prepared by Clare Giletti under the supervision of the Group Finance Director, Adrian Macartney.

The summarised consolidated financial statements have been audited by Ernst & Young Incorporated and the unqualified audit opinion is available on request from the Company Secretary at the Company's registered office.

2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS continued

South African infrastructure investments

With effect from 1 July 2014, the concessions and property-related activities of the Group were reorganised to fall within Aveng Capital Partners ("ACP"). All future infrastructure and real estate investments will be managed by ACP. This business unit has been determined to be operating as a venture capital organisation, such that the investments managed by ACP have been reclassified as financial assets at Fair Value Through Profit or Loss ("FVTPL"). This includes investments in associates and joint ventures that would otherwise have been equity-accounted. The 10,9% investment in the N3 Toll Concession (RF) Proprietary Limited has been classified as a financial investment at FVTPL as a result of the early adoption of IFRS 9 *Financial Instruments*. In future such investments will be designated as at FVTPL upon initial recognition. For the year ended 30 June 2015, fair value remeasurements of R185 million have been recognised in earnings. These remeasurements have been included in headline earnings.

ACP is included in the Construction and Engineering: South Africa and rest of Africa segment. Refer to note 10: *Infrastructure investment* for further information.

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

	Note	Balance as previously reported Rm	3.2 Early adoption of IFRS 9* Rm	3.4.1 Derivative instruments split Rm	**Restated balance Rm**
Statement of financial position as at 30 June 2014					
ASSETS					
Non-current assets					
Available-for-sale investments		190	(190)	–	**–**
Financial investments		–	190	–	**190**
Derivative instruments		–	–	**	**
Current assets					
Derivative instruments		–	–	1	**1**
EQUITY AND LIABILITIES					
EQUITY					
Other reserves		1 220	(93)	–	**1 127**
Retained earnings		10 157	93	–	**10 250**
LIABILITIES					
Non-current liabilities					
Derivative instruments		–	–	3	**3**
Current liabilities					
Derivative instruments		–	–	60	**60**
Trade and other payables	15	9 805	–	(62)	**9 743**

** Comparatives for 30 June 2013 have not been amended as a result of the early adoption of IFRS 9 as there were no fair value adjustments on financial investments recognised in the available-for-sale fair value reserve as at 30 June 2013.*

*** Amounts less than R1 million.*

Summarised audited accounting policies continued

for the year ended 30 June 2015

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

	Notes	Balance as previously reported Rm	3.3.2 Reallocation of fair value Rm
Statement of comprehensive earnings for the year ended 30 June 2014			
Cost of sales		(49 122)	–
Gross earnings		3 837	–
Other earnings		254	15
Operating expenses	17	(3 373)	–
Share of dividend earnings from financial investments		33	–
Net operating earnings		784	15
Impairment of non-financial assets		(831)	–
Impairment of property, plant and equipment and intangibles		–	–
Impairment of goodwill arising on consolidation		–	–
Fair value adjustments		15	(15)

3.3.3 Reallocation of dividends Rm	3.3.4 Split of impairment Rm	3.3.5 Reallocation of operating expenses Rm	**Restated balance Rm**
–	–	(202)	**(49 324)**
–	–	(202)	**3 635**
33	–	–	**302**
–	–	202	**(3 171)**
(33)	–	–	**–**
–	–	–	**799**
–	831	–	**–**
–	(15)	–	**(15)**
–	(816)	–	**(816)**
–		–	**–**

Summarised audited accounting policies continued

for the year ended 30 June 2015

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

	Balance as previously reported Rm	3.3.1 Derivative instruments split Rm	3.3.2 Reallocation of fair value Rm	3.3.6 Segment reallocation Rm	**Restated balance Rm**
Segmental report as at 30 June 2014					
Total assets					
Construction and Engineering: South Africa and rest of Africa	4 546	–	–	522	**5 068**
Construction and Engineering: Australasia and Asia	13 340	–	–	–	**13 340**
Mining	4 848	–	–	–	**4 848**
Manufacturing and Processing	7 029	–	–	–	**7 029**
Other and Eliminations	1 224	1	–	(522)	**703**
	30 987	1	–	–	**30 988**
Total liabilities					
Construction and Engineering: South Africa and rest of Africa	2 450	–	–	114	**2 564**
Construction and Engineering: Australasia and Asia	8 623	–	–	–	**8 623**
Mining	2 244	–	–	–	**2 244**
Manufacturing and Processing	2 589	–	–	–	**2 589**
Other and Eliminations	1 685	1	–	(114)	**1 572**
	17 591	1	–	–	**17 592**
Segmental report for the year ended 30 June 2014					
Net operating earnings					
Construction and Engineering: South Africa and rest of Africa	(566)	–	–	132	**(434)**
Construction and Engineering: Australasia and Asia	271	–	–	–	**271**
Mining	529	–	–	–	**529**
Manufacturing and Processing	364	–	–	–	**364**
Other and Eliminations	186	–	15	(132)	**69**
	784	–	15	–	**799**

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

3.1 Standards and interpretations effective and adopted in the current year

In the current period, the Group has adopted the following standards and interpretations that are effective for the current financial year or may be early adopted and that are relevant to its operations.

Standard	Description	Matter	Impact
IFRS 9 (2010)	*Financial Instruments*	*IFRS 9 (2010)* provides guidance on the classification and measurement of financial assets and financial liabilities.	Refer to note 3.2 and Accounting policies detailed in the consolidated financial statements available on the Group's website.

3.2 Change in accounting policy – Financial instruments (early adoption of *IFRS 9 (2010)*)

The Group early adopted *IFRS 9 (2010)* with a date of initial application of 1 July 2014.

As a result the Group has classified its debt type financial assets as subsequently measured at either amortised cost or FVTPL, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. In accordance with the transitional provisions of *IFRS 9 (2010)*, the Group has classified the financial assets held at 1 July 2014 retrospectively based on the facts and circumstances of the business model in which the financial assets were held at that date.

As a result of *IFRS 9 (2010)* R114 million (R93 million net of tax) was reclassified at 1 July 2014 from the fair value reserve to retained earnings, because the investments were reclassified from available-for-sale investments to financial assets measured at FVTPL.

Changes in accounting policies resulting from the adoption of *IFRS 9* have been applied on a retrospective basis.

Because the Group does not have any financial liabilities designated at FVTPL or embedded derivatives, the adoption of *IFRS 9 (2010)* did not impact the Group's accounting policy for financial liabilities and derivative financial instruments.

The provisions of *IFRS 9* have not been applied to financial assets and financial liabilities derecognised before 1 July 2014.

The change in accounting policy had no impact on basic and diluted earnings per share for the period.

Summarised audited accounting policies continued

for the year ended 30 June 2015

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

3.2 Change in accounting policy – Financial instruments (early adoption of IFRS 9 (2010)) continued

Classification of financial assets on date of initial application

The following table summarises the transitional classification and measurement adjustments to the Group's financial assets on 1 July 2014, the Group's date of initial application. In addition, the table sets out the measurement adjustments, which were recognised as an adjustment to the opening equity as at 1 July 2014:

	Original classification under *IAS 39*	New classification under *IFRS 9*	**2015** Original carrying amount under *IAS 39* Rm	**2015** New carrying amount under *IFRS 9* Rm	2014 Original carrying amount under *IAS 39* Rm	2014 New carrying amount under *IFRS 9* Rm
Financial investments	Available-for-sale	Fair value	**190***	**190***	190	190
Trade and other receivables	Amortised cost	Amortised cost	**2 424**	**2 424**	2 785	2 785
Amounts due from contract customers	Amortised cost	Amortised cost	**10 294**	**10 294**	11 351	11 351
Cash and bank balances	Amortised cost	Amortised cost	**2 856**	**2 856**	4 136	4 136

* *With effect from 1 July 2014, financial assets were transferred to infrastructure investments. The balance as at 30 June 2015 was Rnil.*

The Group's accounting policies on classification of financial instruments under *IFRS 9 (2010)* are set out in note 3.3 and financial instruments. Application of these policies resulted in reclassifications, which are set out in the table above and explained further below:

– Under *IFRS 9*, all equity instruments other than those for which the fair value through other comprehensive earnings option is selected are measured at FVTPL. Prior to the adoption of *IFRS 9 (2010)*, all equity instruments not held for trading were classified as available-for-sale equity investments.

The Group has elected to early adopt *IFRS 9 (2010)*, with a date of initial application of 1 July 2014, which is the beginning of the reporting period. As the impairment and hedge accounting requirements of *IFRS 9 (2014)* have not been adopted, no restatements were made relating to these topics.

For more information and details on the new classification refer to the consolidated financial statements available on the Group's website.

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

3.3 Other reclassifications affecting comparative figures

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

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

3.3.1 Derivatives instruments of R62 million were reclassified from trade and other payables to a separately disclosed line item.

3.3.2 Fair value adjustments on investment property of R15 million were combined with other earnings.

3.3.3 Share of dividend earnings from financial investments of R33 million was combined with other earnings.

3.3.4 Impairment of non-financial assets in June 2014 of R831 million was reclassified to separately disclosable line items. The amount reclassified was presented according to the nature, namely impairment of property, plant and equipment and intangible assets of R15 million and goodwill arising on consolidation amounting to R816 million.

3.3.5 Operating expenses of R202 million was reallocated to cost of sales to more accurately allocate overheads to cost of sales.

3.3.6 ACP was reallocated from the Other and Eliminations segment to Construction and Engineering: South Africa and rest of Africa. The adjustments accurately reflect the value chain inherent in the Construction and Engineering: South Africa and rest of Africa business model.

Impact of change in disclosure

The impact of new standards and interpretations adopted retrospectively as well as other reclassifications were not considered significant on the statement of financial position at 1 July 2013 and accordingly, a third statement of financial position is not presented.

For additional information regarding the accounting policies refer to the consolidated financial statements available on the Group's website.

Notes to the summarised audited consolidated financial statements

for the year ended 30 June 2015

4. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Dynamic Fluid Control Proprietary Limited, a wholly owned subsidiary of Aveng (Africa) Proprietary Limited, acquired 100% of the equity and voting rights of Atval Proprietary Limited ("Atval") effective from 1 July 2014.

Atval was established in 1985 and is a leading South African manufacturer of high-pressure knife-gate valves with 25 years of proven experience in the South African market. The company primarily focuses on high-pressure pinch valves that are extensively used in mineral processing, particularly abrasive tailings pipelines, with annuity income generated from maintenance of valve sleeve linings.

	2015 Rm
Cash outflow on acquisition	
Consideration paid	**25**
Less: Cash and bank balance acquired with the subsidiary	**(2)**
	23
Goodwill arising on acquisition	
Consideration paid	**25**
Less: Fair value of identifiable net assets acquired	**(15)**
	10

4. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS continued

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Atval as at the date of acquisition were:

	Note	2015 Rm Fair value recognised on acquisition
Assets		**22**
Liabilities		**(7)**
Total identifiable net assets at fair value		**15**
Goodwill arising on acquisition	8	**10**
Consideration paid		**25**

Since its acquisition, Atval contributed external revenue of R28 million and earnings before interest and tax of R3,5 million to the Group for the period 1 July 2014 to 30 June 2015. As the acquisition occurred on 1 July 2014, the impact of Atval on the Group's revenue and earnings / (loss) before taxation is for the full reporting period.

Notes to the summarised audited consolidated financial statements

continued

for the year ended 30 June 2015

5. DISPOSAL OF SUBSIDIARY

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

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

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

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

6. SEGMENT REPORT

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

These operating segments are components of the Group:

– that engage in business activities from which they earn revenue and incur expenses; and

– which 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 assess their performance.

The Group's operating segments are categorised as follows:

1. Construction and Engineering

1.1 Construction and Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA, Aveng Engineering and ACP.

Details of the revenues from this segment are the supply of expertise in a number of market sectors: power, mining, infrastructure, commercial, retail, industrial, oil and gas.

1.2 Construction and Engineering: Australasia and Asia

This operating segment comprises McConnell Dowell.

This operating segment specialises in the construction and maintenance of tunnels and pipelines, railway infrastructure maintenance and construction, marine and mechanical engineering, industrial building projects, oil and gas construction and mining and mineral construction.

2. Mining

This operating segment comprises Aveng Moolmans and Aveng Shafts & Underground. During the second half of the year, the business of Aveng Moolmans and Aveng Shafts & Underground were merged under a single Aveng Mining leadership team.

Details of the revenues from this segment is derived from mining related activities.

3. Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

The revenues from this segment are the supply of products, services and solutions to the mining, construction, oil and gas, water, power and rail sectors across the value chain locally and internationally.

4. Other and Eliminations

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

6. SEGMENT REPORT continued

Statement of financial position

	Construction and Engineering: South Africa and rest of Africa			Construction and Engineering: Australasia and Asia			Mining		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%
Assets									
Investment property	**–**	–	–	**–**	–	–	**–**	–	–
Goodwill arising on consolidation	**–**	–	–	**100**	431	(76,8)	**–**	–	–
Intangible assets	**2**	6	(66,7)	**–**	35	(100,0)	**8**	–	100,0
Property, plant and equipment	**494**	702	(29,6)	**799**	1 170	(31,7)	**2 506**	2 746	(8,7)
Equity-accounted investments	**131**	196	(33,2)	**56**	56	–	**4**	4	–
Infrastructure investments	**706**	–	100,0	**72**	–	100,0	**–**	–	–
Financial investments	**–**	126	(100,0)	**–**	64	(100,0)	**–**	–	–
Deferred taxation	**1 463**	970	50,8	**617**	472	30,7	**195**	238	(18,1)
Derivative instruments	**–**	–	–	**15**	–	100,0	**–**	–	–
Amounts due from contract customers	**2 256**	2 185	3,2	**6 895**	8 085	(14,7)	**1 253**	997	25,7
Inventories	**31**	98	(68,4)	**7**	23	(69,6)	**225**	304	(26,0)
Trade and other receivables	**469**	434	8,1	**186**	174	6,9	**91**	93	(2,2)
Cash and bank balances	**215**	351	(38,7)	**2 350**	2 830	(17,0)	**266**	466	(42,9)
Non-current assets held-for-sale	**–**	–	–	**–**	–	–	**–**	–	–
Total assets	**5 767**	5 068	13,8	**11 097**	13 340	(16,8)	**4 548**	4 848	(6,2)
Liabilities									
Deferred taxation	**99**	17	>100,0	**72**	–	100,0	**182**	211	(13,7)
Borrowings and other liabilities	**–**	–	–	**250**	862	(71,0)	**557**	653	(14,7)
Payables other than contract-related	**102**	197	(48,2)	**–**	–	–	**–**	–	–
Employee-related payables	**211**	200	5,5	**446**	886	(49,7)	**273**	230	18,7
Derivative instruments	**–**	29	(100,0)	**–**	34	(100,0)	**–**	–	–
Trade and other payables	**1 382**	1 333	3,7	**3 928**	5 168	(24,0)	**701**	824	(14,9)
Amounts due to contract customers	**614**	728	(15,7)	**1 588**	1 612	(1,5)	**272**	231	17,7
Taxation payable	**31**	60	(48,3)	**11**	61	(82,0)	**42**	95	(55,8)
Total liabilities	**2 439**	2 564	(4,9)	**6 295**	8 623	(27,0)	**2 027**	2 244	(9,7)

Manufacturing and Processing			Other and Eliminations			Total		
2015	2014	%	2015	2014	%	2015	2014	%
–	–	–	–	86	(100,0)	–	86	(100,0)
10	–	100,0	232	232	–	342	663	(48,4)
152	155	(1,9)	177	125	41,6	339	321	5,6
1 326	1 374	(3,5)	501	354	41,5	5 626	6 346	(11,3)
–	–	–	(40)	50	>(100,0)	151	306	(50,7)
–	–	–	–	–	–	778	–	>100,0
–	–	–	–	–	–	–	190	(100)
(154)	(102)	(51,0)	(541)	(175)	>(100,0)	1 580	1 403	12,6
9	–	100,0	17	1	>100,0	41	1	>100,0
472	534	(11,6)	(582)	(450)	(29,3)	10 294	11 351	(9,3)
2 266	2 368	(4,3)	–	–	–	2 529	2 793	(9,5)
1 463	1 980	(26,1)	215	104	>100	2 424	2 785	(13,0)
271	720	(62,4)	(246)	(231)	(6,5)	2 856	4 136	(30,9)
–	–	–	559	607	(7,9)	559	607	(7,9)
5 815	7 029	(17,3)	292	703	(58,5)	27 519	30 988	(11,2)
(54)	18	>(100,0)	(78)	11	>(100,0)	221	257	(14,0)
5	7	(28,6)	1 651	1 345	22,8	2 463	2 867	(14,1)
–	–	–	–	–	–	102	197	(48,2)
122	151	(19,2)	64	108	(40,7)	1 116	1 575	(29,1)
2	–	100,0	–	–	–	2	63	(96,8)
1 757	2 307	(23,8)	193	111	73,9	7 961	9 743	(18,3)
88	106	(17,0)	–	–	–	2 562	2 677	(4,3)
16	–	100,0	(6)	(3)	(100,0)	94	213	(55,9)
1 936	2 589	(25,2)	1 824	1 572	16,0	14 521	17 592	(17,5)

Notes to the summarised audited consolidated financial statements
continued
for the year ended 30 June 2015

6. SEGMENT REPORT continued
Statement of comprehensive earnings

	Construction and Engineering: South Africa and rest of Africa			Construction and Engineering: Australasia and Asia			Mining		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%
Gross revenue	**8 355**	8 677	(3,7)	**20 912**	28 169	(25,8)	**5 956**	6 582	(9,5)
Cost of sales	**(8 491)**	(8 549)	0,7	**(19 678)**	(26 594)	26,0	**(5 258)**	(5 708)	7,9
Gross (loss) / earnings	**(136)**	128	>(100,0)	**1 234**	1 575	(21,7)	**698**	874	(20,1)
Other earnings	**226**	88	>100,0	**45**	(10)	>100,0	**1**	(14)	>100,0
Operating expenses	**(736)**	(678)	(8,6)	**(1 152)**	(1 296)	11,1	**(286)**	(332)	13,9
(Loss) / earnings from equity-accounted investments	**(51)**	28	>(100,0)	**(15)**	2	>(100,0)	**–**	1	(100,0)
Net operating (loss) / earnings	**(697)**	(434)	(60,6)	**112**	271	(58,7)	**413**	529	(21,9)
Impairment of property, plant and equipment and intangible assets	**(209)**	–	>(100,0)	**(44)**	–	>(100,0)	**(32)**	–	>(100,0)
Impairment of goodwill arising on consolidation	**–**	–	–	**(291)**	–	>(100,0)	**–**	–	–
Profit on sale of subsidiary	**–**	–	–	**777**	–	>100,0	**–**	–	–
(Loss) / earnings before financing transactions	**(906)**	(434)	>(100,0)	**554**	271	>100,0	**381**	529	(28,0)
Net finance earnings / expenses	**15**	6	>100,0	**(36)**	(62)	41,9	**(42)**	(42)	–
Loss before taxation	**(891)**	(428)	>(100,0)	**518**	209	>100,0	**339**	487	(30,4)
Taxation	**111**	119	(6,7)	**(14)**	(14)	–	**(194)**	(163)	(19,0)
(Loss) / earnings for the period	**(780)**	(309)	>(100,0)	**504**	195	>100,0	**145**	324	(55,2)
Capital expenditure	**96**	152	(36,8)	**262**	243	7,8	**257**	298	(13,8)
Depreciation	**(91)**	(85)	(7,1)	**(286)**	(258)	(10,9)	**(418)**	(407)	(2,7)
Amortisation	**(5)**	(13)	61,5	**–**	–	–	**–**	–	–
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**(601)**	(336)	(78,9)	**398**	529	(25,0)	**831**	936	(11,2)

	Manufacturing and Processing			Other and Eliminations			Total		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%
	9 928	10 612	(6,4)	**(1 221)**	(1 081)	(13,0)	**43 930**	52 959	(17,0)
	(9 243)	(9 661)	4,3	**1 104**	1 188	(7,1)	**(41 566)**	(49 324)	15,7
	685	951	(28,0)	**(117)**	107	>(100,0)	**2 364**	3 635	(35,0)
	164	248	(33,9)	**35**	(10)	>100,0	**471**	302	56,0
	(795)	(834)	4,7	**(94)**	(31)	>(100,0)	**(3 063)**	(3 171)	3,4
	–	(1)	>100,0	**6**	3	100,0	**(60)**	33	>(100,0)
	54	364	(85,2)	**(170)**	69	>(100,0)	**(288)**	799	>(100,0)
	(32)	–	>(100,0)	**(13)**	(15)	13,3	**(330)**	(15)	>(100,0)
	–	–	–	**–**	(816)	100,0	**(291)**	(816)	64,3
	–	–	–	**–**	–	–	**777**	–	100,0
	22	364	(94,0)	**(183)**	(762)	76,0	**(132)**	(32)	>(100,0)
	(25)	4	>(100,0)	**(218)**	(89)	>(100,0)	**(306)**	(183)	(67,2)
	(3)	368	>(100,0)	**(401)**	(851)	52,9	**(438)**	(215)	>(100,0)
	(7)	(110)	93,6	**24**	7	>100,0	**(80)**	(161)	50,3
	(10)	258	>(100,0)	**(377)**	(844)	55,3	**(518)**	(376)	(37,8)
	180	406	(55,7)	**81**	138	(41,3)	**876**	1 237	(29,2)
	(119)	(112)	(6,3)	**(15)**	(19)	21,1	**(929)**	(881)	(5,4)
	(12)	(5)	>(100,0)	**(4)**	(10)	60,0	**(21)**	(28)	25,0
	185	481	(61,5)	**(151)**	98	>(100,0)	**662**	1 708	(61,2)

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6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2015 Revenue Rm	2014 Revenue Rm	**2015 Segment assets Rm**	2014 Segment assets Rm	**2015 Capital expenditure Rm**	2014 Capital expenditure Rm
South Africa	**19 628**	19 489	**14 048**	14 206	**541**	794
Rest of Africa including Mauritius	**2 908**	4 609	**1 625**	2 706	**65**	199
Australasia and Asia	**15 880**	25 001	**9 383**	12 377	**110**	225
Southeast Asia	**5 115**	3 300	**2 154**	1 244	**160**	19
Middle East and other regions	**399**	560	**309**	455	**–**	–
	43 930	52 959	**27 519**	30 988	**876**	1 237

7. IMPAIRMENTS

The Group assesses the recoverable amount of any goodwill arising on consolidation, indefinite useful life intangible assets and property, plant and equipment as allocated to the cash-generating units ("CGUs") of the Group, annually or when indicators of potential impairment are identified.

As at 30 June 2015, it was necessary to impair assets due to the subdued economic conditions and the resultant pressure on the order book. An impairment charge totalling R273 million was recognised against ancillary operations comprising property, plant and equipment in the Construction and Engineering: South Africa and rest of Africa (R198 million charge), Mining (R32 million charge), Manufacturing and Processing (R32 million charge) and Construction and Engineering: Australasia and Asia (R11 million) segments respectively.

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

Goodwill of R291 million associated with the Built Environs business in the Construction and Engineering: Australasia and Asia segment was fully impaired during the period ended 30 June 2015.

There was no impairment of property, plant and equipment during the previous year.

During the period ended 30 June 2014, indefinite life intangibles within Aveng Grinaker-LTA were fully impaired by R15 million.

During the period ended 30 June 2014, the goodwill associated with the Aveng Water business (R75 million) was impaired as a result of its repositioning within the Group to a more ancillary and supportive role within the Construction and Engineering: South Africa and rest of Africa segment.

During the period ended 30 June 2014, the goodwill associated with Aveng Grinaker-LTA was also fully impaired amounting to R741 million.

For more detail refer to the consolidated financial statements available on the Group's website.

Impairments recognised during the year

	2015 Rm	2014 Rm
Goodwill	**(291)**	(816)
Intangible assets	**(57)**	(15)
Property, plant and equipment	**(273)**	–
	(621)	(831)

8. GOODWILL ARISING ON CONSOLIDATION

Reconciliation of goodwill arising on consolidation

	2015 Rm	2014 Rm
Cost		
Opening balance	**1 479**	1 425
Acquisition	**10**	–
Foreign exchange movements	**(34)**	54
	1 455	1 479
Accumulated impairment		
Opening balance	**(816)**	–
Impairment*	**(291)**	(816)
Foreign exchange movements	**(6)**	–
	(1 113)	(816)
Carrying amount	**342**	663

** Further detail on the impairment relating to goodwill is presented in impairment of goodwill arising on consolidation note as detailed in the consolidated financial statements available on the Group's website.*

Allocation of goodwill to CGUs

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

	2015 Rm	2014 Rm
Dynamic Fluid Control	**242**	232
McConnell Dowell	**100**	431
	342	663

9. EQUITY-ACCOUNTED INVESTMENTS

	2015 Rm	2014 Rm
Opening balance	**306**	144
Transfer to infrastructure investments held at fair value*	**(3)**	–
Transfer of shareholder loans to infrastructure investments*	**(168)**	–
Loan advanced	**74**	154
Share of other comprehensive earnings	**–**	(28)
Share of (loss) / earnings before taxation and dividends	**(44)**	44
Amount recorded in the statement of comprehensive earnings	**(60)**	33
Excluding: Fair value adjustments on foreign exchange contracts disclosed as derivative instruments	**16**	11
Dividends received	**(6)**	(13)
Foreign currency translation movement	**7**	6
Impairment	**(7)**	–
Disposal	**(5)**	–
Other	**(3)**	(1)
	151	306

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9. EQUITY-ACCOUNTED INVESTMENTS continued

Reconciliation of investments	Holdings	2015 Rm	2014 Rm
Blue Falcon 140 Trading Proprietary Limited*	29%	**–**	60
Imvelo Concession Company Proprietary Limited*	30%	**–**	40
Oakleaf Investment Holdings 86 Proprietary Limited	50%	**48**	41
REHM Grinaker Construction Co Limited	43%	**7**	14
REHM Grinaker Property Co Limited	43%	**11**	(7)
RPP Developments Proprietary Limited	10%	**10**	7
RPP JV Property Proprietary Limited	40%	**7**	7
Windfall 59 Properties Proprietary Limited*	29%	**–**	71
Dutco McConnell Dowell Middle East Limited	49%	**56**	56
Other		**12**	17
		151	306

** In accordance with IAS 28, the exemption from equity accounting was applied from 1 July 2014 in respect of the following investments, which were previously equity-accounted:*
– Blue Falcon 140 Trading Proprietary Limited;
– Windfall 59 Properties Limited; and
– Imvelo Concession Company Proprietary Limited.

Refer to note 10: *Infrastructure investments* for further detail of the investments detailed above that were transferred to infrastructure investments held at fair value. ACP has been determined to be operating as a venture capital organisation, these investments have therefore been reclassified as financial assets at FVTPL in accordance with the IAS 28 exemption. These investments are managed, reported and evaluated on a fair value basis in term of ACP's investment methodology.

9. EQUITY-ACCOUNTED INVESTMENTS continued

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

	2015 Rm	2014 Rm
Aggregate carrying amount of associates	**103**	282
Aggregate carrying amount of joint ventures	**48**	24
	151	306
The Group's share of results of operations of equity-accounted investments are summarised below:		
Associates		
Earnings from continued operations	**11**	20
Joint ventures		
(Loss) / earnings from continued operations	**(55)**	24
Other comprehensive earnings from continued operations	**–**	(28)
	(55)	(4)
(Loss) / earnings from the equity-accounted investments	**(44)**	44
Forward exchange contract losses*	**(16)**	(11)
Total share of (loss) / earnings from equity-accounted investments	**(60)**	33

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

Regulatory constraints

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

Contingent liabilities

The Group's share of bank guarantees issued by its joint ventures and associates is R537 million (June 2014: R820 million). Other than as stated above, the Group did not incur any other contingent liabilities with regard to associates and joint ventures.

For the list of Group entities, refer to Group operating entities note as detailed in the consolidated financial statements available on the Group's website.

Joint operations in the Group are unincorporated and therefore do not have year-ends different to the Group year-end. The Group accounts for the relative share of assets, liabilities, revenue and expenses of joint operations.

For detail on the Commitments note refer to the consolidated financial statements available on the Group's website and *note 20: Contingent liabilities* in this set for the Group's contingent liabilities relating to its associates and joint ventures.

The ability of the Group's associates or joint ventures to transfer funds or distribute its profits to the Group in the form of cash dividends, or to repay loans or advances made by the Group resulting from borrowing arrangements are governed by approval from the investors.

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10. INFRASTRUCTURE INVESTMENTS

	2015 Rm	2014 Rm
South African infrastructure investments		
Financial investments at FVTPL	**706**	–
Other infrastructure investments		
Financial investments at FVTPL	**72**	–
Total infrastructure investments	**778**	–

With effect from 1 July 2014, the Group's South African infrastructure investments managed by ACP were measured at fair value. These include all South African infrastructure investments in which the Group holds less than 50%. These investments are managed, reported and evaluated on a fair value basis in terms of ACP's investment methodology. Refer to *note 9: Equity-accounted investments* for the details pertaining to these investments. To the extent that these investments were previously equity-accounted, they have been reclassified to infrastructure investments at their equity-accounted values as at 30 June 2014. This is not considered to be a change in accounting policy but rather a change in the business management as the ACP business model was only approved from 1 July 2014.

	2015 Rm	2014 Rm
South African infrastructure investments		
Opening balance	**–**	–
Reclassification of equity investments from equity-accounted investments	**3**	–
Reclassification of shareholder loans from equity-accounted investments	**168**	–
Recycling of equity-accounted earnings from other comprehensive earnings	**28**	–
Reclassification from financial investments	**126**	–
Fair value remeasurement through comprehensive earnings	**173**	–
Loans advanced	**208**	–
	706	–
Balance at the end of the year comprises:		
Blue Falcon 140 Trading Proprietary Limited	**217**	–
Imvelo Company Proprietary Limited	**40**	–
N3 Toll Concessions (RF) Proprietary Limited	**128**	–
Windfall Proprietary Limited	**321**	–
	706	–
Other infrastructure investments		
Opening balance	**–**	–
Reclassification from financial investments	**64**	–
Foreign currency translation movement	**(4)**	–
Fair value remeasurement through comprehensive earnings	**12**	–
	72	–

11. DEFERRED TAXATION

	2015 Rm	2014 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	**1 403**	1 347
Recognised in earnings or loss – current year	**143**	234
Recognised in earnings or loss – adjustment for prior year	**81**	(97)
Effect of change in foreign tax rate	**–**	(2)
Foreign currency translation movement	**13**	49
Reallocation from deferred taxation liability	**–**	33
Restructuring	**(1)**	(161)
Disposal of subsidiary	**(59)**	–
	1 580	1 403
Reconciliation of deferred taxation liability		
At the beginning of the year	**(257)**	(319)
Recognised in earnings or loss	**11**	(42)
Recognised in earnings or loss – adjustment for prior year	**25**	1
Available-for-sale fair value reserve	**–**	(21)
Reallocation to deferred taxation asset	**–**	(33)
Restructuring	**1**	161
Foreign currency translation movement	**(1)**	(4)
	(221)	(257)
Deferred taxation asset balance at the year-end comprises		
Accelerated capital allowances	**(303)**	(368)
Provisions	**370**	577
Contracts	**(70)**	(194)
Other	**358**	426
Assessed losses carried forward	**1 225**	962
	1 580	1 403

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11. DEFERRED TAXATION continued

	2015 Rm	2014 Rm
Deferred taxation liability balance at the year-end comprises		
Accelerated capital allowances	**(327)**	(304)
Provisions	**29**	20
Contracts	**17**	1
Other	**22**	(3)
Assessed losses carried forward	**38**	29
	(221)	(257)

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

As at 30 June 2015, the Group had unused taxation losses of R5 603 million (2014: R4 301 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R4 116 million (2014: R3 691 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R1 487 million (2014: R610 million) due to the uncertainty of future taxable profits in the related specific legal entities.

Unused tax losses – Assumptions

The Group performed a five-year forecast for the financial years 2016 to 2020 which is the key evidence that supports the recognition of the deferred taxation asset. This forecast specifically focused on Aveng (Africa) Proprietary Limited, out of which Aveng Grinaker-LTA operates and which, given its financial performance over the past three years, has contributed significantly to these assessed losses in the Group. Aveng Grinaker-LTA has been repositioned in 2013 and 2014 to strengthen its service offering to clients in its core operations. This process saw new executive leadership progressively appointed during the year. The new management has been tasked with minimising losses and cash outflows on existing contracts, strengthening project execution and commercial management and to return Aveng Grinaker-LTA to profitability. Fundamental to these initiatives, is securing quality contracts that fulfil both risk and return requirements for the Group. Inputs used were based on perceived risk within the business and attainable revenue and gross profit margins which are consistent with market observations. Although the turnaround in 2015 was slower than anticipated good progress was made in positioning Aveng Grinaker-LTA for the future. This included considerable restructuring and right-sizing of the business in line with the current market conditions. Attention has also been given to the commercial and risk management processes and pre-tender assessments. This will protect our margins into the future.

Also included in Aveng (Africa) Proprietary Limited are Aveng Manufacturing, Aveng Steel operating groups as well as Aveng Shafts & Underground. Aveng Steel will continue to focus on reducing overheads in line with the current subdued steel market. Aveng Manufacturing enters challenging market environments in a strong position in the 2016 financial year. Aveng Shafts & Underground is expected to improve performance. Aveng Manufacturing and Aveng Steel as well as Aveng Shafts & Underground are expected to contribute to earnings and thereby reduce the extent of assessed losses in Aveng (Africa) Proprietary Limited. Aveng Grinaker-LTA is expected to break even in 2016 and start contributing to profitability thereafter.

12. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	2015 Rm	2014 Rm
Uncertified claims and variations (underclaims)[1]	**5 862**	6 763
Provision for amounts due from contract customers[1]	**(958)**	(1 102)
Progress billings received (including overclaims)[2]	**(1 921)**	(1 766)
Uncertified claims and variations less progress billings received	**2 983**	3 895
Contract receivables[3]	**5 147**	5 527
Provision for contract receivables	**–**	(46)
Retention receivables[4]	**243**	209
	8 373	9 585
Amounts received in advance[5]	**(641)**	(911)
Net amounts due from contract customers	**7 732**	8 674
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations	**5 862**	6 763
Provision for amounts due from contract customers	**(958)**	(1 102)
Contract and retention receivables	**5 390**	5 736
Provision for contract receivables	**–**	(46)
Amounts due from contract customers	**10 294**	11 351
Progress billings received	**(1 921)**	(1 766)
Amounts received in advance	**(641)**	(911)
Amounts due to contract customers	**(2 562)**	(2 677)
Net amounts due from contract customers	**7 732**	8 674

[1] Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.
[2] Progress billings are amounts billed for work performed above revenue recognised.
[3] Amounts invoiced still due from customers.
[4] Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified.
[5] Advances are amounts received from the customer before the related work is performed.

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

	Uncertified claims and variations Rm	Provision for amounts due from contract customers Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
2015						
Non-current assets	**900**	**–**	**–**	**–**	**–**	**900**
Current assets	**4 962**	**(958)**	**5 147**	**–**	**243**	**9 394**
	5 862	**(958)**	**5 147**	**–**	**243**	**10 294**
2014						
Non-current assets	3 460	(737)	223	–	–	2 946
Current assets	3 303	(365)	5 304	(46)	209	8 405
	6 763	(1 102)	5 527	(46)	209	11 351

13. NON-CURRENT ASSETS HELD-FOR-SALE

During the previous financial year, the Group made a decision to dispose of non-core properties. These properties were classified as non-current assets held-for-sale and will be sold as a single portfolio of land and buildings.

These properties continue to meet the definition of a disposal group. When assessed for impairment (as a single portfolio), the fair value of the properties, as determined by valuation experts significantly exceeded the carrying amount of the properties. No impairment is therefore necessary. The Other and Elimination segment houses the disposal group.

As at year-end, the Group had a binding agreement with Imbali Props 21 Proprietary Limited, a member of the Collins Property Group for approximately R1,2 billion. Certain properties were removed from the originally anticipated transaction while a number of cranes were added during the negotiation process. The Group will retain a 30% interest in Dimopoint Proprietary Limited, a special purpose vehicle created for the purpose of holding the non-core properties and which is currently wholly owned by Aveng (Africa) Proprietary Limited. The Competition Commission approval has been obtained for this transaction and all necessary documents have been signed after year-end. All conditions precedent have been met and therefore the disposal transaction is substantially complete.

13. NON-CURRENT ASSETS HELD-FOR-SALE continued

	2015 Rm	2014 Rm
Non-current assets held-for-sale		
Land and buildings	**559**	607
Movement during the period		
Opening balance	**607**	–
Transferred to PPE	**(123)**	–
Transferred from PPE	**75**	607
	559	607
Operating leases commitments		
Future minimum lease payment under this non-cancellable operating lease:		
– within one year	**113**	–
– within two and five years	**815**	–
– later than five years	**1 271**	–
	2 199	–

14. BORROWINGS AND OTHER LIABILITIES

14.1 Borrowings held at amortised cost

Description	Terms	Rate of interest	2015 Rm	2014 Rm
Convertible bond of R2 billion	Interest coupon payable bi-annually for a period of 5 years	Coupon of 7,25%	**1 651**	–
Finance sale and lease back amounting to AUD10 million*	Monthly instalment from 2012 to June 2018	Fixed range 5,5% to 7,6%	**91**	259
Short-term facility of AUD10 million	Repayable in May 2016	Bank bill swap rate plus 1,65%	**94**	603
Secured loan agreement denominated in ZAR	Interest on loan repayable monthly with principal owing in June 2021	Fixed interest rate of 9,82%	**–**	66
Hire purchase agreement in AUD7 million*	Monthly instalment from 2014 to September 2019	Fixed interest rate of 6,81%	**65**	–
Hire purchase agreement in USD*	Quarterly instalments ending June 2017	Fixed rate ranging 4,58% to 4,65%	**253**	312
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in November 2017	South African prime less 2%	**74**	100
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in March 2017	South African prime less 1,7%	**148**	138
Hire purchase agreement in ZAR*	Monthly instalment ending in May 2018	Fixed interest rate of 9,7%	**69**	102
Revolving credit facility in ZAR	Interest payable monthly with bullet payment payable in June 2016	Jibar + 2,75%	**–**	1 000
Revolving credit facility in ZAR	Interest payable monthly with bullet payment payable in December 2016	Jibar + 1,75%	**–**	250
Finance lease facilities in ZAR*	Monthly instalment ending in March 2017	South African prime	**13**	9
Interest-bearing borrowings			**2 458**	2 839
Interest outstanding on interest-bearing borrowings**			**5**	28
Total interest-bearing borrowings			**2 463**	2 867

** These borrowings and other liabilities are finance leases and are included in the analysis of the payable finance lease liability.*

*** Interest outstanding in the current year relates to finance leases.*

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14. BORROWINGS AND OTHER LIABILITIES continued

14.2 Borrowings held at amortised cost continued

	2015 Rm	2014 Rm
Finance lease liability are payable as follows:		
Minimum lease payments due		
– within one year	**369**	324
– within two and five years	**411**	671
Less: Future finance charges	**(62)**	(75)
Present value of minimum lease payments	**718**	920
Present value of minimum lease payments due		
– within one year	**332**	286
– within two and five years	**386**	634
	718	920

The Construction and Engineering: Australasia and Asia operating segment entered into a finance sale and leaseback arrangement in the 2012 financial year and in the current year entered into an asset based finance arrangement.

The arrangement, amounting to AUD10 million (R91 million) (2014: AUD26 million (R259 million) has been secured by plant and equipment with a net carrying amount of R60 million (2014: R283 million). The arrangements are repayable in monthly instalments with the final instalment payable in June 2018 and bears interest at fixed rates, ranging from 5,5% to 7,6%.

The new arrangement amounting to AUD7 million (R65 million) has been secured by assets with a net carrying amount of R49 million. The arrangement is repayable in monthly instalments with the final instalment payable in September 2019 and bears interest at 6,81%.

The Mining operating segment entered into various asset-based finance lease agreements in 2012, 2013, 2014 and the current financial year to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and is repayable in monthly and quarterly instalments with the final repayment to be made in May 2018. Equipment with a net carrying amount of R613 million (2014: R673 million) has been pledged as security for the facility.

The Mining and Manufacturing and Processing operating segments entered into various vehicle lease arrangements in the 2014 and 2015 period. Equipment with the net carrying amount of R10 million (2013: R8 million) has been pledged as security.

14.3 Convertible bonds

During July 2014, the Company issued convertible bonds denominated in South Africa Rand with a nominal value of R2 billion and a coupon of 7,25%. Interest is payable bi-annually for a period of five years with the bond repayment date being five years from the issue date at par plus interest.

The bonds are convertible into 69,6 million Aveng Limited shares at the holder's option based on a conversion price of R28,76 subject to shareholders' approval, which was received on 19 September 2014.

The Company has the option to call the bonds at par plus accrued interest at any time on or after 7 August 2017 up to 20 consecutive dealing days before the redemption date, if the aggregate value of the underlying shares per bond for a specified period of time is 130% of the conversion price. However, the bondholders may convert the bonds into shares before the actual settlement.

14. BORROWINGS AND OTHER LIABILITIES continued

14.3 Convertible bonds continued

The Company also has the option to settle the outstanding bonds at par value plus accrued interest at any time if less than 15% of the bond remains outstanding.

The convertible bond comprises a liability component as well as an embedded conversion option, being the option for the bondholder to convert the bond to a fixed number of Aveng Limited shares.

The liability component is recognised and initially measured at fair value, adjusted for transaction costs and subsequently measured at amortised cost in accordance with the Company's accounting policy on borrowings and other liabilities. The conversion option was initially measured at fair value with changes in the fair value recognised in comprehensive earnings in accordance with the Company's accounting policy on derivative instruments. On the date that the shareholder approval was obtained to settle the instruments in shares, the derivative was reclassified to equity, at the then fair value.

The effective interest rate associated with the convertible bond liability is 13,6% per annum.

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

** Interest on convertible bond.*

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15. TRADE AND OTHER PAYABLES

	2015 Rm	2014 Rm
Trade payables	**2 859**	3 287
Subcontractors	**425**	409
Accrued expenses	**3 180**	3 600
Income received in advance	**1 072**	1 438
Promissory notes	**425**	1 009
	7 961	9 743*

** Comparatives have been amended as detailed in note 3: New accounting standards and interpretations adopted, changes in accounting policies and other reclassification.*

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

Promissory notes issued to the Group amount to R425 million (2014: R1 billion). The notes bear interest between a range of 7,7% and 7,8% per annum. Terms vary in accordance with contracts of supply and service but are generally settled on 30 to 90 day terms.

Included in accrued expenses is advance payments received relating to the Queensland Curtis Liquified Natural Gas contract of AUD112,5 million (R1 055 million) which is backed by bank guarantees. AUD30 million (R301 million) of the advance payment was paid back on 3 July 2014.

16. EMPLOYEE-RELATED PAYABLES

IFRS 2 *Share-based payment* obligation

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

Employee entitlements

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

Leave pay benefits

Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at year-end. Discounting of these obligations amount to R10 million (2014: R12 million) accretion.

16. EMPLOYEE-RELATED PAYABLES continued

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

** Amounts less than R1 million.*

	Opening balance Rm	Recognised / (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Unwinding of discount Rm	Total Rm
Reconciliation of employee-related payables – 2014						
IFRS 2 *Share-based Payment*	55	(2)	(22)	–	–	31
Employee entitlements	966	425	(540)	(70)	8	789
Leave pay benefits	649	525	(492)	61	12	755
	1 670	948	(1 054)	(9)	20	1 575

	2015 Rm	2014 Rm
Non-current	**468**	682
Current	**648**	893
	1 116	1 575

Notes to the summarised audited consolidated financial statements

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17. OPERATING EXPENSES

	2015 Rm	2014* Rm
Operating lease charges – premises	**88**	92
Operating lease charges – plant and equipment	**9**	10
Rationalisation and restructuring	**123**	66
Depreciation of property, plant and equipment	**47**	105
Amortisation of intangible assets	**21**	28
Share-based payment expense	**(20)**	(13)
Employee costs	**1 895**	1 980
Employee benefits	**65**	98
Computer costs	**105**	103
Consulting fees	**119**	89
Audit fees	**54**	54
Other	**557**	559
	3 063	3 171

** Comparatives have been amended as detailed in note 3: New accounting standards and interpretation adopted, changes in accounting and policies and other reclassifications.*

18. TAXATION

Major components of the taxation expense

	2015 Rm	2014* Rm
Current		
Local income taxation – current period	**25**	30
Local income taxation – recognised in current taxation for prior periods	**(4)**	(9)
Foreign income taxation or withholding taxation – current period	**377**	262
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	**(58)**	(28)
	340	255
Deferred		
Deferred taxation – current period	**(154)**	(192)
Deferred taxation – foreign rate change	**–**	2
Deferred taxation – arising from prior period adjustments	**(106)**	96
	(260)	(94)
	80	161

The net movement on deferred taxation amounts to R213 million (2014: R118 million), which comprises a credit to the statement of comprehensive earnings of R260 million (2014: R94 million credit), a debit of Rnil fair value adjustment on financial investments (2014: R21 million debit), (2014: Rnil at the CGT rate of 18,7%) (2014: R114 million) and a credit of R12 million (2014: R45 million debit) to the foreign currency translation reserve, and R59 million (2014: Rnil) relating to the disposal of a subsidiary.

	2015	2014
Reconciliation of the taxation expense		
Reconciliation between applicable taxation rate and effective taxation rate		
Effective taxation rate	**(18,3)%**	(74,9)%
Goodwill impairment charge	**(36,0)%**	101,0%
Effective taxation rate on earnings excluding goodwill impairment loss	**(54,3)%**	26,1%
Exempt income	**(134,4)%**	14,3%
Deferred taxation asset not recognised	**186,8%**	(14,4)%
Disallowable charges	**43,0%**	(4,8)%
Change in tax rate	**–**	(0,4)%
Prior year adjustment	**(34,9)%**	5,3%
Effects of other jurisdictions and other	**21,8%**	1,9%
	28,0%	28,0%

South African income taxation is calculated at 28% (2014: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

19. NON-CASH AND OTHER MOVEMENTS

	2015 Rm	2014 Rm
Earnings from disposal of property, plant and equipment	**(61)**	(66)
Impairment of goodwill, property, plant and equipment and intangible assets	**628**	831
Profit on disposal of subsidiary	**(777)**	–
Fair value adjustments	**(196)**	(15)
Movements in foreign currency translation	**(62)**	(206)
Movement in equity-settled share-based payment reserve	**11**	5
	(457)	549

20. CONTINGENT LIABILITIES

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

	2015 Rm	2014* Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**3 721**	3 895
Parent company guarantees (ZARm)	**898**	2 987
	4 619	6 882
Australasia		
Guarantees and bonds (AUDm)	**647**	651
Parent company guarantees (AUDm)	**1 215**	4 149
	1 862	4 800

** Adjusted to remove advance payment guarantees where the advance payment is already recognised as a liability to the Group.*

Aveng has a rehabilitation liability relating to the sale of the properties. Refer to *Non-current assets held-for-sale* note as detailed in the consolidated financial statements available on the Group's website. The amount of this liability will be confirmed as soon as the environmental experts have completed their assessment of the extent and amount of damage.

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

Claims and legal disputes in the ordinary course of business

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

Notes to the summarised audited consolidated financial statements

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21. HEADLINE EARNINGS

	2015		2014	
	Gross of taxation Rm	**Net of taxation Rm**	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings				
Loss for the period attributable to equity holders of parent	**–**	**(460)**	–	(381)
Impairment of goodwill	**291**	**291**	816	816
Impairment of property, plant and equipment	**273**	**252**	–	–
Impairment of intangible assets	**57**	**57**	15	15
(Loss) / profit on sale of property, plant and equipment	**6**	**4**	(25)	(18)
Profit on sale of subsidiary	**(777)**	**(713)**	–	–
Fair value adjustment on investment property	**(11)**	**(9)**	(15)	(11)
Headline (loss) / earnings		**(578)**		421

22. EVENTS AFTER THE REPORTING PERIOD

Disposal of non-core assets

The non-core properties have been classified as non-current assets held-for-sale. Refer to note 13: *Non-current assets held-for-sale* of the consolidated financial statements. The Competition Commission approval has been obtained for this transaction and all necessary documents have been signed after year-end. All conditions precedent have been met and therefore the disposal transaction is substantially complete.

As part of this transaction the Group will have committed lease payments for these properties after the disposal.

Commentary

OVERVIEW

Salient features

- All Injury Frequency Rate improved to 3,5 compared to 3,8 at 30 June 2014
- Revenue decreased by 17% to R43,9 billion (2014: R53,0 billion)
- Net operating earnings decreased to a loss of R288 million (2014: R799 million profit)
- Headline earnings per share decreased to a loss of 144,3 cents (2014: 112,5 cents profit)
- Sale of Electrix business was successfully completed resulting in a R777 million profit
- Successfully placed R2 billion senior unsecured convertible bonds
- Net cash of R0,4 billion from R1,3 billion in June 2014
- Property deal is substantially concluded

Safety

Safety remains a core value of Aveng and is integral to the way the Group conducts its business. The Group remains fully committed to improving its safety culture by driving the safety vision *"Home without harm, Everyone, Everyday".*

Aveng deeply regrets the loss of five people's lives during the period ended 30 June 2015. This is unacceptable as the Group strives towards fatality-free operations. The Aveng Board and management have extended their sincere condolences to the families, friends and colleagues of the deceased employees.

In 2015 the All Injury Frequency Rate (AIFR) improved by 8% to 3,5. This indicator includes all types of injuries and principally indicates broad personal injury trends. Aveng continues to see year-on-year improvement in the reporting culture, and anticipates that reporting thresholds for total injuries will continue to improve across operations.

OPERATING ENVIRONMENT

Overview

The Group has made inroads in delivering on its short and medium term strategy. However, improved operational performance was overshadowed by the economic slowdown in the Group's key markets and the continued impact of resolving historical problematic contracts. The Group's performance was negatively impacted by a substantial loss in the steel and engineering operating groups, restructuring costs incurred across the Group and a substantial provision created for unresolved claims pertaining to South African operations.

There has been no material improvement in domestic infrastructure investment in South Africa, aggravated by the impact of reduced mining activities and labour disruptions. The substantial drop in the price of steel, combined with low demand, significantly impacted the results of the steel operating group.

Provisions were raised relating to long-standing commercial claims that are under negotiation in Aveng Grinaker-LTA. These claims did not achieve sufficient progress by year end. While the Group remains confident of an acceptable commercial outcome, the increased uncertainty associated with protracted negotiation processes, resulted in the requirement for this substantial provision.

Trading conditions in Australia remain difficult, with a fall in all categories of infrastructure development except for residential building. The general social and infrastructure-related projects are not yet compensating for the reduced mining infrastructure spend and the decline in liquid natural gas projects.

In spite of these macro-economic challenges, the recovery and stabilisation plan implemented in the previous financial year, focusing on the restoration of liquidity and the reduction in fixed overhead cost, continued to progress well in most business units. Related restructuring costs have impacted results in 2015.

Commentary continued

Decisive steps were taken during the year to strengthen the Group's financial position and its leadership capacity, thereby addressing areas of underperformance in operations. Interventions to reduce fixed costs and improve operating efficiencies were implemented in all the operating groups. The mining businesses were fully integrated under Aveng Mining, and steel businesses were integrated under Aveng Steel. Together with other actions to turnaround underperforming business units, these interventions have, to a large extent, delivered positive outcomes, the full effect of which will contribute to the financial performance improvement in 2016.

Construction and Engineering: Australasia and Asia

Declining investment in infrastructure development in Australia was exacerbated by the sharp decrease in oil and gas prices, and further reductions in iron ore and coal prices. Delays or cancellation in government tenders impeded anticipated growth in social and transport-related infrastructure projects. Strong competition from international contractors for fewer opportunities made it difficult for the segment to win replacement projects for completed work. Following the completion of major projects, these conditions have led to a larger than anticipated fall in the order book of McConnell Dowell. Significant bidding costs were incurred for unsuccessful tenders. Notwithstanding, opportunities for social and transport-related infrastructure projects continue to be pursued to move away from mining-related work. Favourable higher quality contracts awarded in New Zealand and Southeast Asia partially offset the Australian based operations' significant reduction in revenue.

Construction and Engineering: South Africa and rest of Africa

The segment remained constrained due to the lack of investment in large infrastructure projects, typically generated by the public and mining sectors. Private sector investment remains subdued due to external factors, including low commodity prices and government spending policy uncertainty. Activity was driven by construction on large private sector building-related contracts and engineering work on renewable energy contracts. The Sishen Photovoltaic Project was successfully completed on time. This 74 MW project has been contributing to South Africa's energy needs since December 2014. The Gouda Wind Project is due to come on-stream in the first quarter of the new financial year, further contributing renewable energy to the grid. Labour disruption in the mining and steel industries impacted the operating segment, while the Medupi Power Station site experienced renewed labour unrest in the second half of the financial year. The order book mix continued to be biased towards the relatively lower margin building work, following the successful award of flagship building projects in Durban, Cape Town and Sandton. Management will continue to balance construction disciplines to optimise the portfolio of projects.

Mining

Aveng Moolmans and Aveng Shafts & Underground were fully integrated during the year to create Aveng Mining, a single sizeable entity operating under a common management team with shared support services. A drive to rationalise costs, strengthen operational efficiencies and renew the focus on safety will enable the operating segment to remain competitive in a weak commodity market.

The mining industry continues to be negatively impacted by low commodity prices. The domestic market carries the additional burden of labour disruption and an uncertain regulatory environment which discourages investment. Clients are under pressure to reduce costs and are demanding higher levels of efficiency from contractors, which resulted in lower margins for the segment.

The majority of open-cast and underground mining contracts delivered solid performances. However, overall performance was down largely due to losses incurred in the Chilean operations and the Wesizwe contract which was further impacted by labour disruptions.

In spite of the challenging market conditions, the operating segment secured and commenced work on a number of long-term shaft sinking and development contracts at acceptable margins. Certain clients recently announced suspensions and terminations due to current market conditions that have negatively impacted the order book for Aveng Mining.

Aveng Manufacturing

The manufacturing businesses performed well following recent investments by Infraset in Mozambique and Zambia benefiting in particular, from the strong demand for concrete rail products. Aveng Rail (previously Lennings Rail) continued to benefit from rail construction and maintenance services in Southern Africa. Labour disruptions and constrained infrastructure investment adversely impacted the mining and specialist-construction products business units.

Aveng Steel

The difficult market conditions that characterised the second half of the previous financial year continued in the current year, with the South African steel sector experiencing several business failures. Widespread labour disruptions had a significant negative impact on volumes and inventory levels. This was compounded by fierce international competition and a sharp drop in the price of steel in the second half of this year, resulting in a significant drop in margins. The falling demand and lower margins have led to a requirement for cost savings and efficiency initiatives. This has led to the steel operating group reporting a substantial loss in the current financial year versus the profit reported in the prior year, a deterioration of R308 million.

FINANCIAL PERFORMANCE

Statement of comprehensive earnings

Revenue decreased by 17% to R43,9 billion against the comparative period's R53,0 billion primarily as a result of:

- The completion of multi-year major mining and infrastructure projects within the *Construction and Engineering: Australasia and Asia* segment;
- Labour disruption in the mining and steel sectors;
- Reduced demand and lower pricing on the back of lower international prices in the steel sector; and
- Non-renewal of three gold-mining contracts in Aveng Mining as well as slower production on other contracts.

Net operating earnings decreased to a loss of R288 million (2014: R799 million profit) as a result of:

- A weaker Australian construction market, with a large number of major contracts close to completion without having been replaced as well as, extensive tendering costs of approximately R200 million, in an increasingly competitive market;
- Liquidated damages paid on the Hay Point Berth project in order to reduce the future risk;
- Cost overruns due to remedial work on the GCRT contract;
- Further losses on the Mokolo Crocodile Pipeline contract, due to an extended close out of the contract;
- Increased costs and penalties associated with remedial action to address the under-performance of water purification contracts at Aveng Engineering (R93 million);
- The *Mining* segment's earnings were negatively impacted by losses incurred on shaft-sinking contracts;
- A tough steel sector culminated in a weak result from Aveng Steel. This was driven by labour disruptions, weak margins due to low demand and increased price competition;
- Once-off restructuring costs of R123 million to re-align the fixed cost base;

Commentary continued

- Additional provisions were raised relating to long-standing commercial claims that are under negotiation in Aveng Grinaker-LTA. These claims did not achieve sufficient progress by year end. While the Group remains confident of an acceptable commercial outcome, the increased uncertainty associated with protracted negotiation processes, resulted in a substantial provision of R583 million; and
- Loss from equity-accounted investments of R60 million was lower by R93 million against the earnings in the comparative period predominantly due to the impact of delays on the technical sign-off of the Gouda Wind Project, and certain investments being reclassified as infrastructure investments (held at fair value), effective 1 July 2014.

This was partially mitigated by:
- Solid results from Aveng Manufacturing driven by strong demand for rail and related services in sub-Saharan Africa;
- Solid results from Aveng Moolmans;
- Decreased **operating expenses** due to restructuring and cost saving initiatives. The full benefit of these initiatives will be realised in the 2016 financial year; and
- Fair value gains of R196 million included in **other earnings** – representing **infrastructure investments** reaching a marketable maturity level allowing for their reclassification as financial assets held at fair value, and gains on **investment properties.**

McConnell Dowell disposed of the Electrix business on 31 October 2014 for R1,3 billion. The **profit on sale of this subsidiary** (treated as a disposal group and not a discontinued operation) amounted to R777 million before taxation.

The Group recognised **impairment** charges of R621 million (2014: R831 million) following a review of current business performance, prevailing and future market conditions and the resultant pressure on order books.

Goodwill of R291 million and **intangible assets** of R33 million, associated with the Built Environs business in the *Construction and Engineering: Australasia and Asia* segment, have been fully **impaired**. While management have implemented a robust turnaround plan for this business, there is uncertainty around the business's ability to generate the required returns within a reasonable time frame based on the current order book.

An **impairment charge** of R273 million was recognised against ancillary operations, comprising **plant and equipment** in the *Construction and Engineering: Australasia and Asia* (R10 million charge), *Construction and Engineering: South Africa and rest of Africa* (R198 million charge), *Manufacturing and Processing* (R32 million charge) and *Mining* (R32 million charge) segments.

A further **impairment charge** of R24 million was made against **intangible assets.**

Net **finance charges** of R306 million increased by 67% in relation to the comparative period. Transaction costs of R78 million were above the comparative period (R68 million) in order to maintain access to previously arranged loan facilities in South Africa and Australia. The effective interest on the convertible bond equalled R167 million, 6,35% above the coupon rate of 7,25%. This charge was reduced by a R36 million fair value gain on the carrying amount of the equity option embedded in the convertible bonds. Following shareholder approval (on 19 September 2014) to equity settle the bonds, the option was reclassified to equity and will no longer be fair valued.

The **taxation expense** amounts to R80 million compared to R161 million for June 2014. This represents a negative effective tax rate of 54,3%, compared to 26,1% in the prior year (this excludes the impact of goodwill impairment charges). The effective tax rate was impacted mainly by the sale of the Electrix business as well as deferred tax assets not recognised in respect of certain entities.

Included in **non-controlling interest** is the 40% non-controlling interest in a Chilean joint venture. This is excluded from earnings attributable to shareholders of the Group and headline earnings. This incorporated joint venture was contracted for the Chuquicamata Copper Mine deep-level shaft sinking contract. Due to operational and commercial challenges a loss was recognised.

Headline earnings decreased to a loss of R578 million. Items excluded from the calculation of headline earnings include the profit on the sale of Electrix, impairment charges and fair value gains on investment properties.

Loss per share of 114,8 cents (2014: 101,9 cents loss) deteriorated by 13% and **headline earnings per share (HEPS)** of negative 144,3 cents decreased from 112,5 cents profit. Per share amounts were reduced due to the impact of dilution caused by the issuing of shares to conclude the Group's BEE transaction on 30 June 2014.

Statement of financial position

The Group reduced its **capital expenditure** to R876 million (2014: R1,2 billion): applying R649 million (2014: R677 million) to replace and R175 million (2014: R384 million) to expand property, plant and equipment. R52 million (2014: R176 million) was applied in expansion of intangible assets. The majority of the amount was spent as follows:

- R262 million at McConnell Dowell, related to specific contracts;
- R109 million at Aveng Grinaker-LTA;
- R257 million at Aveng Mining including an excavator replaced due to fire damage, which was partially funded by an insurance claim;
- R156 million at Aveng Manufacturing for plant expansions at the Tete factory for Aveng Infraset (R52 million) and upgrades of R58 million at Aveng Rail; and
- R24 million at Aveng Steel.

Capital expenditure net of proceeds and insurance claim pay-outs reduced to R534 million (2014: R981 million).

Intangible assets increased due to the implementation of SAP ERP (HCM) system which was offset by the impairment of an indefinite useful life brand name of R33 million associated with the Built Environs business and R11 million relating to intangibles for a project in Aveng **Water**.

The Group disposed of its **investment properties** in December 2014, through the sale of its 15% undivided share in the Goldfields Mall Shopping Centre, for R97 million.

The decrease of **goodwill arising on consolidation** is due to the aforementioned Built Environs impairment of R291 million, offset by goodwill recognised on the acquisition of Atval of R10 million by the Aveng DFC business unit. The balance of the variance relates to foreign translation differences on the impaired Built Environs goodwill. The remaining goodwill is made up of R100 million for McConnell Dowell and R242 million for Aveng DFC.

Commentary continued

Equity-accounted investments decreased by 51% to R151 million (2014: R306 million) due to the reclassification of three concessions investments as **infrastructure investments.** This reclassification resulted from Aveng Capital Partners (ACP, formerly Aveng Concessions) investments reaching a marketable maturity level allowing for their reclassification as financial assets held at fair value. The reduction also related to losses booked on the Gouda renewable energy project.

Infrastructure investments of R778 million represent the aforementioned reclassification from **equity-accounted investments** and **financial investments** of R190 million, the Group's investment in the N3 Toll Concession (which was reclassified as a result of the early adoption of IFRS 9), along with the investment in GoldlinQ, the concession investment in the GCRT project.

Derivative instruments relate to various Forward Exchange Contracts held to economically hedge foreign currency exchange risk and have remained flat year-on-year.

Non-current assets held for sale decreased to R559 million and comprise properties which form part of the anticipated property transaction. During the prior year, the Group made a decision to dispose of non-core properties and classified these as non-current assets held for sale, to be sold as a single portfolio of land and buildings. At year end the Group had a binding agreement of sale with Imbali Props 21 Proprietary Limited, an entity of the Collins Property Group for approximately R1,1 billion. Due to the strategic nature of the investment, the Group will retain an interest in the property vehicle, together with the Collins Property Group. Competition authority approval was obtained on 12 August 2015, with all remaining conditions precedent expected to be completed by the beginning of September 2015.

Net deferred tax assets increased to R1,4 billion against a comparative position of R1,1 billion. This is mainly due to assessed losses incurred within Aveng Africa and management has concluded that there will be sufficient future taxable income against which these deferred tax assets can be utilised. The Group has continued to conservatively recognise any increases in the deferred taxation assets for its South African business. Taking cognisance of the deterioration in market conditions during the budgeting and medium term forecasting process, the Group has taken a more prudent view thus reducing the initially anticipated deferred taxation assets recognised in Aveng Africa. Further, deferred taxation assets related to the discontinued Engineering business have not been recognised.

Amounts due from contract customers (non-current and current) decreased by 10% to R10,3 billion (2014: R11,4 billion) predominantly due to a R1 billion reduction in contract receivables at McConnell Dowell due to settlement payments received on major mining, transport infrastructure and oil and gas contracts.

Amounts due to contract customers decreased by 4% to R2,6 billion (2014: R2,7 billion) due to the utilisation of advance payments at McConnell Dowell.

Inventories decreased by 11% to R2,5 billion (2014: R2,8 billion) against the comparative as a result of improved inventory management and falling demand in the *Manufacturing and Processing* and *Mining* segments.

Trade and other receivables of R2,4 billion (2014: R2,8 billion) decreased by 14% due to improved collections at Aveng Manufacturing and Aveng Steel, combined with reduced sales at Aveng Steel.

Employee related payables decreased by R459 million, mainly due to reduced leave pay and other payroll provisions within McConnell Dowell.

Trade and other payables decreased by 18% to R8,0 billion (2014: R9,7 billion) due to lower accruals at McConnell Dowell as a result of lower contract-related expenditure and payment of trade payables on completion of major contracts during the year. AUD30 million (R366 million) of the AUD142,5 million advance payment was repaid on the Queensland Curtis Liquid Natural Gas (QCLNG) contract in July 2014. Trade finance utilisation at Aveng Steel decreased by R624 million since June 2014.

Operating free cash flow for the period amounted to a R1,0 billion outflow (2014: R1,4 billion outflow) after including the R1,3 billion proceeds on the disposal of Electrix. Furthermore, the cash flow performance was characterised by:

- Significant cash outflows for McConnell Dowell associated with the remedial work on the GCRT contract, repayment of the AUD30 million advance payment on the QCLNG contract, and significant trade payable requirements associated with ongoing major contracts. This was offset by positive inflows for Webb Dock, Roy Hill and Gladstone LNG;
- Decrease in trade finance of R624 million as well as operating losses offset by steady working capital reduction at Aveng Steel;
- Operating losses, utilisation of onerous contract provisions and working capital requirements within Aveng Grinaker-LTA;
- Funding of R208 million advanced to infrastructure investments by Aveng Capital Partners;
- Proceeds on the sale of the Goldfields Mall of R97 million;
- Net capital expenditure of R630 million; and
- Sound operating performance from Aveng Moolmans and Aveng Manufacturing that partly mitigated the outflows.

The Board has considered the Group's operating cash flows, future funding requirements and commitments, available facilities and related covenants and, despite the disappointing results, remains satisfied that these are considered adequate at this time and that there is no current need for additional capital.

Cash and bank balances decreased to R2,9 billion (2014: R4,1 billion), resulting in a net cash position of R393 million (June 2014: R1,3 billion).

Borrowings decreased to R2,5 billion (2014: R2,9 billion) due to the repayment of borrowings at McConnell Dowell.

The Group successfully placed a R2 billion senior unsecured **convertible bond** on 16 July 2014, listed on the Johannesburg Stock Exchange (JSE) on 4 September 2014. At the date of issue, the convertible option (derivative) was measured at a fair value of R438 million and the convertible bond liability was recognised at R1,5 billion (including transaction costs of R42 million). Authority for physical settlement in shares, on conversion, was granted at the General Meeting convened on 19 September 2014. The derivative liability was re-measured at this date and the fair value gain amounted to R36 million. Thereafter, the carrying amount of the option of R402 million was reclassified to equity.

Proceeds from the issue of the convertible bond were utilised to repay revolving credit facilities and fund working capital requirements.

Commentary continued

OPERATING REVIEW

Construction and Engineering: Australasia and Asia

This operating segment comprises Australian Operations, Overseas Operations, Pipelines and Underground, and Tunnelling.

Revenue decreased by 27% to AUD2,2 billion (2014: AUD3,0 billion) or 26% to R20,9 billion (2014: R28,2 billion) against the comparative period. This is reflective of the completion of multi-year pipeline and infrastructure contracts and the sale of Electrix earlier in the financial year. Net operating earnings decreased by 61% to AUD11 million (2014: AUD28 million) or 59% to R112 million (2014: R271 million). The poor performance in the second half of the financial period is reflective of the weaker Australian construction market, further negatively impacted by the recognition of liquidated damages following the completion of the Hay Point Berth contract, costs associated with remedial works on the GCRT contract and additional tender expenses for significant engineering, procurement and construction contracts that were not secured. Significant restructuring costs of AUD7 million or R67 million were incurred while resizing the business to the current order book. The benefit of reduced overheads will flow into 2016.

These negative impacts masked sound operating performances on a number of contracts, notably the Roy Hill project in Western Australia and the Webb Dock maritime infrastructure and Springvale Grade Separation projects in Victoria. Project execution was strong on the majority of operations in New Zealand and Southeast Asia. This performance was reflected in the improved gross margin percentage of 5,9% up from 5,6%. Significant growth was recorded in the international operations with Southeast Asia revenue up and the Pacific region showing solid growth opportunities. The specialist rail business has started to secure regular maintenance and upgrade works and the mechanical business has won good contracts in the water, gas and oil sectors.

Australian Operations

Australian Operations reported an increase in revenue of 6% to R10,0 billion (AUD 1,0 billion) in 2015, mainly from Webb Dock and Roy Hill. The Australian market is challenging and competition for larger projects very aggressive, resulting in tender costs being expensed on contracts not won negatively impacting operating margin.

Remedial work and demobilisation actions associated with the GCRT contract is substantially complete. Given the technical and legal complexities, it is expected that the commercial negotiations will be protracted, and thus the final outcome remains uncertain and a material risk to the Group. The process of lodging, finalising and resolving claims with the affected counterparties has been intensified, and is progressing according to plan.

The specialist rail business has started to secure regular maintenance and upgrade works with clients such as Australian Rail Track Corporation and V-Line public transport services in Victoria. The mechanical business continues to tender for smaller packages of work and secured a pilot project for a water treatment plant in Victoria. Overall the work back-log of Australian operations has reduced significantly despite rigorous tendering efforts and this will result in a sharp decline in revenues in the new financial year.

Built Environs successfully completed the expansion of the Ocean Keys Shopping Centre in Western Australia during the period. The expansion on Perth Airport Terminal 1 is nearing completion and the terminal will be handed over for Operational Readiness Testing on 21 August 2015. A new managing director was appointed and significant effort is being applied to securing new work.

In response to ongoing declines in available work and a challenging outlook for the Australian construction and engineering market, additional steps were taken in 2015 to reduce costs and McConnell Dowell will continue to review its overheads relative to market conditions.

Overseas Operations

Overseas operations performed well in challenging market conditions due to excellent project execution. Revenue was flat at R3,6 billion (AUD372 million) with an acceptable margin due to excellent project execution in most areas. Earnings reduced to R257 million due to losses incurred on a major contract.

In New Zealand, the Christchurch rebuild project continued, while new contracts were secured in the transport and water sectors. Southeast Asia highlights included the completion of the Nestlé Project in Malaysia, the Bakan Gold Mine in Indonesia and the Wheatstone modules fabricated in the Batam facility.

Pipelines

As expected, Pipeline revenue of R3,4 billion (AUD353 million) declined significantly from R7,1 billion (AUD746 million) in 2014 following completion of the major LNG projects in Australia. Earnings were down 20% to R259 million due to the fall in revenue and are within expectations. The business unit has successfully transitioned to securing smaller available projects in Australia including Mereenie, Tirrawarra and Victorian Northern Interconnect Expansion projects and continues to pursue further good opportunities in Thailand and Malaysia. Overseas, the Fourth Transmission Pipeline project in Thailand has performed very well achieving strong productivity since December 2014. Phase 1 was handed over in April 2015 and Phase 2 is 99% complete and ahead of schedule.

Tunnelling and Underground

Related revenue declined by 11% to R1,6 billion (AUD170 million). The Land Transit Authority contracts in Singapore are nearing completion and both have been a technical success. The Waterview project, the largest infrastructure development ever undertaken in New Zealand, is on schedule for completion in late 2016. Earnings fell to a loss of R28 million in line with decreased revenue and the tender costs incurred in pursuit of the large Westconnex B1 projects in Sydney.

Electrical

In October 2014, McConnell Dowell completed the successful divestment of Electrix, (its separately branded construction and asset maintenance business) to VINCI Energies. This reduced debt and provided liquidity for McConnell Dowell. During the current period before the sale, it reported revenue of R1,2 billion (AUD118 million).

Commentary continued

Construction and Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA, Aveng Engineering and Aveng Capital Partners. The results of Aveng Capital Partners have been reallocated from the Other and Eliminations segment to the Construction and Engineering: South Africa and rest of Africa segment to more accurately reflect the synergies with Aveng Grinaker-LTA and Aveng Engineering. Comparatives have been adjusted accordingly.

Revenue decreased by 3% to R8,4 billion (2014: R8,7 billion). This lower revenue included activity on the Sishen and Gouda renewable energy projects, the Nacala and Majuba rail contracts, work on Eskom-related projects and two major private sector contracts, namely Mall of the South in Alberton and Sasol Corporate Head Office in Sandton.

Net operating losses for the segment increased by 61% to R697 million (2014: R434 million). The result was adversely affected by losses on legacy contracts, namely the Mokolo Crocodile Pipeline (Mokolo) contract, the Grootgeluk Cyclic Pond contract and certain contracts related to the Eskom build programme, all within Aveng Grinaker-LTA and two water purification contracts in Aveng Engineering.

The performance of Aveng Engineering weakened significantly during the second half of the year due to the cost of remedial works on the two water treatment contracts, combined with costs incurred due to a delay in technical sign-off of the Gouda renewable energy contract.

Additional steps were taken in the second half of the year to further reduce the fixed costs of Aveng Grinaker-LTA and Aveng Engineering including the discontinuation of loss-making business units of Aveng Engineering. Cost savings from these measures will be realised in 2016.

Civil Engineering

Revenue (including that for Aveng Rand Roads and Aveng Ground Engineering), remained flat at R3,1 billion as rail-related activity continued on the Majuba Rail Link contract, while the Nacala Section 2 Rail Link contract was successfully completed during the second half of the financial year. The operating losses increased to R367 million (June 2014: R266 million).

The significant operational issues noted in the first half of the financial period, notably the aforementioned Mokolo contract, have been sufficiently de-risked.

Weather delays and scope changes at the Grootegeluk project, labour disruptions at the Majuba project and ongoing challenges at the Mokolo project contributed to a significant decline in operating earnings.

Significant progress was made on resolution of claims on the Medupi joint venture contract.

Aveng Rand Roads was successfully restructured into a leaner operating structure focused mainly on asphalt and binder manufacturing and services but its earnings were negatively impacted by low volumes in the second half of the year, particularly at its asphalt and binder plants.

Aveng Ground Engineering was awarded a number of new contracts which contributed to an increase in its revenue and earnings for the year and was critical to the achievement of the programme on the Sishen solar plant with the completion of the complex geotechnical works scope.

Mechanical and Electrical

Revenue increased by 6% to R1,8 billion (2014: R1,7 billion) due to additional work on Eskom's two new coal-fired power plants contracts, and work in the oil and gas sector. Good progress continues to be made on the commercial challenges surrounding the Eskom contracts. This is reflected in the decreased operating losses of R108 million (June 2014: R220 million).

Buildings and Coastal

Revenue increased marginally to R2,7 billion (2014: R2,6 billion) but net operating earnings showed significant improvement to R24 million from a loss of R9 million. The unit's improved performance was due to the ramp-up of the Mall of the South, which is nearing completion, and Sasol Corporate Head Office, which also continues to track well operationally.

The Coastal operations are proceeding according to plan with major contracts, namely Dr Pixley Ka Isaka Seme Memorial hospital in KwaZulu-Natal, extensions to the Cape Town International Convention Centre and Aspen Pharmacare's manufacturing facilities in Port Elizabeth.

A joint venture contract to build the Old Mutual head office in Sandton was awarded to Buildings during the second half of the year.

Aveng Engineering

Revenue declined to R705 million (2014: R1,0 billion) due to lower levels of activity in the mining sector which was partially offset by the Group's renewable energy projects. The Sishen solar energy facility in the Northern Cape was successfully completed during the year and exceeded its power generation performance.

Although the Gouda wind farm in the Western Cape achieved its scheduled physical completion date, the unexpected low wind pattern for the specific period in the year caused a significant delay to the testing and technical compliance (sign-off) of the plant. This directly contributed in the failure to achieve the anticipated sign-off causing liquidated damages to be charged, resulting in an adverse impact on the financial results.

The lack of production at a modular water treatment facility operated for Anglo American had an adverse impact on the net operating earnings of the Aveng **Water** business, as did the remedial works on two other water treatment projects. The plant was impaired by R44 million.

Once-off restructuring costs and lease cancellation penalties to realign the fixed cost base were incurred during the second half of the financial period, contributing to the poor performance of the operating group.

Aveng Capital Partners

Aveng Capital Partners is responsible for managing the Group's investments in South African toll road, real estate and renewable energy concessions.

Net operating earnings of R183 million increased by 38% against the comparative period (2014: R133 million) primarily due to fair value gains of R173 million on certain renewable energy and real estate investments achieving a marketable maturity level. In the prior year, R111 million net success fee was earned upon reaching financial close on the Gouda renewable energy project.

Mining

This operating segment comprises a merger of Aveng Moolmans and Aveng Mining Shafts & Underground.

During the second half of the year, the two mining businesses were fully integrated under a single leadership structure. This enables the operating group to leverage the combined strength of the business units, and market its scale and vast mining contracting capabilities more effectively.

The segment reported a 9% decrease in revenue to R6,0 billion (2014: R6,6 billion). Net operating earnings decreased by 22% to R413 million (2014: R529 million) largely as a result of losses incurred on the Chuquicamata and Wesizwe deep-level shaft sinking contracts. The combined operating margin declined to 7% (2014: 8%), impacted by labour disruption and safety stoppages at some domestic underground mining operations.

Commentary continued

Aveng Moolmans

The revenue of **Aveng Moolmans** decreased by R157 million to R4,6 billion (2014: R4,7 billion) due to the non-renewal of three gold-mining contracts in the rest of Africa. This was partially offset by increased activity on existing contracts. The Nkomati Nickel Mine five-year contract commenced operations in July 2014. Despite a slow start, this contract has continued to improve month on month and has met all our expectations in the last quarter, with a record production achievement in June 2015.

Aveng Moolmans continued to record good results, albeit constrained by cost reduction pressure experienced from clients. Strong performances were achieved on other domestic and international mining contracts, notably the Sadiola Gold Mine in Mali. Tati Nickel's Phoenix Mine in Botswana is reaching its end of current forecast life which impacts efficiencies, but the client is considering expanding the mine.

Aveng Moolmans' portfolio currently spans five commodities mined for seven customers in four countries, with 24% of the work sourced outside South Africa compared to 51% in the comparative period.

Aveng Mining Shafts & Underground

The revenue of **Aveng Mining Shafts & Underground** decreased by 26% to R1,4 billion (2014: R1,9 billion) due to the general downturn in the mining industry and a more selective approach to bidding for new work in order to strengthen the quality of the business unit's earnings, and mitigate the risk by securing longer-term contracts.

Net operating earnings were significantly impacted by margin slippage on shaft sinking contracts in South Africa, resulting in a loss of R186 million against the R42 million profit in 2014. In addition, the business unit continues to experience operational and commercial challenges on the Chuquicamata Copper Mine contract in Chile. Despite ongoing negotiations with the client, a contract loss was recognised during the period. Aveng holds a 60% economic interest in the consolidated joint venture, with the 40% non-controlling interest added back for determination of earnings.

Wesizwe continues to be negatively impacted by production delays as a result of safety and labour stoppages, aggravated by significant commercial challenges. Provision has been made against this contract.

Good progress has been made on Ivanhoe's Platreef Platinum Mine. Unfortunately, subsequent to year end, the announcement by Royal Bafokeng Platinum, relating to the Styldrift mine, foreshadowed the potential reduction in the scope of work in hand for Aveng Shafts & Underground. This, together with the difficult labour environment currently experienced, will result in some serious challenges in the Mining business.

Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

Revenue decreased by 7% to R9,9 billion (2014: R10,6 billion). Net operating earnings decreased significantly by 85% or R310 million to R54 million (2014: R364 million) due to steel sector labour disruptions affecting both operating groups. Additionally, **Aveng Steel** was negatively impacted by weak demand, reducing international steel prices, increased competition and significant restructuring costs to realign the fixed cost base. Despite lower gross profit margins, the operating segment continued to contribute to positive cash flows.

Aveng Manufacturing

This operating group consists of Aveng Infraset, Aveng Duraset, Aveng Rail (formerly Lennings Rail Services), Aveng Dynamic Fluid Control (DFC), Aveng Automation & Control Solutions (ACS) and Aveng Façades.

Aveng Manufacturing's revenue decreased against the comparative period to R3,3 billion (2014: R3,5 billion). In spite of tough market conditions and the impact of the aforementioned labour disruptions at Aveng DFC and Aveng Duraset, Aveng Infraset and Aveng Rail produced good results. The operating group delivered an acceptable performance overall, particularly as a result of strong demand for concrete construction and rail products, as well as ongoing supply of rail construction and maintenance services in southern Africa, notably on the Nacala contract in Mozambique. Investments to increase capacity of concrete rail products in the SADC region enabled Aveng Manufacturing to respond adequately to this growth in demand. Net operating profits decreased slightly by 1% to R226 million (2014: R228 million) largely as a result of the sustained optimisation drive undertaken in all of its operations to reduce cost of sales and overheads, improve efficiencies and adapt to technological advances.

The restructuring and optimisation of Aveng **Duraset** in 2014 contributed to a lower cost base, improved efficiencies in its factories and stronger marketing capacity. The operation achieved revenue growth and a return to profitability as a result.

Aveng Manufacturing incurred capital expenditure of R156 million on a number of initiatives to increase the capacity and optimise the efficiency of its factories during the year.

Aveng Steel

This operating group consists of Aveng Trident Steel, Aveng Steeledale and Aveng Steel Fabrication.

Revenue decreased by 7% to R6,7 billion (2014: R7,2 billion), severely impacted by labour disruptions, reduced international steel prices, lower demand and increased competition. Profitability fell in line with revenue and was further impacted by restructuring costs. The benefits of integrating the three businesses continued to materialise. Cost savings achieved as a result of the integration were driven by improved efficiencies across the operating group. However, these advances were offset by significant once-off restructuring expenses to realign the fixed cost base.

Aveng Steel maintained its focus on cash management. Working capital management, including debtor collections and stock turnaround, remain key focus areas. A concerted effort was made to sustain the turnaround achieved by Steeledale in 2014 and return Steel Fabrication to profitability. While Steeledale maintained its volumes and remained profitable, significant margin pressure constrained operating profits. Steel Fabrication achieved stable production on its work at the Kusile Power Station but was unable to achieve break-even by year end. Restructuring measures implemented at Trident Steel and Steel Fabrication to align their fixed cost bases with lower market demand resulted in a reduction in headcount during the year. Efforts to adjust the business are expected to continue, including further reduction in inventory levels.

Other and Eliminations

The results of Aveng Capital Partners have been reallocated from the Other and Eliminations segment to the Construction and Engineering: South Africa and rest of Africa segment. Comparatives have been adjusted accordingly.

Included in Other and Elimination is the Group's Corporate Office and Property Portfolio. Additional provisions were raised relating to long-standing commercial claims that are under negotiation in Aveng Grinaker-LTA. These claims did not achieve sufficient progress by year end. While the Group remains confident of an acceptable commercial outcome, the increased uncertainty associated with protracted negotiation processes, resulted in the requirement for this additional substantial provision.

Commentary continued

TWO-YEAR ORDER BOOK

The Aveng Group's two-year order book (excluding Electrix) amounted to R28,9 billion at 30 June 2015, reflecting a decline of 11% since 31 December 2014 (R32,5 billion) and 22% since 30 June 2014 (R37,1 billion).

In the current market environment, the focus is on securing quality work at targeted margins, which has contributed to the short-term contraction of the order book. The Group has adopted a portfolio approach at McConnell Dowell and Aveng Grinaker-LTA. This model optimises the balance across the core disciplines to achieve targeted margins and diversify revenue streams. For Aveng Grinaker-LTA the focus is on targeting higher levels of civil engineering and mechanical and electrical work to rebalance the current bias towards lower margin building work.

Based on the current slowing of McConnell Dowell's traditional markets in Australia and ongoing weakness in the South African construction market, Aveng continues to intensify efforts to increase its presence in the growth markets of Southeast Asia (road and rail transport infrastructure), the Middle East (oil and gas, petrochemical, water) and the rest of Africa (mining, transport infrastructure).

Despite the lower order book and change in market conditions, McConnell Dowell has experienced an increased level of tender activities in the last six months, notably in the last quarter.

The geographic split of the order book at 30 June 2015 was 40% Australasia and Asia (2014: 55%), 56% South Africa (2014: 39%) and 3% in the rest of Africa (2014: 5%).

OUTLOOK AND PROSPECTS

Aveng is not expecting an improvement in its key market in the short term and will continue to focus on the recovery of underperforming businesses, resolving unsettled claims and preserving its balance sheet. There are attractive opportunities in Australia, New Zealand and Southeast Asia in particular. Although substantially lower revenue is expected for the construction business, the Group anticipates improved profitability. The mining and steel businesses will remain constrained by a challenging operating environment. Manufacturing will continue to focus on growth opportunities and improved financial performance.

Overall the realisation of structural improvements and improved project delivery should result in an improved performance in the 2016 financial year.

DIRECTORS

Further to the announcement of David Robinson's retirement on 11 June 2015, shareholders are advised that Mr Robinson retired from the Aveng Board on 17 August 2015.

In addition, Mr Philip Hourquebie was appointed as an independent non-executive director of the Aveng Board with effect from 5 August 2015.

By order of the Board

M Seedat
Chairman

HJ Verster
Chief Executive Officer

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