



**Reviewed interim condensed consolidated  
financial statements**  
for the six months ended 31 December 2015



## Salient features – financial performance

For the six months ended 31 December 2015:

Revenue

**R18,0 billion**

Decrease of 25% from R23,9 billion at December 2014

Net operating earnings

**R52 million**

Decrease of 87% from R413 million at December 2014

Gain on property transaction

**R577 million**

Earnings for the period attributable to equity holders of the parent

**R230 million**

Decrease of 36% from R358 million at December 2014

Headline loss

**R231 million**

Decrease from R138 million earnings at December 2014

Operating free cash flow

**R295 million outflow**

December 2014: R220 million inflow

Capital expenditure

**R171 million**

December 2014: R583 million

Earnings per share

**57,8 cents**

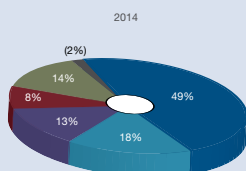
Decrease of 35% from 89,3 cents at December 2014

Headline loss per share

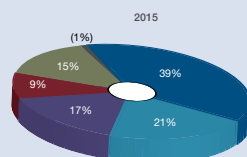
**58,0 cents**

Decrease from 34,5 cents earnings at December 2014

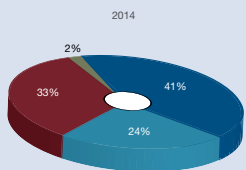
### Revenue per operating group



■ McConnell Dowell  
■ Aveng Grinaker-LTA  
■ Aveng Mining  
■ Aveng Manufacturing  
■ Aveng Steel  
■ Other and Eliminations

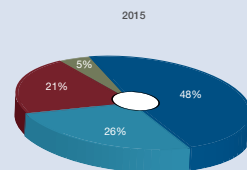


### Two year order book per operating group



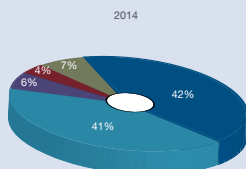
**R32,5 million**

■ McConnell Dowell  
■ Aveng Grinaker-LTA  
■ Aveng Mining  
■ Aveng Manufacturing

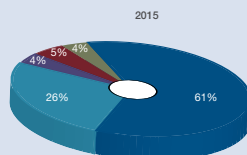


**R29,3 million**

### Two year order book by sector



■ General infrastructure  
■ Mining  
■ Water  
■ Power  
■ Oil and Gas



### Net operating earnings / (loss) – segmental analysis

	H1 2016 Rm	H1 2015 Rm	Change %	June 2015 Rm
South Africa and rest of Africa	(125)	(229)	45	(697)
Aveng Grinaker-LTA	(48)	(297)	84	(587)
Aveng Engineering	(83)	(28)	>(100)	(291)
Other	6	96	(94)	181
Australasia and Asia	8	183	(96)	112
<b>Total Construction and Engineering</b>	<b>(117)</b>	<b>(46)</b>	<b>&gt;(100)</b>	<b>(585)</b>
Mining	198	241	(18)	413
Manufacturing and Processing	(48)	79	>(100)	54
Aveng Steel	(146)	(65)	>(100)	(174)
Aveng Manufacturing	98	144	(32)	228
Other and Eliminations	19	139	(86)	(170)
<b>Total</b>	<b>52</b>	<b>413</b>	<b>(87)</b>	<b>(288)</b>

## Interim condensed statement of financial position

as at 31 December 2015

	Notes	31 December 2015 (Reviewed) Rm	31 December 2014 (Reviewed) Rm	30 June 2015 (Audited) Rm
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill arising on consolidation		342	351	342
Intangible assets		332	298	339
Property, plant and equipment		5 450	5 825	5 626
Equity-accounted investments		136	263	151
Infrastructure investments	9	877	633	778
Deferred taxation		1 829	1 383	1 580
Derivative instruments		15	8	6
Amounts due from contract customers	10	1 174	3 192	900
		10 155	11 953	9 722
<b>Current assets</b>				
Inventories		2 400	3 056	2 529
Derivative instruments		106	46	35
Amounts due from contract customers	10	9 068	6 906	9 394
Trade and other receivables		2 005	2 433	2 424
Cash and bank balances		3 452	4 256	2 856
		17 031	16 697	17 238
Non-current assets held-for-sale	8	7	607	559
<b>TOTAL ASSETS</b>		27 193	29 257	27 519
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital and share premium		2 009	2 001	2 023
Other reserves*		2 031	1 186	1 162
Retained earnings*		10 020	10 608	9 790
Equity attributable to equity-holders of parent		14 060	13 795	12 975
Non-controlling interest		11	14	23
<b>TOTAL EQUITY</b>		14 071	13 809	12 998

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

		<b>31 December 2015 (Reviewed) Rm</b>	31 December 2014 (Reviewed) Rm	30 June 2015 (Audited) Rm
	Notes			
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred taxation		<b>434</b>	234	221
Borrowings and other liabilities	13	<b>1 901</b>	2 158	2 037
Employee-related payables		<b>474</b>	126	468
Trade and other payables	11	<b>–</b>	297	–
		<b>2 809</b>	2 815	2 726
<b>Current liabilities</b>				
Amounts due to contract customers	10	<b>1 792</b>	2 353	2 562
Borrowings and other liabilities	13	<b>1 220</b>	416	426
Payables other than contract-related		<b>–</b>	98	102
Employee-related payables		<b>548</b>	1 081	648
Derivative instruments		<b>–</b>	3	2
Trade and other payables	11	<b>6 566</b>	8 416	7 961
Taxation payable		<b>187</b>	266	94
		<b>10 313</b>	12 633	11 795
<b>TOTAL LIABILITIES</b>		<b>13 122</b>	15 448	14 521
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27 193</b>	29 257	27 519

## Interim condensed statement of comprehensive earnings

for the six months ended 31 December 2015

	Notes	Six months ended 31 December 2015 (Reviewed) Rm	Six months ended 31 December 2014 (Reviewed) Rm	Change %	Year ended 30 June 2015 (Audited) Rm
Revenue		17 998	23 864	(25)	43 930
Cost of sales		(16 711)	(22 304)	25	(41 566)
<b>Gross earnings</b>		<b>1 287</b>	1 560	(18)	2 364
Other earnings		214	319	(33)	471
Operating expenses	14	(1 392)	(1 496)	7	(3 063)
(Loss) / earnings from equity-accounted investments		(57)	30	>(100)	(60)
<b>Net operating earnings / (loss)</b>		<b>52</b>	413	(87)	(288)
Impairment of property, plant, equipment and intangible assets		(23)	(246)	91	(330)
Impairment of goodwill arising on consolidation		–	(291)	100	(291)
Profit on sale of subsidiary		–	777	(100)	777
Gain on property transaction	6	577	–	>100	–
<b>Earnings / (loss) before financing transactions</b>		<b>606</b>	653	(7)	(132)
Finance earnings		105	72	46	177
Convertible bond interest and gains		(111)	(59)	(88)	(167)
Other finance expenses		(150)	(179)	16	(316)
<b>Earnings / (loss) before taxation</b>		<b>450</b>	487	(8)	(438)
Taxation	15	(218)	(125)	(74)	(80)
<b>Earnings / (loss) for the period</b>		<b>232</b>	362	(36)	(518)

	Six months ended 31 December 2015 (Reviewed) Rm	Six months ended 31 December 2014 (Reviewed) Rm	Change %	Year ended 30 June 2015 (Audited) Rm
<b>Earnings / (loss) for the period</b>	<b>232</b>	362	(36)	(518)
<b>Other comprehensive earnings to be reclassified to earnings in subsequent period (net of taxation):</b>				
Exchange differences on translating foreign operations	985	(366)	>100	(372)
Other comprehensive loss released from equity-accounted investments	–	28	>(100)	28
<b>Other comprehensive earnings / (loss) for the period (net of taxation)</b>	<b>985</b>	(338)	>100	(344)
<b>Total comprehensive earnings / (loss) for the period</b>	<b>1 217</b>	24	>100	(862)
<b>Total comprehensive earnings / (loss) for the period attributable to:</b>				
Equity-holders of the parent	1 223	20	>100	(804)
Non-controlling interest	(6)	4	>(100)	(58)
	<b>1 217</b>	24	>100	(862)
<b>Earnings / (loss) for the period attributable to:</b>				
Equity-holders of the parent	230	358	(36)	(460)
Non-controlling interest	2	4	(50)	(58)
	<b>232</b>	362	(36)	(518)
<b>Other comprehensive earnings / (loss) for the period (net of taxation)</b>				
Equity-holders of the parent	993	(338)	>100	(344)
Non-controlling interest	(8)	–	>(100)	–
	<b>985</b>	(338)	>100	(344)
<b>Results per share (cents)</b>				
Earnings – basic	57,8	89,3	(35)	(114,8)
Earnings – diluted	57,2	89,0	(36)	(114,4)
Headline (loss) / earnings – basic	(58,0)	34,5	>(100)	(144,3)
Headline (loss) / earnings – diluted	(57,5)	34,4	>(100)	(143,8)
<b>Number of shares (millions)</b>				
In issue	416,7	416,7	–	416,7
Weighted average	398,0	400,6	(0,6)	400,6
Diluted weighted average	402,1	402,1	–	402,1

EBITDA for the Group, being net operating earnings before interest, tax, depreciation and amortisation is R496 million (December 2014: R928 million; June 2015: R662 million).

## Interim condensed statement of changes in equity

for the six months ended 31 December 2015

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency trans- lation reserve Rm
<b>Six months ended 31 December 2014 (Reviewed)</b>				
Opening balance as previously reported	20	1 988	2 008	1 129
Adoption of IFRS 9 accounting standard	–	–	–	–
<b>Balance at 1 July 2014 as restated</b>	<b>20</b>	<b>1 988</b>	<b>2 008</b>	<b>1 129</b>
Earnings for the period	–	–	–	–
Other comprehensive loss for the period (net of taxation)	–	–	–	(366)
<b>Total comprehensive earnings for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(366)</b>
Movement in treasury shares	–	(7)	(7)	–
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	–	–	–	–
Foreign currency translation movement	–	–	–	–
Dividends paid	–	–	–	–
<b>Total contributions and distributions recognised</b>	<b>–</b>	<b>(7)</b>	<b>(7)</b>	<b>–</b>
<b>Balance at 31 December 2014</b>	<b>20</b>	<b>1 981</b>	<b>2 001</b>	<b>763</b>
<b>Year ended 30 June 2015 (Audited)</b>				
<b>Balance at 1 July 2014 as restated</b>	<b>20</b>	<b>1 988</b>	<b>2 008</b>	<b>1 129</b>
Loss for the period	–	–	–	–
Other comprehensive loss for the period (net of taxation)	–	–	–	(372)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(372)</b>
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	–	–	–	–
<b>Total contribution and distributions recognised</b>	<b>–</b>	<b>15</b>	<b>15</b>	<b>–</b>
<b>Balance at 30 June 2015</b>	<b>20</b>	<b>2 003</b>	<b>2 023</b>	<b>757</b>



Available- for-sale fair value reserve* Rm	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
93	(28)	26	–	1 220	10 157	13 385	11	13 396
(93)	–	–	–	(93)	93	–	–	–
–	(28)	26	–	1 127	10 250	13 385	11	13 396
–	–	–	–	–	358	358	4	362
–	28	–	–	(338)	–	(338)	–	(338)
–	28	–	–	(338)	358	20	4	24
–	–	–	–	–	–	(7)	–	(7)
–	–	7	–	7	–	7	–	7
–	–	–	402	402	–	402	–	402
–	–	–	(12)	(12)	–	(12)	–	(12)
–	–	–	–	–	–	–	1	1
–	–	–	–	–	–	–	(2)	(2)
–	–	7	390	397	–	390	(1)	389
–	–	33	390	1 186	10 608	13 795	14	13 809
–	(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

## Interim condensed statement of changes in equity continued

for the six months ended 31 December 2015

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency trans- lation reserve Rm
<b>Six months ended 31 December 2015 (Reviewed)</b>				
<b>Balance at 1 July 2015</b>	<b>20</b>	<b>2 003</b>	<b>2 023</b>	<b>757</b>
Earnings for the period	–	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	–	–	993
<b>Total comprehensive earnings for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>993</b>
Purchase of treasury shares	–	(23)	(23)	–
Equity-settled share-based payment release	–	9	9	–
Equity-settled share-based payment charge	–	–	–	–
Recognition of deferred tax on convertible bond	–	–	–	–
Decrease in equity investment	–	–	–	–
<b>Total contribution and distributions recognised</b>	<b>–</b>	<b>(14)</b>	<b>(14)</b>	<b>–</b>
<b>Balance at 31 December 2015</b>	<b>20</b>	<b>1 989</b>	<b>2 009</b>	<b>1 750</b>

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

Available- for-sale fair value reserve* Rm	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
-	-	15	390	1 162	9 790	12 975	23	12 998
-	-	-	-	-	230	230	2	232
-	-	-	-	993	-	993	(8)	985
-	-	-	-	993	230	1 223	(6)	1 217
-	-	-	-	-	-	(23)	-	(23)
-	-	(9)	-	(9)	-	-	-	-
-	-	7	-	7	-	7	-	7
-	-	-	(122)	(122)	-	(122)	-	(122)
-	-	-	-	-	-	-	(6)	(6)
-	-	(2)	(122)	(124)	-	(138)	(6)	(144)
-	-	13	268	2 031	10 020	14 060	11	14 071

## Interim condensed statement of cash flows

for the six months ended 31 December 2015

	Note	Six months ended 31 December 2015 (Reviewed) Rm	Six months ended 31 December 2014 (Reviewed) Rm	Year ended 30 June 2015 (Audited) Rm
<b>Operating activities</b>				
Cash retained from operations		660	589	(92)
Depreciation		429	501	929
Amortisation		15	14	21
Non-cash and other movements	16	(194)	(418)	(457)
<b>Cash generated by operations</b>		<b>910</b>	686	401
<b>Changes in working capital</b>				
Decrease / (increase) in inventories		162	(279)	201
Decrease in amounts due from contract customers		52	743	547
Decrease in trade and other receivables		424	362	357
Increase in derivative instruments		(82)	(103)	(101)
Decrease in amounts due to contract customers		(770)	(252)	(43)
Decrease in trade and other payables		(338)	(1 204)	(1 953)
QCLNG repayment		(1 072)	–	–
Decrease in payables other than contract-related		(102)	(102)	(102)
Decrease in employee-related payables		(96)	(187)	(258)
<b>Total changes in working capital</b>		<b>(1 822)</b>	(1 022)	(1 352)
<b>Cash utilised by operating activities</b>		<b>(912)</b>	(336)	(951)
Finance expenses paid		(209)	(176)	(361)
Finance earnings received		102	72	174
Taxation paid		(233)	(134)	(397)
<b>Cash outflow from operating activities</b>		<b>(1 252)</b>	(574)	(1 535)
<b>Investing activities</b>				
– expansion		(75)	(101)	(175)
– replacement		(89)	(456)	(649)
Proceeds on disposal of property, plant and equipment		45	242	245
Proceeds on disposal of investment property		–	97	97
Acquisition of intangible assets		(7)	(26)	(52)
Proceeds from property transaction		1 127	–	–

	Six months ended 31 December 2015 (Reviewed) Rm	Six months ended 31 December 2014 (Reviewed) Rm	Year ended 30 June 2015 (Audited) Rm
Loans advanced to equity-accounted investments net of dividends received	(40)	(88)	(68)
Proceeds on disposal of equity-accounted investments	–	–	5
Net loans advanced to infrastructure investment companies	(7)	(165)	(208)
Acquisition of subsidiary (net of cash acquired)	–	(23)	(23)
Net proceeds on disposal of subsidiary	–	1 314	1 314
Dividend earnings	3	–	22
<b>Cash inflow from investing activities</b>	<b>957</b>	794	508
<b>Operating free cash (outflow) / inflow</b>	<b>(295)</b>	220	(1 027)
Shares repurchased	(23)	(7)	(7)
Loans (repaid) / advanced by non-controlling interest	(6)	–	76
Dividends paid	–	(2)	(7)
Proceeds from convertible bonds issued	–	1 947	1 947
Net proceeds from / (repayment of) borrowings	606	(1 900)	(2 066)
<b>Net increase in cash and bank balances before foreign exchange movements</b>	<b>282</b>	258	(1 084)
Foreign exchange movements on cash and bank balances	314	(138)	(196)
Cash and bank balances at the beginning of the period	2 856	4 136	4 136
<b>Total cash and bank balances at the end of the period</b>	<b>3 452</b>	4 256	2 856
Borrowings excluding bank overdrafts	3 121	2 574	2 463
Net cash position	331	1 682	393

# Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2015

## 1. CORPORATE INFORMATION

The reviewed interim condensed consolidated financial statements (the "interim results") of Aveng Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 19 February 2016.

### 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.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICY

The interim results have been prepared on a historical basis except for certain financial instruments that are measured at fair value.

These interim results are presented in South African Rand ("ZAR") and all values are rounded to the nearest million ("Rm") except when otherwise indicated. The interim results are prepared in accordance with IAS 34 – *Interim Financial Statements* and the Listings Requirements of the Johannesburg Stock Exchange. The accounting policies adopted are consistent with those of the Group's audited consolidated financial statements as at 30 June 2015, except as disclosed in *note 3: New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications*.

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

The reviewed interim condensed consolidated financial statements for the six month period ended 31 December 2015, set out on pages 2 to 36, have been reviewed by the Company's external auditors Ernst & Young Inc., in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditors of the Entity*. The unmodified review opinion is available on request from the Company Secretary at the Company's registered office.

### Assessment of significance or materiality of amounts disclosed in these interim results

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

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

The impact of early adopting IFRS 9 has been analysed by the Group as part of the 30 June 2015 year end results, the significant movement for six months ended 31 December 2015 has been analysed below.

	Balance as previously reported Rm	Early adoption of IFRS 9 Rm	Restated balance Rm
<b>Statement of financial position as at 31 December 2014</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Other reserves	1 279	(93)	<b>1 186</b>
Retained earnings	10 515	93	<b>10 608</b>

#### 4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

##### Impairment of cash generating units

Where indicators existed the Group assessed the recoverable amount (higher of its fair value less cost to dispose and its value-in-use) of the relevant cash generating units. The value-in-use was used as the Group expects to recover the economic benefits through operational use.

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

1. The Group weighted average cost of capital ("WACC") was adjusted to take into account the risk specific to each cash generating unit; and
2. Non-cash settled intercompany balances were excluded from the calculation of the Net Asset Value ("NAV").

The above resulted in the value-in-use (recoverable amount) being higher than the NAV and as a result no impairment was recognised in the statement of comprehensive earnings.

#### 5. CHANGE IN ESTIMATE

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

#### 6. GAIN ON PROPERTY TRANSACTION

##### Loss of control of a subsidiary

Effective from 1 September 2015, Dimopoint Property Limited ("Dimopoint") (a wholly owned subsidiary of Aveng), issued additional shares to the Collins Property Group. Prior to the issue of shares, Dimopoint held a portion of the properties held-for-sale at 30 June 2015, (refer to note 8: *Non-current assets held-for-sale*). The issue of the additional shares resulted in Aveng's interest being diluted thereby resulting in a loss of control of Dimopoint, with Aveng retaining a 30% non-controlling interest. A profit of R150 million resulted from the loss of control of Dimopoint. The remaining 30% investment in Dimopoint is treated as a joint venture as Aveng retains joint control of Dimopoint and is measured at fair value in terms of IFRS 9 in accordance with the IAS 28.18 (*Investment in Associates and Joint Ventures*) Venture Capital Organisation exemption.

##### Profit on sale of properties

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

	December 2015 (Reviewed) Rm
Held-for-sale asset	612
Transaction costs	5
Gain on property transaction	577
Profit on loss of control	150
Profit on sale of properties	427
Total proceeds	1 194
Retention of a non-controlling interest in Dimopoint	(67)
Cash proceeds on sale of properties	1 127

# Notes to the interim condensed consolidated financial statements

## continued

for the six months ended 31 December 2015

### 7. SEGMENTAL REPORT

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

These segments are components of the Group:

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

The Group's reportable segments are categorised as follows:

#### 1. *Construction and Engineering*

##### 1.1 **Construction and Engineering: South Africa and rest of Africa**

This reportable segment includes: Aveng Grinaker-LTA, Aveng Engineering and Aveng Capital Partners ("ACP"). Aveng Engineering is being discontinued, with the remaining portions of Water and Operate & Maintain merging with the Mechanical and Electrical business unit within Aveng Grinaker-LTA.

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

##### 1.2 **Construction and Engineering: Australasia and Asia**

This segment comprises McConnell Dowell.

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

#### 2. *Mining*

This segment comprises Aveng Moolmans and Aveng Shafts & Underground in one operating group.

Revenues from this segment are derived from mining related activities.

#### 3. *Manufacturing and Processing*

This segment comprises Aveng Manufacturing and Aveng Steel.

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

#### 4. *Other and Eliminations*

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



## 7. SEGMENTAL REPORT continued

### Construction and Engineering:

Segment report December 2015 (Reviewed) Rm	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
<b>Assets</b>						
Goodwill arising on consolidation	–	100	–	10	232	342
Intangible assets	1	–	15	145	171	332
Property, plant and equipment	466	865	2 326	1 324	469	5 450
Equity-accounted investments	109	58	4	–	(35)	136
Infrastructure investments	712	86	–	–	79	877
Deferred taxation	1 801	735	294	(140)	(861)	1 829
Derivative instruments	15	18	–	49	39	121
Amounts due from contract customers	1 450	7 649	1 208	537	(602)	10 242
Inventories	13	7	243	2 137	–	2 400
Trade and other receivables	345	200	235	1 096	129	2 005
Cash and bank balances	524	1 840	493	889	(294)	3 452
Assets held-for-sale	–	–	–	–	7	7
<b>Total assets</b>	<b>5 436</b>	<b>11 558</b>	<b>4 818</b>	<b>6 047</b>	<b>(666)</b>	<b>27 193</b>
<b>Liabilities</b>						
Deferred taxation	287	105	200	(86)	(72)	434
Borrowings and other liabilities	–	939	486	6	1 690	3 121
Employee-related payables	163	497	233	84	45	1 022
Trade and other payables	948	2 951	738	1 795	134	6 566
Amounts due to contract customers	496	980	194	122	–	1 792
Taxation payable	24	(46)	107	25	77	187
<b>Total liabilities</b>	<b>1 918</b>	<b>5 426</b>	<b>1 958</b>	<b>1 946</b>	<b>1 874</b>	<b>13 122</b>

# Notes to the interim condensed consolidated financial statements

## continued

for the six months ended 31 December 2015

### 7. SEGMENTAL REPORT continued

#### Construction and Engineering:

Segment report December 2014 (Reviewed) Rm	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
<b>Assets</b>						
Goodwill arising on consolidation	–	100	–	251	–	351
Intangible assets	3	–	–	149	146	298
Property, plant and equipment	600	891	2 663	1 356	315	5 825
Equity-accounted investments	208	51	4	–	–	263
Infrastructure investments	572	61	–	–	–	633
Deferred taxation	776	348	370	86	(197)	1 383
Derivative instruments	–	25	–	13	16	54
Amounts due from contract customers	2 048	6 957	1 058	419	(384)	10 098
Inventories	73	7	326	2 650	–	3 056
Trade and other receivables	606	232	116	1 363	116	2 433
Cash and bank balances	270	2 983	399	922	(318)	4 256
Non-current assets held-for-sale	–	–	–	–	607	607
<b>Total assets</b>	<b>5 156</b>	<b>11 655</b>	<b>4 936</b>	<b>7 209</b>	<b>301</b>	<b>29 257</b>
<b>Liabilities</b>						
Deferred taxation	14	–	189	5	26	234
Borrowings and other liabilities	–	279	661	6	1 628	2 574
Payables other than contract-related	98	–	–	–	–	98
Employee-related payables	175	585	198	50	199	1 207
Derivative instruments	–	–	–	–	3	3
Trade and other payables	1 149	4 384	714	2 465	1	8 713
Amounts due to contract customers	631	1 367	260	94	1	2 353
Taxation payable	49	85	28	33	71	266
<b>Total liabilities</b>	<b>2 116</b>	<b>6 700</b>	<b>2 050</b>	<b>2 653</b>	<b>1 929</b>	<b>15 448</b>

## 7. SEGMENTAL REPORT continued

### Construction and Engineering:

Segment report June 2015 (Audited) Rm	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
<b>Assets</b>						
Goodwill arising on consolidation	–	100	–	10	232	342
Intangible assets	2	–	8	152	177	339
Property, plant and equipment	494	799	2 506	1 326	501	5 626
Equity-accounted investments	131	56	4	–	(40)	151
Infrastructure investments	706	72	–	–	–	778
Deferred taxation	1 463	617	195	(154)	(541)	1 580
Derivative instruments	–	15	–	9	17	41
Amounts due from contract customers	2 256	6 895	1 253	472	(582)	10 294
Inventories	31	7	225	2 266	–	2 529
Trade and other receivables	469	186	91	1 463	215	2 424
Cash and bank balances	215	2 350	266	271	(246)	2 856
Non-current assets held-for-sale	–	–	–	–	559	559
<b>Total assets</b>	<b>5 767</b>	<b>11 097</b>	<b>4 548</b>	<b>5 815</b>	<b>292</b>	<b>27 519</b>
<b>Liabilities</b>						
Deferred taxation	99	72	182	(54)	(78)	221
Borrowings and other liabilities	–	250	557	5	1 651	2 463
Payables other than contract-related	102	–	–	–	–	102
Employee-related payables	211	446	273	122	64	1 116
Derivative instruments	–	–	–	2	–	2
Trade and other payables	1 382	3 928	701	1 757	193	7 961
Amounts due to contract customers	614	1 588	272	88	–	2 562
Taxation payable	31	11	42	16	(6)	94
<b>Total liabilities</b>	<b>2 439</b>	<b>6 295</b>	<b>2 027</b>	<b>1 936</b>	<b>1 824</b>	<b>14 521</b>

# Notes to the interim condensed consolidated financial statements

## continued

for the six months ended 31 December 2015

### 7. SEGMENTAL REPORT continued

Six months ended December 2015 (Reviewed) Rm	Construction and Engineering:					Total
	South Africa and rest of Africa	Australasia and Asia	Mining	Manufac- turing and Processing	Other and Eliminations	
Gross revenue	3 857	7 048	2 968	4 396	(271)	17 998
Cost of sales	(3 656)	(6 543)	(2 658)	(4 182)	328	(16 711)
<b>Gross earnings</b>	<b>201</b>	<b>505</b>	<b>310</b>	<b>214</b>	<b>57</b>	<b>1 287</b>
Other earnings	27	36	17	96	38	214
Operating expenses (Loss) / earnings from equity-accounted investments	(330)	(498)	(129)	(358)	(77)	(1 392)
<b>Net operating (loss) / earnings</b>	<b>(125)</b>	<b>8</b>	<b>198</b>	<b>(48)</b>	<b>19</b>	<b>52</b>
Impairment of property, plant, equipment and intangible assets	-	-	(23)	-	-	(23)
Gain on property transaction	-	-	-	7	570	577
<b>(Loss) / earnings before financing transactions</b>	<b>(125)</b>	<b>8</b>	<b>175</b>	<b>(41)</b>	<b>589</b>	<b>606</b>
Net finance earnings / (expenses)	21	(29)	(6)	(7)	(135)	(156)
<b>(Loss) / earnings before taxation</b>	<b>(104)</b>	<b>(21)</b>	<b>169</b>	<b>(48)</b>	<b>454</b>	<b>450</b>
Taxation	96	(21)	(81)	30	(242)	(218)
<b>(Loss) / earnings for the period</b>	<b>(8)</b>	<b>(42)</b>	<b>88</b>	<b>(18)</b>	<b>212</b>	<b>232</b>
Capital expenditure	19	41	26	69	16	171
Depreciation	(38)	(112)	(207)	(67)	(5)	(429)
Amortisation	-	-	-	(6)	(9)	(15)
<b>Earnings before interest, taxation, depreciation and amortisation ("EBITDA")</b>	<b>(87)</b>	<b>120</b>	<b>405</b>	<b>25</b>	<b>33</b>	<b>496</b>

## 7. SEGMENTAL REPORT *continued*

### Construction and Engineering:

Six months ended December 2014 (Reviewed) Rm	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
Gross revenue	4 294	11 804	2 974	5 253	(461)	23 864
Cost of sales	(4 350)	(11 041)	(2 592)	(4 891)	570	(22 304)
<b>Gross (loss) / earnings</b>	(56)	763	382	362	109	1 560
Other earnings	126	47	1	91	54	319
Operating expenses	(326)	(618)	(142)	(374)	(36)	(1 496)
Earnings / (loss) from equity-accounted investments	27	(9)	–	–	12	30
<b>Net operating (loss) / earnings</b>	(229)	183	241	79	139	413
Impairment of property, plant, equipment and intangible assets	(152)	(33)	(29)	(32)	–	(246)
Impairment of goodwill arising on consolidation	–	(291)	–	–	–	(291)
Profit on sale of subsidiary	–	777	–	–	–	777
<b>(Loss) / earnings before financing transactions</b>	(381)	636	212	47	139	653
Net finance earnings / (expenses)	18	(31)	(23)	(16)	(114)	(166)
<b>(Loss) / earnings before taxation</b>	(363)	605	189	31	25	487
Taxation	(7)	(92)	(12)	12	(26)	(125)
<b>(Loss) / earnings for the period</b>	(370)	513	177	43	(1)	362
Capital expenditure	51	194	191	119	28	583
Depreciation	(63)	(148)	(202)	(82)	(6)	(501)
Amortisation	(4)	–	–	(5)	(5)	(14)
<b>Earnings before interest, taxation, depreciation and amortisation ("EBITDA")</b>	(162)	331	443	166	150	928

# Notes to the interim condensed consolidated financial statements

## continued

for the six months ended 31 December 2015

### 7. SEGMENTAL REPORT continued

Year ended June 2015 (Audited) Rm	Construction and Engineering:					Total
	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	
Gross revenue	8 355	20 912	5 956	9 928	(1 221)	43 930
Cost of sales	(8 491)	(19 678)	(5 258)	(9 243)	1 104	(41 566)
<b>Gross (loss) / earnings</b>	(136)	1 234	698	685	(117)	2 364
Other earnings	226	45	1	164	35	471
Operating expenses	(736)	(1 152)	(286)	(795)	(94)	(3 063)
(Loss) / earnings from equity-accounted investments	(51)	(15)	–	–	6	(60)
<b>Net operating (loss) / earnings</b>	(697)	112	413	54	(170)	(288)
Impairment of property, plant, equipment and intangible assets	(209)	(44)	(32)	(32)	(13)	(330)
Impairment of goodwill arising on consolidation	–	(291)	–	–	–	(291)
Profit on sale of subsidiary	–	777	–	–	–	777
<b>(Loss) / earnings before financing transactions</b>	(906)	554	381	22	(183)	(132)
Net finance earnings/ (expenses)	15	(36)	(42)	(25)	(218)	(306)
<b>(Loss) / earnings before taxation</b>	(891)	518	339	(3)	(401)	(438)
Taxation	111	(14)	(194)	(7)	24	(80)
<b>(Loss) / earnings for the period</b>	(780)	504	145	(10)	(377)	(518)
Capital expenditure	96	262	257	180	81	876
Depreciation	(91)	(286)	(418)	(119)	(15)	(929)
Amortisation	(5)	–	–	(12)	(4)	(21)
<b>Earnings before interest, taxation, depreciation and amortisation ("EBITDA")</b>	(601)	398	831	185	(151)	662

## 7. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

Revenue	Six months ended December 2015 (Reviewed) Rm	Six months ended December 2014 (Reviewed) Rm	Year ended June 2015 (Audited) Rm	Six months ended December 2015 (Reviewed) %	Six months ended December 2014 (Reviewed) %	Year ended June 2015 (Audited) %
South Africa	9 609	10 036	19 628	53,4	42,0	44,7
Rest of Africa including Mauritius	1 046	1 733	2 908	5,8	7,3	6,6
Australasia and Asia	4 866	10 060	15 880	27,0	42,1	36,1
Southeast Asia	2 191	1 778	5 115	12,2	7,5	11,7
Middle East and other regions	286	257	399	1,6	1,1	0,9
	17 998	23 864	43 930	100,0	100,0	100,0

### Segment assets

South Africa	13 358	14 651	14 048	49,1	50,1	51,1
Rest of Africa including Mauritius	2 210	2 158	1 625	8,1	7,4	5,9
Australasia and Asia	9 106	10 559	9 383	33,5	36,1	34,1
Southeast Asia	2 230	1 399	2 154	8,2	4,8	7,8
Middle East and other regions	289	490	309	1,1	1,6	1,1
	27 193	29 257	27 519	100,0	100,0	100,0

## Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2015

### 8. NON-CURRENT ASSETS HELD-FOR-SALE

The majority of non-current asset held-for-sale were sold on 1 September 2015 to Imbali Props 21 Proprietary Limited, a member of the Collins Property Group for R1,1 billion cash. The Group retained a 30% interest in Dimopoint, a special purpose vehicle created for the purpose of holding the non-core properties. There are two properties remaining in non-current assets held-for-sale that were not part of the sale. These properties are anticipated to be sold to external parties.

	<b>December 2015 (Reviewed) Rm</b>	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
<b>Non-current assets held-for-sale</b>			
Land and buildings	<b>7</b>	607	559
<b>Movement during the period</b>			
Opening balance	<b>559</b>	607	607
Transferred from property, plant and equipment	<b>45</b>	–	75
Environmental provision relating to property	<b>15</b>	–	–
Transferred to property, plant and equipment	<b>–</b>	–	(123)
Sold	<b>(612)</b>	–	–
	<b>7</b>	607	559



## 9. INFRASTRUCTURE INVESTMENTS

	<b>December 2015 (Reviewed) Rm</b>	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
<b>South African infrastructure investments</b>			
Financial investments at fair value through profit or loss	<b>791</b>	573	706
<b>Other infrastructure investments</b>			
Financial investments at fair value through profit or loss	<b>86</b>	60	72
<b>Total infrastructure investments</b>	<b>877</b>	633	778
<b>South African infrastructure investments</b>			
Opening balance	<b>706</b>	–	–
Reclassification of equity investments from equity-accounted investments	<b>(5)</b>	3	3
Reclassification of shareholder loans from equity-accounted investments	<b>4</b>	168	168
Recycling of equity-accounted earnings from other comprehensive earnings	<b>–</b>	28	28
Reclassification from financial investments	<b>–</b>	126	126
Fair value remeasurement through comprehensive earnings	<b>12</b>	83	173
Non-controlling interest in Dimopoint	<b>67</b>	–	–
Loans advanced	<b>49</b>	169	208
Loan repayment	<b>(42)</b>	(4)	–
	<b>791</b>	573	706
<b>Balance at the end of the year comprises:</b>			
Blue Falcon 140 Trading Proprietary Limited	<b>251</b>	160	217
Dimopoint Proprietary Limited	<b>79</b>	–	–
Imvelo Company Proprietary Limited	<b>48</b>	45	40
N3 Toll Concessions Proprietary Limited	<b>128</b>	126	128
Windfall 59 Properties Proprietary Limited	<b>286</b>	242	321
JSG Proprietary Limited	<b>(1)</b>	–	–
	<b>791</b>	573	706
<b>Other infrastructure investments</b>			
Opening balance	<b>72</b>	–	–
Reclassification from financial investments	<b>–</b>	64	64
Foreign currency translation movement	<b>14</b>	(4)	(4)
Fair value remeasurement through comprehensive earnings	<b>–</b>	–	12
	<b>86</b>	60	72

# Notes to the interim condensed consolidated financial statements

## continued

for the six months ended 31 December 2015

### 10. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	<b>December 2015 (Reviewed) Rm</b>	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
Uncertified claims and variations (underclaims)** <sup>1</sup>	<b>6 547</b>	5 788	5 157
Contract contingencies**	<b>(343)</b>	(257)	(253)
Progress billings received (including overclaims) <sup>2</sup>	<b>(1 342)</b>	(1 728)	(1 921)
<b>Uncertified claims and variations less progress billings received</b>	<b>4 862</b>	3 803	2 983
Contract receivables <sup>3</sup>	<b>3 807</b>	4 420	5 147
Provision for contract receivables	<b>*</b>	(46)	*
Retention receivables <sup>4</sup>	<b>231</b>	193	243
	<b>8 900</b>	8 370	8 373
Amounts received in advance <sup>5</sup>	<b>(450)</b>	(625)	(641)
<b>Net amounts due from contract customers</b>	<b>8 450</b>	7 745	7 732
<b>Disclosed on the statement of financial position as follows:</b>			
Uncertified claims and variations**	<b>6 547</b>	5 788	5 157
Contract contingencies	<b>(343)</b>	(257)	(253)
Contract and retention receivables	<b>4 038</b>	4 613	5 390
Provision for contract receivables	<b>*</b>	(46)	*
<b>Amounts due from contract customers</b>	<b>10 242</b>	10 098	10 294
Progress billings received	<b>(1 342)</b>	(1 728)	(1 921)
Amounts received in advance	<b>(450)</b>	(625)	(641)
<b>Amounts due to contract customers</b>	<b>(1 792)</b>	(2 353)	(2 562)
<b>Net amounts due from contract customers</b>	<b>8 450</b>	7 745	7 732

\* Amounts less than R1 million.

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

<sup>1</sup> Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.

<sup>2</sup> Progress billings are amounts billed for work performed above revenue recognised.

<sup>3</sup> Amounts invoiced still due from customers.

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

<sup>5</sup> Advances are amounts received from the customer before the related work is performed.

# 10. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS continued

	Uncertified claims and variations** Rm	Contract contin- gencies** Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
<b>December 2015 (Reviewed)</b>						
Non-current assets	1 174	–	–	–	–	1 174
Current assets	5 373	(343)	3 807	*	231	9 068
	6 547	(343)	3 807	*	231	10 242
<b>December 2014 (Reviewed)</b>						
Non-current assets	3 192	–	–	–	–	3 192
Current assets	2 596	(257)	4 420	(46)	193	6 906
	5 788	(257)	4 420	(46)	193	10 098
<b>June 2015 (Audited)</b>						
Non-current assets	900	–	–	–	–	900
Current assets	4 257	(253)	5 147	*	243	9 394
	5 157	(253)	5 147	*	243	10 294

\* Amounts less than R1 million.

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

## Notes to the interim condensed consolidated financial statements

### continued

for the six months ended 31 December 2015

	<b>December 2015 (Reviewed) Rm</b>	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
<b>11. TRADE AND OTHER PAYABLES</b>			
Trade payables	<b>2 686</b>	2 878	2 859
Subcontractors	<b>462</b>	392	425
Accrued expenses	<b>2 734</b>	3 220	3 180
Income received in advance	<b>111</b>	1 096	1 072
Promissory notes	<b>573</b>	830	425
	<b>6 566</b>	8 416	7 961
<b>TRADE AND OTHER PAYABLES – non-current portion</b>	<b>–</b>	297	–

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

Promissory notes issued by the Group bear interest between a range of 8,30% and 8,59% per annum. Terms vary in accordance with contracts of supply and service but are generally settled on 30 to 90 day terms.

Included in income received in advance is an advance payment received relating to the Perth Airport contract of AUD10 million (R111 million). The AUD112,5 million (R1,1 billion) QCLNG advance payment was repaid on 29 October 2015.

## 12. FOREIGN EXCHANGE MOVEMENTS

Material foreign exchange movements have been disclosed in terms of IAS 1. With the deterioration of the Rand against foreign currencies, the translated results of McConnell Dowell, the Australian operating group of Aveng, had the biggest foreign currency impact. Only the accounts relating to McConnell Dowell that have been significantly impacted have been disclosed below.

	<b>Amounts due from / (to) contract customers Rm</b>	<b>Trade and other payables Rm</b>
<b>Balance as at 30 June 2015 (Audited)</b>	<b>7 732</b>	<b>7 961</b>
Movement in ordinary course of business	<b>(336)</b>	<b>(1 885)</b>
Foreign exchange movement at McConnell Dowell	<b>1 054</b>	<b>490</b>
<b>Balance as at 31 December 2015 (Reviewed)</b>	<b>8 450</b>	<b>6 566</b>

### 13. BORROWINGS AND OTHER LIABILITIES

	<b>December 2015 (Reviewed) Rm</b>	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
<b>13.1 Borrowings held at amortised cost</b>			
Interest-bearing borrowings comprise:			
<b>Payment profile</b>			
– within one year	<b>1 220</b>	416	426
– between two to five years	<b>1 901</b>	2 158	2 037
	<b>3 121</b>	2 574	2 463
<b>Interest rate structure</b>			
<b>Fixed and variable (interest rates)</b>			
Fixed – long term	<b>1 730</b>	1 866	1 814
Fixed – short term	<b>923</b>	156	162
Variable – long term	<b>171</b>	325	222
Variable – short term	<b>297</b>	227	265
	<b>3 121</b>	2 574	2 463

## Notes to the interim condensed consolidated financial statements

### continued

for the six months ended 31 December 2015

### 13. BORROWINGS AND OTHER LIABILITIES continued

#### 13.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	December 2015 (Reviewed) Rm	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
Convertible bond of R2 billion	Interest coupon is payable bi-annually until July 2019	Coupon of 7,25%	1 690	1 616	1 651
Finance sale and leaseback amounting to AUD9 million*	Monthly instalment ending in June 2018	Fixed interest rate of 5,15% to 6,08%	97	80	91
Short-term facility of AUD10 million	Repayable in May 2016	Bank bill swap rate plus 1,65%	111	95	94
Short-term facility of AUD60 million***	Repayable in May 2016	Bank bill swap rate plus 2,20%	669	–	–
Hire purchase agreement denominated in AUD*	Monthly instalment ending in September 2017	Fixed interest rate of 6,81%	60	103	65
Hire purchase agreement denominated in USD*	Quarterly instalments ending in June 2017	Fixed rate ranging 4,58% to 4,65%	233	316	253
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in November 2017	South African prime less 2,00%	60	80	74
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in March 2017	South African prime less 1,70%	126	185	148
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in May 2018	Fixed interest rate of 9,70%	59	87	69

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

\*\*\* Backed by a bank guarantee.

### 13. BORROWINGS AND OTHER LIABILITIES continued

#### 13.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	December 2015 (Reviewed) Rm	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
Finance lease facilities denominated in ZAR*	Monthly instalment ending in March 2017	South African prime	13	8	13
Interest-bearing borrowings			3 118	2 570	2 458
Interest outstanding on interest-bearing borrowings**			3	4	5
<b>Total interest-bearing borrowings</b>			<b>3 121</b>	2 574	2 463

\* 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.

	December 2015 (Reviewed) Rm	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
Finance lease liabilities are payable as follows:			
<b>Minimum lease payments due</b>			
– within one year	397	365	369
– within two to five years	300	583	411
Less: future finance charges	(46)	(85)	(62)
<b>Present value of minimum lease payments</b>	<b>651</b>	863	718

## Notes to the interim condensed consolidated financial statements

### continued

for the six months ended 31 December 2015

### 13. BORROWINGS AND OTHER LIABILITIES continued

#### 13.1 Borrowings held at amortised cost continued

The *Australasia and Asia* operating segment entered into a finance sale and leaseback arrangement in the 2012 financial year and in the 2015 financial year entered into an asset-based finance arrangement.

The arrangement, amounting to AUD9 million (R97 million) (December 2014: (R80 million); June 2015: (R91 million)) has been secured by plant and equipment with a net carrying amount of R70 million (December 2014: R80 million; June 2015: R60 million).

The arrangement amounting to AUD5 million (R60 million) (December 2014: R103 million; June 2015: (R65 million)) has been secured by assets with a net carrying amount of R58 million (December 2014: (R103 million); June 2015: (R49 million)).

The *Mining* operating segment entered into various asset-based finance lease arrangements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in May 2018. Equipment with a net carrying amount of R495 million (December 2014: R687 million; June 2015: R613 million) has been pledged as security for the facility.

The *Mining and Manufacturing and Processing* operating segments entered into various vehicle lease arrangements. Equipment with the net carrying amount of R7 million (December 2014: R4 million; June 2015: R10 million) has been pledged as security.

### 14. OPERATING EXPENSES

	<b>December 2015 (Reviewed) Rm</b>	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
Operating lease charges – premises	<b>56</b>	49	88
Operating lease charges – plant and equipment	<b>5</b>	5	9
Depreciation of property, plant and equipment	<b>14</b>	20	47
Amortisation of intangible assets	<b>15</b>	14	21
Share-based payment expense	<b>5</b>	(6)	(20)
Employee costs	<b>840</b>	977	1 895
Employee benefits	<b>12</b>	26	65
Computer costs	<b>53</b>	50	105
Consulting fees	<b>48</b>	40	119
Other	<b>344</b>	321	734
	<b>1 392</b>	1 496	3 063



## 15. TAXATION

### Taxation expense

	<b>December 2015 (Reviewed) Rm</b>	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
Current taxation expense	<b>326</b>	138	340
Deferred taxation charge	<b>(108)</b>	(13)	(260)
	<b>218</b>	125	80
<b>Reconciliation of the taxation expense</b>			
Reconciliation between applicable taxation rate and effective taxation rate			
<b>Effective taxation rate on earnings</b>	<b>48,4%</b>	25,7%	(18,3)%
Exempt income and capital items	<b>16,9%</b>	25,5%	(10,4)%
Deferred taxation asset not recognised	<b>(46,9)%</b>	(20,4)%	62,9%
Dividend withholding tax	<b>(34,5)%</b>	–	–
Movement in foreign exchange differences	<b>51,5%</b>	7,4%	(34,9)%
Prior year adjustment	<b>(4,9)%</b>	(1,8)%	(11,7)%
Effects of other jurisdictions and other	<b>(2,5)%</b>	(8,4)%	6,0%
Disallowable expenditure	<b>–</b>	–	34,4%
	<b>28,0%</b>	28,0%	28,0%

South African income taxation is calculated at 28% (December 2014: 28%; June 2015: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

### Deferred taxation asset

The Group's results include a number of legal statutory entities within a number of taxation jurisdictions. The recoverability of deferred taxation assets was assessed in respect of each individual legal entity. Deferred tax assets have been recognised on unused taxation losses where management has concluded that there will be sufficient future taxable income against which deferred tax assets raised as at 31 December 2015 may be utilised. No deferred tax asset has been recognised for statutory entities where recoverability of such assets within the next five years is uncertain. In assessing the recoverability of the deferred tax asset, management has taken into account forecasts that were prepared for the financial years 2016 to 2020.

## Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2015

### 16. NON-CASH AND OTHER MOVEMENTS

	December 2015 (Reviewed) Rm	December 2014 (Reviewed) Rm	June 2015 (Audited) Rm
Earnings from disposal of property, plant and equipment	(13)	(18)	(61)
Impairment of goodwill, property, plant, equipment and intangible assets	23	537	628
Profit on disposal of subsidiary	–	(777)	(777)
Gain on property transaction before transaction costs	(582)	–	–
Fair value adjustment	(12)	(104)	(196)
Movements in foreign currency translation	383	(63)	(62)
Movement in equity-settled share-based payment reserve	7	7	11
	(194)	(418)	(457)

### 17. CONTINGENT LIABILITIES

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

#### South Africa and rest of Africa

Guarantees and bonds (ZARm)	3 716	3 735	3 721
Parent company guarantees (ZARm)	964	2 851	898
	4 680	6 586	4 619

#### Australasia

Guarantees and bonds (AUDm)	498	623	647
Parent company guarantees (AUDm)	409	4 764	1 215
	907	5 387	1 862

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.

## 18. HEADLINE EARNINGS

	Six months ended 31 December 2015 (Reviewed)		Six months ended 31 December 2014 (Reviewed)		Year ended 30 June 2015 (Audited)	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
<b>Determination of headline earnings:</b>						
Earnings for the period attributable to equity-holders of parent		<b>230</b>		358		(460)
Impairment of goodwill	–	–	291	291	291	291
Impairment of property, plant and equipment	<b>23</b>	<b>17</b>	213	182	273	252
Impairment of intangible assets	–	–	33	33	57	57
Earnings on sale of property, plant and equipment	<b>(585)</b>	<b>(478)</b>	(5)	(4)	6	4
Profit on sale of subsidiary	–	–	(777)	(713)	(777)	(713)
Fair value adjustment on investment property	–	–	(11)	(9)	(11)	(9)
<b>Headline (loss) / earnings</b>		<b>(231)</b>		138		(578)

## Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2015

### 19. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments; and
- Forward exchange contracts

The Infrastructure investments comprises of the following:

- N3 Toll Concession (RF) Proprietary Limited;
- Windfall 59 Properties Proprietary Limited;
- Blue Falcon 140 Trading Proprietary Limited;
- Imvelo Concession Company Proprietary Limited;
- GoldlinQ Holdings; and
- Dimopoint Proprietary Limited

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

The Group has reassessed the fair value of these Infrastructure investments as at 31 December 2015 and except for Dimopoint, where a R12 million fair value adjustment was calculated, no significant fair value movement was determined for the other investments.

#### *(i) Dimopoint*

##### **Methodology**

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

##### **Valuation parameters and assumptions**

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

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

## 19. FAIR VALUE OF ASSETS AND LIABILITIES continued

### *(ii) Foreign exchange contracts (FEC) liabilities*

#### **Valuation methodology**

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

The Group's fair value hierarchy of the carrying amounts of assets and liabilities comprises Infrastructure investments and forward exchange contracts. For the current period, the carrying amounts of these assets and liabilities equal its fair value.

The valuation of the Infrastructure investments is based on unobservable inputs and is therefore a Level 3, while FECs are valued using observable inputs (Level 2).

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

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

#### **Total gains and losses included in the statement of comprehensive earnings attributable to changes in unrealised gains or losses**

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

## Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2015

### 19. FAIR VALUE OF ASSETS AND LIABILITIES continued

#### Sensitivity analysis: Financial assets valuations, using unobservable inputs

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

	Significant unobservable input %	Reasonably possible changes to significant unobservable inputs %	Potential effect recorded directly in profit and loss Increase Rm	Decrease Rm
<b>Infrastructure investments</b>				
Risk-adjusted discount rate:				
– N3 Toll Concession	18,0	0,5	(8)	8
– Windfall 59 Proprietary Limited	20,0	0,5	(8)	8
– Blue Falcon 140 Trading Proprietary Limited	20,0	0,5	(8)	8
– Imvelo Concession Company Proprietary Limited	21,0	0,5	(1)	1
– Dimopoint Proprietary Limited	15,0	0,5	(6)	6
Internal rate of return:				
– GoldlinQ Holdings Proprietary Limited	10,0	0,5	(2)	2

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

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

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

### 20. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant matter or circumstance arising after the reporting period up to the date of this report.

### OVERVIEW

#### Salient features

- Strong improvement in the safety performance
- Revenue declined by 25% to R18,0 billion (2014: R23,9 billion)
- Headline loss of R231 million (2014: Headline earnings of R138 million)
- Property transaction concluded in September 2015 of R1,1 billion offset by the settlement of the QCLNG advance of R1,1 billion
- Aveng Grinaker-LTA advances towards break-even with strong cash generation of R277 million in the six months
- Continuous focused restructuring is yielding results, most notably relating to Aveng Grinaker-LTA and Aveng Mining
- Net cash of R331 million compared to R393 million in June 2015
- Board's strategic review outcomes:
  - Aveng Steel divestment
  - Aveng Capital Partners monetisation
  - Aveng Grinaker-LTA empowerment

Aveng Limited ("Aveng", the "Group") reported a headline loss of R231 million or a headline loss per share of 58,0 cents for the six months ended 31 December 2015, relative to a headline profit of R138 million or 34,5 cents per share for the comparative period, and a headline loss of R716 million for the preceding six months (second half of 2015 financial year). The Group's revenue declined by 25% to R18,0 billion (2014: R23,9 billion) in line with management's expectations, notably in McConnell Dowell and Aveng Grinaker-LTA. Net operating earnings decreased by 87% to R52 million.

The Group generated basic earnings of R230 million (December 2014: R358 million). The continued global economic slowdown and consequent weak demand for infrastructure projects, a generally weak local trading environment for steel and cost pressures in the mining sector were key contributors to the financial loss. This was partially mitigated by the substantially improved performance in Aveng Grinaker-LTA, the solid underlying results from Aveng Mining and Aveng Manufacturing, albeit at lower volumes, as well as successful cost saving initiatives. The conclusion of the property transaction contributed R577 million to basic earnings.

The interim results have been reviewed by the Company's external auditors, Ernst & Young Inc. and the unmodified review conclusion is available for inspection at the Company's registered office.

#### 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 driving its safety vision *"Home without harm, Everyone, Everyday"*.

In the period the All Injury Frequency Rate ("AIFR") improved by 20% to 2,8 from 3,5. This indicator includes all types of injuries and principally indicates broad personal injury trends. Aveng continues to see strong year-on-year improvement in safety performance as well as an increase in the reporting of high risk, near-miss incidents as a leading indicator in its safety strategy. It is anticipated that reporting thresholds for total injuries will continue to improve across operations.

Our Board and management are concerned with current levels of road traffic safety and believe a renewed emphasis is required across our South African operations. We work on various public road projects where our people are exposed to the poor road safety behaviour on public roads and have noted a resultant increase in road traffic instances and near-misses attributable to poor road safety by road users. We will be engaging with relevant roads agencies and law enforcement authorities to improve the situations through closer collaboration.

#### STRATEGY

Aveng continues to execute its strategy in three distinct phases. The initial "recover and stabilise" phase is well advanced as evidenced by the continued improved performance at Aveng Grinaker-LTA, the overall fixed cost reduction across the Group, improved liquidity and cash generation in South Africa and improved project execution through improved risk management. While McConnell Dowell made good progress in finalising various large projects, financial performance remains disappointing and is receiving ongoing attention. The first phase of

the strategy has been executed by a management team that is now stable, with no unexpected changes within key positions and the attraction of new talent into the Group.

The next phase of our strategy “position for growth” will require us to further strengthen our businesses in our key domestic markets of South Africa and Australia, to optimise our portfolio through improved capital allocation and to enhance our strategy into the rest of Africa. This will position Aveng for the medium term phase to “generate growth and enhance profitability and cash flow”. To achieve this we will leverage our client and industry delivery model, using our platforms in South Africa and Australia to access the key growth markets of Africa and Southeast Asia.

Despite the progress made in the implementation of this strategy and noticeable improvements in project performance and cost reductions, the Group is faced with continued weak markets. Management continues to evaluate and execute additional steps that are required to respond to these market conditions to ensure optimal performance and cash preservation.

The Board is cognisant of Aveng's poor share price performance, particularly relative to the sector and in addition to a sharp focus on operational performance, has undertaken a strategic review of the business in order to accelerate the unlocking of value to shareholders.

Details around the activities undertaken during the period are as follows:

### ■ **Aveng Grinaker-LTA turnaround**

The improved performance by Aveng Grinaker-LTA in a number of areas is evidence of the operational turnaround. Loss-making contracts have been closed out, including the Grootegeluk project, while the Mokolo Pipeline is well into the final stages of remote operations commissioning. The ratio of projects executed at or better than tender margin has substantially improved. This ratio will continue to be closely monitored. Whilst not at optimal levels, the achieved margin has significantly improved. The overhead reduction programme was completed during the period under review resulting in a

lower overall cost base but incurring once-off restructuring costs during the period. Current market expectations imply that further cost reductions will be required albeit at lower levels. Strong cash generation in the period has been supplemented by the resolution of various claims and receivables most notably, in the power sector. This was brought about by a stable management team and considerable improvements in the core skills base.

Aveng Engineering, now under the management of Aveng Grinaker-LTA, was restructured during the period. Loss-making contracts have been completed with the exception of one remaining water project that is currently in the commissioning phase. Aveng has retained both the Water and the broader Operate and Maintain businesses, both of which are now managed as part of the Mechanical and Electrical business unit. The retention of these businesses is supported by both the expected water infrastructure improvements projects that should be announced in the future and the competitive advantage that Aveng is secured in this market by virtue of its hard-won experience and breadth of products and services offered.

### ■ **Liquidity**

The Group ended the first half of the year with net cash of R331 million, following the repayment of the QCLNG advance, the successful conclusion of the property transaction, strong operational cash generation from all South African operations offset by a AUD74 million cash utilisation by McConnell Dowell. During the period several cash consumptive projects were completed and combined with the net cash position and available facilities, the Board believes that the Group is well placed to manage through what is likely to remain a difficult medium term trading environment. The Group had free liquidity headroom of R2,5 billion at 31 December 2015.

### ■ **Claims**

Following the repayment of the advance payment linked to the QCLNG project, the arbitration process has now moved to the hearing stage with the first round of hearings completed in December 2015. The second round of hearings will take place during



February and March 2016 and Aveng has been advised to expect the findings during September/October 2016. The claims relating to the GCRT project were lodged during the period. However, the process remains protracted with conclusion anticipated in late 2017. Excluding these two projects the Group's uncertified claims position is R1.3 billion.

Good commercial and technical progress has been achieved on the Chuquicamata contract in Chile with a commercial settlement being reached for outstanding claims during the period. The project is progressing well and the relationship with the client is satisfactory.

Total Amounts Due From Contract Customers have reduced by R1,3 billion, excluding foreign exchange movements, due to an intensified focus on claims settlements in all business units combined with continuous collection of receivables.

### **Strategic review and cautionary announcement**

Following the previously announced strategic refocus initiated by the Board for the Steel operating group, amongst other actions, Aveng has received various non-binding offers from numerous parties, to acquire or partner with Aveng, for both the entire operating group and/or for certain of its individual business units. Confidential discussions are ongoing though there can be no certainty that these discussions will result in any transactions. Accordingly, shareholders in Aveng should exercise caution when trading in their securities. Aveng will make further announcements, if and when appropriate. It is important to note that the disinvestment decision is based on longer-term strategic objectives. In the near term, the outlook for the steel business is improving and given our liquidity position, we are comfortable that any disposal will therefore only occur at an acceptable value.

The turnaround process of Aveng Grinaker-LTA has reached a stage where consideration can be given to position the business for future growth in terms of Aveng's existing strategy. The transformation of the construction and engineering sector in South Africa received increased focus over the past year. In order to

remain relevant to a transforming South African economy, the Board has concluded that it is a business imperative to introduce a B-BBEE partner or partners who will hold a significant equity interest in the business. Advisors have been appointed to assist Aveng in this process and stakeholders will be updated as this transaction progresses.

Consistent with the strategy of recycling the capital invested within the portfolio of Aveng Capital Partners once the underlying projects have reached an appropriate level of maturity, the Board has approved the monetisation of the existing portfolio. Assets currently under management will be disposed of in the market or seeded into a fund. An independently obtained valuation indicates substantial cash value to be realised through such transactions.

The Board is of the view that executing these transactions will aid an improved return on invested capital in the medium term. Combined with the existing robust liquidity position, this will provide the Group with greater flexibility and optionality in its capital allocation.

### **MARKET REVIEW**

Aveng operates mainly in the South African, SADC, Australasian and Southeast Asian markets. These markets remain weak but opportunities still exist specifically in the South African building sector and in New Zealand and Southeast Asia.

The Australian market has remained subdued with tender conversion rates not meeting expectations. Continued declines in heavy industrial infrastructure investment in Australia will continue to negatively impact the results of McConnell Dowell. The softening of commodity prices has negatively impacted the Group's resource and energy clients. McConnell Dowell is therefore actively pursuing cross-border opportunities in the social and transport infrastructure market in New Zealand and Southeast Asia.

The South African building industry is fairly strong in residential building and selective commercial building opportunities in the municipal, commercial and industrial markets. However, opportunities in the Civils and Mechanical and Electrical businesses remain

constrained with ongoing delays in the public sector infrastructure roll out and the depressed resources sector.

The continuing demand for concrete products in the construction sector and rail products and services, albeit at lower levels, remains favourable for Aveng Manufacturing.

The mining industry in South Africa is expected to remain under considerable pressure in the medium term, which has resulted in numerous mining contract cancellations, scope reductions and requests for margin discounts. Careful consideration has been given to new mining opportunities and the extension of the business' international footprint. Further details will be announced once additional progress is made.

The South African domestic steel market was adversely impacted by lower priced imports, poor domestic demand and excess capacity in international markets. However, volumes have stabilised in more recent months and some recovery has been noted. These latest developments, including those supportive of the South Africa upstream steel industry, are reassuring of Board's position that the disposal of Aveng Steel must be at an acceptable value

### FINANCIAL PERFORMANCE

#### Statement of comprehensive earnings

**Revenue** decreased by 25% to R18,0 billion against the comparative period's R23,9 billion. This is largely attributed to the continued weak demand for infrastructure in our key markets of South Africa and Australia, which was partially offset by opportunities in Southeast Asia and New Zealand. Four of the key sectors namely, mining, Oil & Gas, steel and publicly funded infrastructure projects in South Africa remained subdued. Gross margin for the Group improved to 7,2% compared to 6,5% in the comparative period.

**Net operating earnings** decreased by 87% to R52 million, from R413 million in 2014, as a result of:

- Reduced earnings at McConnell Dowell, due to lower activity levels, combined with a disappointingly low margin performance within Australian Operations;

- Severe weakness in steel demand and pricing, resulting in an operating loss at Aveng Steel;
- Lower margins due to commodity price pressure in the mining business;
- The inclusion of four months of results of the Electrix business in the prior period; and
- Lower fair value gains in Aveng Capital Partners due to most renewable energy projects reaching market maturity in the prior period.

This was partially mitigated by:

- A substantially improved performance at Aveng Grinaker-LTA;
- Solid underlying results from Aveng Mining and Aveng Manufacturing, albeit at lower volumes; and
- Decreased operating expenses.

**EBITDA** decreased by 46% to R496 million from R928 million in 2014.

**Gain on property transaction** of R577 million relates to the sale and leaseback of the majority of the Group's property portfolio.

**An impairment charge** of R23 million was recognised against abandoned plant and equipment in the Mining segment.

**Net finance charges** of R156 million decreased by 6% in relation to the comparative period, as a result of larger average cash balances, offset by lower convertible bond costs in the comparative period (R52 million).

The **taxation expense** amounts to R218 million compared to R125 million for December 2014. This represents an effective tax rate of 48,4%, versus 25,7% in the comparative period. This is mainly attributable to withholding tax of R103 million payable on profit expatriated from Guinea following the completion of a project.

**Headline earnings** decreased to a loss of R231 million from an earnings of R138 million. Items excluded from the calculation of headline earnings include impairment charges and the gains on the property transaction.

**Earnings per share** of 57,8 cents (2014: 89,3 cents) decreased by 35,3% and **headline loss per share ("HEPS loss")** of

58,0 cents reduced compared to HEPS of 34,5 cents in the comparative period.

### Statement of financial position

The Group reduced its **capital expenditure** to R171 million (2014: R583 million): applying R89 million (2014: R456 million) to replace and R82 million (2014: R101 million) to expand property, plant and equipment and intangibles. The majority of the amount was spent as follows:

- R41 million at McConnell Dowell, relating to specific contracts; and
- R63 million at Aveng Manufacturing to increase the capacity and optimise efficiencies in its factories.

The reduced capital expenditure is in line with the Group's current requirements.

**Equity-accounted investments** decreased by 10% compared to 30 June 2015. This was primarily due to additional losses on the Gouda renewable energy project.

**Infrastructure investments** of R877 million increased by R99 million compared to 30 June 2015, after recognising the Group's 30% investment in the property portfolio.

**Amounts due from contract customers** (non-current and current), remained relatively flat at R10,2 billion when compared to December 2014 and June 2015. There was an underlying decrease in this balance of R1,3 billion which was offset by R1,2 billion of foreign exchange translation movement. Operationally the receivables at McConnell Dowell decreased in line with contracting revenue and settlements, while uncertified claims, variations and receivables decreased at Aveng Grinaker-LTA as a result of various settlements specifically in the power sector.

**Amounts due to contract customers** decreased by 24% to R1,8 billion against the comparative period and decreased by 30% compared to R2,6 billion at 30 June 2015, as a result of the utilisation of advance payments at McConnell Dowell.

**Inventories** decreased by 22% to R2,4 billion against the comparative period and decreased

by 5% compared to 30 June 2015 as a result of inventory management to align to the current market demand.

**Trade and other receivables** of R2,0 billion decreased by 18% against the comparative period and decreased by 17% compared to 30 June 2015 due to improved collections at Aveng Manufacturing and Aveng Steel, combined with lower revenue at Aveng Steel.

**Borrowings and other liabilities** of R3,1 billion increased by R658 million against the comparative period due to a AUD60 million facility drawn to repay a portion of the QCLNG advance.

**Trade and other payables** decreased by R1,4 billion or 18% to R 6,6 billion against 30 June 2015. Excluding the foreign exchange impact, the underlying reduction of R1,9 billion was primarily due to the repayment of the QCLNG advance payment of AUD112,5 million as well as lower activity levels at McConnell Dowell and Aveng Steel.

**Operating free cash flow** for the period amounted to a R295 million outflow after including:

- The repayment of the AUD112,5 million on the QCLNG contract;
- Offset by R1,1 billion proceeds on the disposal of the properties portfolio;
- Significant cash outflows for McConnell Dowell associated with the utilisation of advance payments, the completion of large projects such as Perth Airport and additional remedial work on the GCRT contract;
- Strong cash generation in all South African operations most notably at Aveng Steel and Aveng Grinaker-LTA;
- Net capital expenditure of R126 million; and
- The final payment of R102 million to the Competition Commission.

**Cash and bank balances** increased to R3,5 billion (June 2015: R2,9 billion), resulting in a net cash position of R331 million (June 2015: R393 million). The foreign currency revaluation amounted to R314 million.

### OPERATING REVIEW

#### Construction and Engineering: Australasia and Asia

*This operating segment comprises Australian Operations, Overseas Operations, Pipelines, Tunnels and Built Environs.*

Revenue decreased by 40% to AUD726 million (2014: AUD1,2 billion) or R7,0 billion (2014: R11,8 billion). This is reflective of the completion of multi-year pipeline and infrastructure contracts, and the sale of Electrix in the prior financial year. Net operating earnings decreased from R183 million to R8 million due to the weaker Australian construction market and a disappointing performance from Australian Operations, partially offset by a solid performance in Overseas Operations and Pipelines. The results were negatively impacted by costs associated with additional tender expenses for significant EPC contracts that were not secured in a fiercely competitive Australian market.

As was expected, cash flow was negative during the period, and will continue to be negative for the next six months due to additional utilisation of advance payments, coupled with a slow uptake of new work. Cash flow should be impacted positively by the resolution of claims.

#### Australian Operations

Australian Operations reported a decrease in revenue of 58% to R2,5 billion (AUD255 million) compared to R6 billion (AUD516 million) in 2014, mainly due to the completion of large projects in the prior year and the continued weakness in the Australian market. The Australian market is challenging and competition for larger projects is very aggressive, resulting in tender costs incurred on contracts not won negatively impacting the operating margin. Earnings for the period ended December 2015 are considerably lower than the comparable period due to lower levels of new work won in the last 18 months.

Remedial work and demobilisation actions associated with the GCRT contract are substantially complete with close-out awarded and achieved on 23 December 2015. 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 finalising and resolving claims continues to receive considerable attention.

During the period **Built Environs** completed the expansion on Perth Airport Terminal 1, the terminal was operational in November 2015 and has been successfully handed over to the client.

In response to ongoing declines in available work and a challenging outlook for the Australian construction and engineering market, steps were taken in the prior period to reduce costs by 20%. Given an expectation that market conditions are likely to persist in the near term, McConnell Dowell will continue to review its overheads.

#### Overseas Operations

Overseas Operations comprise our operations in Singapore, Malaysia, Thailand, Indonesia, Philippines, Hong Kong, the Middle East, and New Zealand. Due to excellent project execution, performance was strong despite challenging market conditions. Revenue increased by 37% to R2,5 billion (AUD257 million) with good margins above 8,5% and positive cash flow.

#### Pipelines

The Pipelines business unit reported a decrease in revenue of 26% to R886 million (AUD90 million) from R1,2 billion (AUD119 million) in 2014, as a result of the completion of large pipeline projects in the prior year. With limited opportunities in the Oil & Gas sector, the recent win of the Northern Gas Pipeline and ongoing work for APLNG are pleasing results.

#### Tunnels

Revenue declined by 14% to R800 million (AUD81 million) from R900 million (AUD95 million). The Land Transit Authority contracts in Singapore are nearing completion and both have been a technical success, with the project opening on schedule in December. The Waterview project, the largest infrastructure development ever undertaken in New Zealand, is on schedule for completion in late 2016. Earnings declined as a result of large tender costs of AUD3 million on major projects that were not awarded to the business unit.

### Construction and Engineering: South Africa and rest of Africa

*This operating segment comprises Aveng Grinaker-LTA, Aveng Engineering and Aveng Capital Partners. Aveng Engineering has been discontinued with the remaining portions of Water and Operate & Maintain merging with Mechanical and Electrical within Aveng Grinaker-LTA.*

Revenue decreased by 9% to R3,9 billion (December 2014: R4,3 billion) primarily due to lower civil engineering and mechanical and electrical work.

Net operating losses for the segment decreased by 45% to R125 million (2014: R229 million) due to a substantial turnaround from Aveng Grinaker-LTA, with a small loss of R48 million against R299 million in the comparable period.

#### Civil Engineering

Revenue decreased by 25% to R1,2 billion (December 2014: R1,6 billion) reflecting lower activity in the Civil Infrastructure business. The operating profit increased to R33 million compared to the operating loss of R195 million incurred in 2014.

Significant progress was made on improving the margin on specific contracts in the power programme, specifically relating to Medupi. Cost reduction will continue proactively as the short term outlook is constrained. The Majuba contract is well into the final stages of construction, with large sections handed over to Aveng Rail. Various commercial matters, including claims and variations, remain outstanding and are being negotiated.

#### Mechanical and Electrical

Revenue decreased by 13% to R835 million (December 2014: R954 million) due to lower activity in the industrial and Oil & Gas sectors combined with project delays and cancellations in mining. Higher revenues were achieved on the Kusile BOP project compared to the six months ended 31 December 2014, as a result of the acceleration measures taken in order to meet the power utility's client milestone dates. The operating margin was negatively affected by losses incurred in closing out the Sasol MT7 project and the ongoing Alstom power

programme partnership. The operating loss marginally decreased to R29 million (December 2014: R32 million).

### Buildings & Coastal

Revenue increased by 25% to R1,5 billion (December 2014: R1,2 billion) with the net operating earnings reflecting a significant improvement to R65 million, from a loss of R5 million. The improvement in revenue is due to the growing order book, the ramp-up on the Mall of the South project, that was successfully handed over in September 2015 and peak production to complete the Sasol Corporate Head Office superstructure, which is well on track. Projects on the Ekurhuleni municipal infrastructure programme are progressing well. Cost reduction initiatives and greater operational efficiencies were realised during the period. The short term outlook for Building is positive with the order book having grown significantly by 67% in the second quarter, and an attractive pipeline of further projects in the short term.

The activity level in the Coastal operations is on target with major contracts, 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, all in progress. There has been significant progress made in the Western Cape Education Department's infrastructure programme management contract, with the first project completed and handed over and a pipeline of new work in planning phases.

### Aveng Engineering

Aveng Engineering revenue decreased by 69% to R149 million (December 2014: R477 million) largely due to the completion of the construction works on the water and power plants and the move to commissioning and operations. The Gouda wind farm final construction has been completed along with technical hand-over. Final operational hand-over is anticipated at the end of March 2016. The construction of the eMalahleni project has now been completed and commissioning is underway. Additional costs and liquidated damages on these two contracts impacted the operating earnings negatively, resulting in a net operating loss of R83 million.

The focus remains on leveraging the significant advantage held within the Aveng Water business in acid mine drainage and desalination technology. The South African mining and municipal water sectors offer various attractive opportunities for growth. The remaining portion of Aveng Engineering will merge with Mechanical and Electrical, which will lead to efficiencies.

### **Aveng Capital Partners**

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

Net operating earnings decreased by 94% against the comparative period to R6 million (2014: R97 million) primarily due to the majority of the renewable energy investments achieving marketable maturity in the prior period.

### **Mining**

*This operating segment comprises the merged business of Aveng Moolmans and Aveng Mining Shafts & Underground.*

The segment reported consistent revenue of R3,0 billion against the comparative period. Net operating earnings decreased by 18% to R198 million (2014: R241 million). The operating margin declined to 7% (2014: 8%) largely as a result of discounts awarded to clients on various contracts. Existing mining contracts are under cost pressure from clients operating in a difficult commodities environment. The Mining operating group is working closely with clients to assist in reducing overall mining costs and to regain some of the margins lost due to discounts through various productivity improvement and cost efficiency initiatives.

The mining industry continues to be under extreme pressure which is affecting the contracts in hand and the opportunities being presented. This impact is likely to be evident in the remaining six months of this financial year. The Mining team will pursue opportunities to revise and better balance the geographic and commodity mix in its client portfolio in order to strengthen its order book and improve shareholder returns. Details will be announced once further progress is made. Given usual

project lead times, Aveng does not expect this to materially change in the next 12 to 18 months.

### **Aveng Moolmans**

The revenue of **Aveng Moolmans** remained flat at R2,2 billion. The pressures being experienced by clients due to the downturn in the commodity cycle will most likely be evident during the next six months, as a number of clients have indicated that there will be reduced production volumes, particularly on the Tshipi é Ntle, Nkomati Nickel and Sishen contracts. This will place strain on the order book going forward. However, opportunities are being pursued to mitigate this impact.

Despite the current market conditions Aveng Moolmans continued to record good results, strong performances were achieved on other domestic and international mining contracts. Contract extensions were granted at Klipbankfontein and Sadiola.

### **Aveng Mining Shafts & Underground**

The revenue of **Aveng Mining Shafts & Underground** increased by 11% to R811 million (2014: R730 million) due to development work that was commenced on the new Black Rock contract. In addition, although the Styldrift and Eland contracts were cancelled, revenue was generated prior to the contract cancellations.

In comparison to the prior period, Shafts and Underground has reduced its net operating loss. This is largely attributable to cost saving initiatives as a result of the merger of the Aveng Mining business units and improved discipline in commercial processes. The general downturn in the mining industry has resulted in 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. Shafts & Underground finalised claims on the Chuquicamata contract with the cash being received in December 2015. The Platreef Platinum Mine and Black Rock contracts continue to progress to plan and the Kalagadi contract was completed during the period. Good progress was made on the Bakubang project and commercial discussions continue on the resolution of claims.

### Manufacturing and Processing

*This operating segment comprises Aveng Manufacturing and Aveng Steel.*

Revenue decreased by 17% to R4,4 billion (2014: R5,3 billion). Net operating earnings decreased significantly to a loss of R48 million (2014: R79 million profit). Aveng Steel was negatively impacted by weak demand, reduced international steel prices, increased competition from cheaper imports and significant restructuring costs to re-align the fixed cost base. Despite lower gross profit margins, the operating segment contributed strongly to positive cash flows.

### Aveng Manufacturing

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

Revenue decreased by 11% to R1,6 billion (2014: R1,8 billion). Net operating earnings decreased by 31% to R99 million (2014: R144 million). Despite tough market conditions, the operating group continues to perform well although the impact from the slowdown in the mining sector and lower sleeper volumes have negatively impacted its financial performance.

**Aveng ACS** – Aveng Control Solutions performed well despite lower activity in the traditional Oil & Gas market. Revenue, has increased by 7% to R237 million (2014: R222 million), which is due to the timing of current projects relative to last year, as well as diversification into non-traditional markets.

**Aveng DFC** – revenue has increased by 9% to R246 million (2014: R225 million), mainly due to growth in the US and Australian markets. Local volume demand was lower and subsequently negatively impacted profitability.

**Aveng Duraset** – revenue decreased by 1% to R263 million (2014: R265 million) driven by lower demand from the local mining sector.

**Aveng Infraset** – revenue decreased by 37% to R464 million (2014: R734 million) due to large sleeper supplies in the prior period, both locally and across border. The decline in the international commodity prices has resulted in a

slowdown in the international sleeper revenue and general rail construction projects. Construction products continue to enjoy solid demand locally and are performing as expected.

**Aveng Rail** – revenue increased by 10% to R437 million (2014: R396 million), mainly due to Majuba, Rosmead and Black Rock construction projects.

Despite the challenging environment, the outlook for Aveng Manufacturing is encouraging. Transport infrastructure remains a key growth market. Although mining in South Africa is expected to remain subdued, this is mitigated by mining in the rest of Africa, Russia and South America; which could drive demand for many of the product lines.

Building on the cash flow discipline introduced some time ago, the Manufacturing operating group remains cash generative.

### Aveng Steel

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

Revenue decreased by 18% to R2,8 billion (2014: R3,4 billion), severely impacted by reduced international steel prices and lower local demand. Profitability declined to a loss of R147 million compared to a loss of R65 million in the prior period, in line with revenue and was further impacted by restructuring costs. Cost savings were driven by improved efficiencies across the operating group and continue to be realised. Despite poor trading conditions, the operating group was a significant contributor to positive cash flow. This was achieved through the reduction in working capital, most notably reduced inventory. It is expected that the market conditions will be positively impacted by the implementation of custom duties and anti-dumping duties in the second half of the financial year.

### Other and Eliminations

Included in Other and Eliminations is the Group's Corporate Office and Properties. In September 2015 the Group began paying operating lease payments to the property venture, Dimopoint for the use of the properties sold in the sale and lease back transaction.



### Two-year order book

The Group's two-year order book amounts to R29,3 billion at 31 December 2015, remaining relatively flat on the R28,9 billion reported at 30 June 2015.

The focus remains on securing quality work at targeted margins. While the Group has adopted a portfolio approach within the respective disciplines at McConnell Dowell and Aveng Grinaker-LTA, current market conditions resulted in a move towards lower margin disciplines. This is particularly notable in South Africa with a strong swing towards building work. While the Aveng model seeks to optimise the balance across the core disciplines to achieve targeted margins and diversify revenue streams, this remains challenging in current conditions.

Over the last six months, the Mining operating group's order book has decreased by 20% from R7,9 billion to R6,3 billion as a result of contract cancellations and a reduction in the scope of work, while the Construction and Engineering: Australia and Asia operating group's order book increased by 8% in Australian Dollar terms from AUD1,2 billion to AUD1,3 billion (R11,6 billion to R14,1 billion). Construction and Engineering: South Africa and rest of Africa's order book increased by 5% from R7,3 billion in June to R7,7 billion in December.

Recent significant project awards include the 129 Rivonia development in Sandton (situated on the site of the previous Village Walk), the first phase of the Leonardo Towers in Sandton and the Hilton Hotel in Swaziland. In Australia and Asia, recent awards include the Waitaki Bridges Replacement and O-Bahn City Access projects, the Northern Gas Pipeline in Northern Territory, Christchurch in New Zealand, the Barangaroo Ferry in New South Wales and the Rapid SCC project in Malaysia. Mining contracts were also extended at Kolomela (Klipbankfontein) and Sadiola.

The geographic split of the order book at 31 December 2015 was 51% Australasia and Asia (June 2015: 40%), 43% South Africa (June 2015: 56%) and 6% Other (June 2015: 4%).

### OUTLOOK AND PROSPECTS

Aveng is expecting the market to remain subdued in the short to medium term with limited evidence of large infrastructure contracts. There are attractive opportunities in Australia, New Zealand and Southeast Asia in particular. Our key markets are expected to remain tough and management will continue to take the necessary actions to manage the business within the constraints of the current economy.

Aveng will continue to focus on cash generation, cost efficiencies and preserving the balance sheet for the remainder of the financial year. In addition, notable attention will be given to the strategic initiatives described above, the disinvestment from Steel, the monetisation of Aveng Capital Partners and the empowerment of Aveng Grinaker-LTA.

### DIRECTORS

Mr Sean Flanagan was appointed as an independent non-executive director of the Aveng Board with effect from 1 November 2015.

### DISCLAIMER

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

By order of the Board



**M Seedat**  
Chairman



**HJ Verster**  
Chief executive officer

23 February 2016



## Corporate information

### Directors

MI Seedat\*# (Chairman)  
EK Diack\*#  
HJ Verster (Chief Executive Director)  
AWB Band\*#  
PJ Erasmus\*#  
S Flanagan\*#  
MA Hermanus\*#  
P Hourquebie\*#  
MJ Kilbride\*#  
AH Macartney (Group Finance Director)  
JJA Mashaba (Group Executive Director)  
T Mokgosi-Mwantembe\*#  
KW Mzondeki\*#  
PK Ward\*#  
(\*non-executive) (\*independent)

### Company Secretary

Michelle Nana

### Business address and registered office

Aveng Park  
1 Jurgens Street, Jet Park  
Boksburg, 1469  
South Africa  
Telephone +27 (0) 11 779 2800  
Telefax +27 (0) 11 784 5030

### Company registration number

1944/018119/06

### Share codes

JSE: AEG  
ISIN: ZAE 00011829

### Website

[www.aveng.co.za](http://www.aveng.co.za)

### Auditors

Ernst & Young Inc.  
Registration number: 2005/002308/21  
102 Rivonia Road  
Sandton, Johannesburg, 2194  
Private Bag X14  
Northlands, 2116  
South Africa  
Telephone +27 (0) 11 772 3000  
Telefax +27 (0) 11 772 4000

### Principal bankers

Absa Bank Limited  
Australia and New Zealand Banking Group Limited  
Barclays Bank plc  
Commonwealth Bank of Australia Limited  
FirstRand Bank Limited  
HSBC Bank plc  
Investec Bank Limited  
Nedbank Limited  
Standard Chartered Bank plc  
The Standard Bank of South Africa Limited

### Corporate legal advisers

Baker & McKenzie  
Cliffe Dekker Hofmeyr  
Norton Rose Fulbright  
Webber Wentzel

### Sponsor

J.P. Morgan Equities South Africa  
Proprietary Limited  
Registration number: 1995/011815/07  
1 Fricker Road, cnr Hurlingham Road  
Illovo, 2196  
South Africa  
Telephone +27 (0) 11 537 0300  
Telefax +27 (0) 11 507 0351/2/3

### Registrars

Computershare Investor Services  
Proprietary Limited  
Registration number: 2004/003647/07  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051  
Marshalltown, 2107  
South Africa  
Telephone +27 (0) 11 370 5000  
Telefax +27 (0) 11 688 5200

**Business address and  
registered office**

Aveng Park, 1 Jurgens Street,  
Jetpark, Gauteng, 1469

PO Box 6062, Rivonia, Johannesburg,  
Gauteng, 2128, South Africa

Telephone: +27 (0) 11 779 2800

Telefax: +27 (0) 11 784 5030



[www.aveng.co.za](http://www.aveng.co.za)