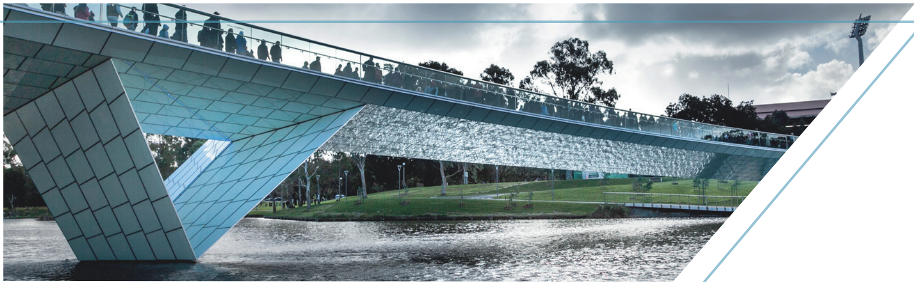
Providing a better life

2022

Reviewed interim condensed consolidated financial statements

for the six months ended
31 December 2021

SALIENT FEATURES – FINANCIAL PERFORMANCE
for the six months ended 31 December 2021



Core revenue
(McConnell Dowell and Moolmans)

R11,2bn

R10,5 billion for period ended 31 December 2020

Work in hand

R29,1bn

Increase from R25,3 billion at June 2021

Operating earnings

R215m

R280 million for the period ended 31 December 2020

Operating free cash flow

R490m inflow

December 2020: R1,4 billion inflow

Net cash position

R1,1bn

Net cash position of R1,1 billion at 30 June 2021

Headline earnings

R17m

December 2020: R109 million

Headline earnings per share

14 cents

226 cents headline earnings per share (restated) at December 2020

Earnings attributable to equity-holders of the parent

R53m

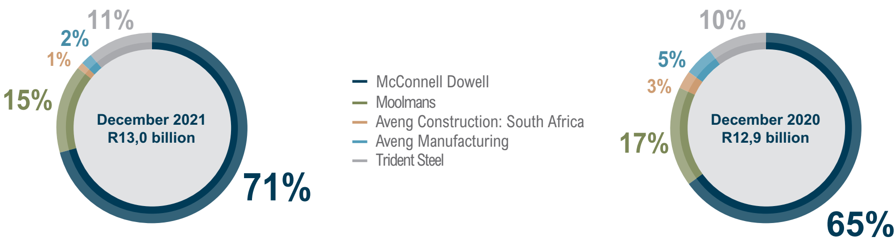
R438 million for the period ended 31 December 2020

SALIENT FEATURES – SEGMENTAL ANALYSIS
for the six months ended 31 December 2021

OPERATING EARNINGS – SEGMENTAL ANALYSIS

	December 2021 Rm	December 2020 Rm	June 2021 Rm
Construction and Engineering: Australasia and Asia	**144**	153	312
Mining	**99**	132	239
Construction and Engineering: South Africa and rest of Africa	**(36)**	(145)	(164)
Aveng Construction: South Africa	**(36)**	(155)	(176)
Aveng Capital Partners	**–**	10	12
Manufacturing and Processing	**89**	132	271
Aveng Steel	**76**	107	247
Aveng Manufacturing	**13**	25	24
Other and Eliminations	**(81)**	8	(122)
Operating earnings	**215**	280	536
Earnings attributable to equity-holders of the parent	**53**	438	990
Headline earnings	**17**	109	751

Revenue per operating group



Work in hand per operating group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the six months ended 31 December 2021

	Notes	**31 December 2021 (Reviewed) Rm**	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
ASSETS				
Non-current assets				
Goodwill arising on consolidation		**100**	100	100
Intangible assets		**11**	15	11
Property, plant and equipment		**3 324**	2 898	2 800
Equity-accounted investments		**5**	31	30
Infrastructure investments		**142**	261	257
Deferred taxation		**781**	737	725
Derivative instruments		**2**	–	–
Lease receivables		**36**	–	38
		4 401	4 042	3 961
Current assets				
Inventories		**1 141**	212	211
Derivative instruments		**2**	–	–
Amounts due from contract customers	9	**3 043**	2 789	3 398
Trade and other receivables		**556**	308	327
Taxation receivable		**28**	40	37
Lease receivables		**4**	–	3
Cash and bank balances		**3 044**	2 684	2 519
		7 818	6 033	6 495
Assets Held for Sale	10	**240**	1 927	1 989
TOTAL ASSETS		**12 459**	12 002	12 445
EQUITY AND LIABILITIES				
Equity				
Stated capital	11	**4 747**	3 874	4 747
Other reserves		**1 042**	931	847
Accumulated losses		**(2 100)**	(2 705)	(2 153)
Equity attributable to equity-holders of parent		**3 689**	2 100	3 441
Non-controlling interest		**8**	2	7
TOTAL EQUITY		**3 697**	2 102	3 448
Liabilities				
Non-current liabilities				
Deferred taxation		**128**	161	152
External borrowings and other liabilities	12.1	**356**	1 260	491
Lease liabilities	12.2	**809**	317	365
Payables other than contract-related		**81**	90	94
Employee-related payables		**433**	379	338
		1 807	2 207	1 440
Current liabilities				
Amounts due to contract customers	9	**1 365**	1 844	1 657
External borrowings and other liabilities	12.1	**458**	845	388
Lease liabilities	12.2	**279**	130	154
Payables other than contract-related		**85**	64	66
Employee-related payables		**301**	233	276
Derivative instruments		**–**	1	–
Trade and other payables		**4 382**	2 933	3 441
		6 870	6 050	5 982
Liabilities Held for Sale	10	**85**	1 643	1 575
TOTAL LIABILITIES		**8 762**	9 900	8 997
TOTAL EQUITY AND LIABILITIES		**12 459**	12 002	12 445

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS
for the six months ended 31 December 2021

	Notes	**Six months ended 31 December 2021 (Reviewed) Rm**	(Re-presented)[1] Six months ended 31 December 2020 (Reviewed) Rm	(Re-presented)[1] Year ended 30 June 2021 (Audited) Rm
Revenue		**12 958**	12 896	25 709
Continuing operations		**12 704**	12 290	24 674
Discontinued operations	5	**254**	606	1 035
Cost of sales		**(11 979)**	(12 063)	(23 744)
Continuing operations		**(11 753)**	(11 523)	(22 837)
Discontinued operations	5	**(226)**	(540)	(907)
Gross earnings		**979**	833	1 965
Other earnings		**38**	183	268
Continuing operations		**31**	174	265
Discontinued operations	5	**7**	9	3
Operating expenses		**(800)**	(735)	(1 675)
Continuing operations		**(778)**	(685)	(1 569)
Discontinued operations	5	**(22)**	(50)	(106)
Loss from equity-accounted investments		**(2)**	(1)	(22)
Operating earnings		**215**	280	536
Impairment loss on goodwill, intangible assets and property, plant and equipment	7	**–**	(54)	(241)
Reversal of / (impairment) loss on long-term receivables	7	**13**	(45)	(26)
(Loss) / gain on disposal of assets Held for Sale		**(3)**	40	28
Gain on disposal of property, plant and equipment		**13**	9	10
Gain on early redemption of borrowings and other liabilities		**–**	–	486
Fair value adjustment on disposal groups classified as Held for Sale	10	**(52)**	415	611
Earnings before financing transactions		**186**	645	1 404
Interest earned on bank balances		**11**	15	19
Other finance expenses		**(136)**	(192)	(394)
Earnings before taxation		**61**	468	1 029
Taxation		**(8)**	(30)	(41)
Earnings for the period		**53**	438	988
Earnings from continuing operations		**32**	413	983
Earnings from discontinued operations	5	**21**	25	5

[1] *Refer to note 5. Discontinued operations for the reclassification of Trident Steel from discontinued operations to continuing operations and further information about the re-presentation of discontinued operations in previous periods presented.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS CONTINUED

for the six months ended 31 December 2021

	Notes	Six months ended 31 December 2021 (Reviewed) Rm	(Re-presented) Six months ended 31 December 2020 (Reviewed) Rm	(Re-presented) Year ended 30 June 2021 (Audited) Rm
Other comprehensive earnings / (loss) to be reclassified to earnings or loss in subsequent periods (net of taxation):				
Exchange differences on translating foreign operations		**180**	(176)	(265)
Other comprehensive earnings / (loss) for the period, net of taxation		**180**	(176)	(265)
Total comprehensive earnings for the period attributable to:				
Equity-holders of the parent		**232**	267	723
Non-controlling interest		**1**	(5)	–
Total comprehensive earnings for the period, net of taxation		**233**	262	723
Earnings for the period attributable to:				
Equity-holders of the parent		**53**	438	990
Non-controlling interest		**–**	–	(2)
		53	438	988
Other comprehensive earnings / (loss) for the period, net of taxation				
Equity-holders of the parent		**179**	(171)	(267)
Non-controlling interest		**1**	(5)	2
		180	(176)	(265)
Results per share (cents)				
From continuing and discontinued operations****				
Earnings – basic		**43**	909	1 337
Earnings – diluted		**41**	909	1 221
From continuing operations****				
Earnings – basic		**26**	857	1 330
Earnings – diluted		**25**	857	1 216
From discontinued operations****				
Earnings – basic		**17**	52	7
Earnings – diluted		**16**	52	6
Number of shares (millions)				
In issue*	11	**129,5**	38,8	129,5
Weighted average**	8	**122,5**	48,2	73,9
Diluted weighted average***	8	**129,5**	48,2	80,9

The continuing and discontinued operations' operating earnings before interest, depreciation and amortisation for the Group, being operating earnings before interest, tax, depreciation and amortisation is R643 million (June 2021: R1 463 million; December 2020: R720 million).

* *On 8 December 2021 the Group underwent a share consolidation on the basis of 1-for-500 shares held from an issued stated capital of 64 741 672 056 shares to be consolidated to 129 483 343 shares. The number of shares in issue for all periods presented have been adjusted retrospectively (31 December 2020: 19 394 498 220 shares to 38 788 996 shares) (30 June 2021: 64 741 672 056 shares to 129 483 343 shares).*

** *As a result of the share consolidation, the weighted average number of shares for all periods have been adjusted retrospectively (31 December 2020: 19 394 498 220 to 48 193 983) (30 June 2021: 36 959 902 821 to 73 919 805).*

*** *As a result of the share consolidation, the diluted weighted average number of shares for all periods have been adjusted retrospectively (31 December 2020: 19 394 498 220 to 48 193 983) (30 June 2021: 40 447 902 821 to 80 895 806).*
Refer to note 11. Stated Capital for additional information.

**** *Earnings per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue. Refer to note 8. Headline Earnings for additional information.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2021

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm
Six months ended 31 December 2020 (Reviewed)			
Balance at 1 July 2020	3 874	1 062	40
Earnings for the period	–	–	–
Other comprehensive loss for the period (net of taxation)	–	(171)	–
Total comprehensive earnings for the period	–	(171)	–
Balance at 31 December 2020	3 874	891	40
Year ended 30 June 2021 (Audited)			
Balance at 1 July 2020	3 874	1 062	40
Earnings / (loss) for the period	–	–	–
Other comprehensive loss for the period (net of taxation)	–	(267)	–
Total comprehensive earnings for the period	–	(267)	–
Equity-settled share-based payment – shares granted	–	–	20
Equity-settled share-based payment– shares vested	8	–	(8)
Share issue – rights to qualifying shareholders (15 March 2021)*	759	–	–
Share issue – Class A shares (15 March 2021)	11	–	–
Share issue – rights to qualifying shareholders (7 June 2021)*	74	–	–
Share issue – Class A shares (7 June 2021)	21	–	–
Total comprehensive earnings for the period	873	–	12
Balance at 30 June 2021	4 747	795	52
Six months ended 31 December 2021 (Reviewed)			
Balance at 1 July 2021	**4 747**	**795**	**52**
Earnings for the period	**–**	**–**	**–**
Other comprehensive earnings for the period (net of taxation)	**–**	**179**	**–**
Equity-settled share-based payment – shares granted	**–**	**–**	**16**
Total comprehensive earnings for the period	**–**	**179**	**16**
Balance at 31 December 2021	**4 747**	**974**	**68**
Note	**11**		

* *Inclusive of R23 million transaction costs capitalised.*

Total other reserves Rm	Accumulated losses Rm	**Total attributable equity of the parent Rm**	Non-controlling interest Rm	**Total equity Rm**
1 102	(3 143)	1 833	7	1 840
–	438	438	–	438
(171)	–	(171)	(5)	(176)
(171)	438	267	(5)	262
931	(2 705)	2 100	2	2 102
1 102	(3 143)	1 833	7	1 840
–	990	990	(2)	988
(267)	–	(267)	2	(265)
(267)	990	723	–	723
20	–	20	–	20
(8)	–	–	–	–
–	–	759	–	759
–	–	11	–	11
–	–	74	–	74
–	–	21	–	21
12	–	885	–	885
847	(2 153)	3 441	7	3 448
847	**(2 153)**	**3 441**	**7**	**3 448**
–	**53**	**53**	**–**	**53**
179	**–**	**179**	**1**	**180**
16	**–**	**16**	**–**	**16**
195	**53**	**248**	**1**	**249**
1 042	**(2 100)**	**3 689**	**8**	**3 697**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2021

	Notes	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Cash generated from operating activities	14	**805**	1 859	2 275
Finance expenses paid		**(145)**	(182)	(345)
Finance earnings received		**12**	15	19
Taxation paid		**(10)**	(17)	(37)
Cash inflow from operating activities		**662**	1 675	1 912
Investing activities				
Acquisition of property, plant and equipment – expansion		**–**	(40)	(9)
Acquisition of property, plant and equipment – replacement		**(349)**	(372)	(810)
Proceeds on disposal of property, plant and equipment		**35**	110	174
Proceeds on disposal of assets Held for Sale		**99**	49	90
Capital expenditure net of proceeds on disposal		**(215)**	(253)	(555)
Dividends received		**2**	14	57
Movement in property, plant and equipment, intangible assets and investments classified as Held for Sale		**41**	(5)	96
Cash outflow from investing activities		**(172)**	(244)	(402)
Operating free cash inflow		**490**	1 431	1 510
Financing activities with equity-holders				
Proceeds from shares issued		**–**	–	865
Financing activities with debt-holders				
Repayment of external borrowings		**(65)**	(99)	(870)
Proceeds from external borrowings		**–**	271	271
Payment of capital portion of lease liabilities		**(90)**	(79)	(262)
Movement in borrowings and other liabilities classified as Held for Sale		**(30)**	(36)	(73)
Cash outflow from financing activities		**(185)**	57	(69)
Net increase in cash and bank balances before foreign exchange movements		**305**	1 488	1 441
Foreign exchange movements on cash and bank balances		**220**	(135)	(253)
Cash and bank balances at the beginning of the period		**2 519**	1 331	1 331
Total cash and bank balances at the end of the period		**3 044**	2 684	2 519

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the six months ended 31 December 2021

1. CORPORATE INFORMATION

The reviewed interim condensed consolidated financial statements (interim results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 18 February 2022.

Change in directorate

The Aveng Board announced the appointment of Mr Bernard Swanepoel as an independent non-executive director to the Aveng Board with effect from 20 October 2021. In addition, Mr Swanepoel has been appointed to the Risk Committee, Safety, Health and Environmental Committee and the Investment Committee.

Change in committees

Following the appointment of Mr Swanepoel, shareholders are advised that the Company's Audit and Risk Committee has been split to create two separate Committees namely the Audit Committee and the Risk Committee.

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 contract 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 CHANGES TO THE GROUP ACCOUNTING POLICY

Basis of preparation

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

These interim results are presented in South Africa 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* (IAS 34) and the Listings Requirements of the Johannesburg Stock Exchange as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The accounting policies adopted are consistent with those of the Group's audited financial statements as at 30 June 2021.

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

The interim results for the six-month period ended 31 December 2021, set out on pages 3 to 52, have been reviewed by the company's external auditors KPMG Incorporated, who expressed an unmodified review conclusion, in accordance with International Standard on Review Engagements *ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditors of the Entity (ISRE 2410)*. A copy of the auditor's review report is available for inspection at the Company's registered office.

Changes to the group accounting policies

A number of standards and interpretations are effective from 1 July 2021 but they do not have a material effect on the Group's interim results.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Judgements and estimation assumptions

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

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

3.1 Deferred taxation

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

3.2 Amounts due from / (to) contract customers

The Group estimates the risk associated with the amounts due from contract customers in order to classify these assets according to their maturity profile. Positions related to long outstanding contracts positions have been judged in conjunction with legal advice and potential timeframes associated with legal action.

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

3.3 Loss-making and onerous contracts

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

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

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

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

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

3.5 Revenue recognition

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

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

- the determination of the point in the progress toward complete satisfaction of the performance obligation;
- the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations; and
- estimation of project production rates and programme through to completion.

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

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers and executive management is used in assessing the status of negotiations with the customer, the reliability with which the estimated recoverable amounts can be measured, the financial risks pertained to individual projects, and the associated judgements and estimates employed. Cost and revenue estimates are reviewed and updated monthly, and more frequently as determined by events or circumstances.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.6 Leases

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

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

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

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

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

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

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

3.7 Uncertainty over income tax treatments

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.8 Held for Sale – subsequent measurement criteria

Management believes that the carrying amount of the remaining non-core disposal groups classified as Held for Sale will be recovered through sale transactions rather than through continuing use. Management uses judgement in determining whether the sale of the remaining CGUs remains highly probable.

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

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

At 31 December 2021, all non-core CGUs remain available for sale in their present condition subject only to terms that are usual and customary for sale of such assets. Management continues to actively market the assets for sale at prices that are reasonable in relation to their current fair value, however, management has determined that there is insufficient evidence available to conclude that the sale of Trident Steel will be concluded within the next 12 months.

Based on these judgements, management has concluded that the Trident Steel CGU no longer meets the criteria of *IFRS 5* and can no longer be carried at Held for Sale. In determining the reclassification adjustment, management has measured the CGU at the lower of its carrying amount before the disposal groups was classified as Held for Sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the disposal group not been classified as Held for Sale, and its recoverable amount at the date of the subsequent decision to reclassify these disposal groups. The Group will continue to reassess the classification should facts and circumstances change.

3.9 Impact of the COVID-19 outbreak on operations

At 31 December 2021, we remain mindful that the COVID-19 pandemic, its impact on communities and economics, and the actions authorities may take in response to it, are largely unpredictable. In preparing these interim condensed consolidated financial statements, the short-term impact on items such as financial instruments, working capital, sales and provisions has been considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the reporting date. In assessing the carrying value of its other non-current assets, the Group assumes that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing and scale of the economic impact and recovery remain uncertain.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

4. GOING CONCERN AND LIQUIDITY

As detailed in *note 2: Basis of preparation and changes to the group accounting policy* and *note 16: Events after the reporting period* to the interim condensed consolidated financial statements, in determining the appropriate basis of preparation of the interim condensed consolidated financial statements, the Board is required to consider whether the Group can continue in operational existence for the foreseeable future. The financial performance of the Group is dependent on the wider economic environment in which the Group operates.

In concluding this assessment, the Board has taken the following considerations into account:

Execution of plans

- Continued improvement in the operating performance and therefore underlying value and sustainability of McConnell Dowell, Moolmans and Trident Steel;
- Progress on the non-core asset disposal plan:
  - The receipt of proceeds of R99 million in the interim period, included Aveng Automation & Control Solutions (ACS) and Aveng Infraset Effingham factory; and
  - Ongoing negotiations for the sale of Trident Steel and the remaining Infraset factories.
- Updated forecast and business plans for post period-end up to 30 June 2023 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved;
- Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the SA Banking group, Australian banks or other financing agreements within the individual liquidity pools; and
- The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations.

In the interim period, the Group reported earnings after tax of R53 million and an operating free cash inflow of R490 million. Despite the continued difficult trading conditions, the Group's available cash resources were positively impacted. The Group continues to focus on improving operational performance, reducing overhead and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded, implemented or are in progress.

The Group has cash of R3,0 billion (30 June 2021: R2,5 billion) at 31 December 2021 (net of bank overdraft facilities) of which R604 million (30 June 2021: R412 million) is held in joint arrangements. Unutilised facilities amounted to R364 million (30 June 2021: R364 million).

COVID-19 pandemic

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

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

4. GOING CONCERN AND LIQUIDITY continued

Liquidity, solvency and ongoing funding

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely McConnell Dowell and the South African liquidity pool. McConnell Dowell's liquidity benefited from the receipt of advance payments and a growing order book. As a result, McConnell Dowell reported a strong cash balance with sufficient cash and liquidity to support the growing order book and the growth opportunities that this market continues to present. The South African liquidity pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period.

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

Following the transformational balance sheet restructure transaction which extended the Group's debt maturity profile to three years, which simultaneously improved the Group's South African liquidity pool, the Group's current assets of R7,8 billion exceeded its current liabilities of R6,9 billion at 31 December 2021.

The forecasts indicate that the Group will have sufficient cash resources for the foreseeable future. The core businesses and Trident Steel are performing in line with the plan and are therefore expected to generate sufficient cash to contribute to the repayment of the long-term debt. The disposals of the remaining Held for Sale CGUs are expected to be completed within the next 12 months and will contribute to the repayment of the debt and available liquidity.

The directors have considered all of the above, including detailed consideration of the current position of all core and non-core businesses, all business plans and forecasts, including all available information, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the interim condensed consolidated financial statements, and that sufficient liquidity will be available to support the ongoing operations of the Group, and that the realisation of assets and the settlement of liabilities, including contingent liabilities and commitments, will occur in the ordinary course of business. Refer to *note 16: Events after the reporting period.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

5. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

The Group structure comprises of McConnell Dowell and Moolmans forming the core business of the Group with Aveng Manufacturing and Trident Steel being deemed the non-core operating groups. Aveng Manufacturing is still presented and disclosed as a discontinued operation.

Change to a plan of sale of non-core operating groups

In the preceding 12 months there have been numerous expressions of interest, and a number of non-binding offers for cash-generating units (CGUs) within the disposal groups, however, the Group did not receive reasonable offers for the remaining CGUs.

The overall plan to dispose of the assets remains. Management has determined that there is no longer enough objective evidence to conclude that it is highly probable that the sale of Trident Steel will be concluded within the next 12 months. Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers.

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

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

	31 December 2020			30 June 2021		
	Previously presented Rm	Re-presented Rm	Impact Rm	Previously presented Rm	Re-presented Rm	Impact Rm
(Loss) / earnings for the period						
Continuing operations	(71)	413	484	312	983	671
Discontinued operations	509	25	(484)	676	5	(671)
Results per share (cents)						
From continuing operations*						
(Loss) / earnings – basic	(147)	857	1 004	422	1 330	908
(Loss) / earnings – diluted	(147)	857	1 004	386	1 216	830
From discontinued operations*						
Earnings / (loss) – basic	1 056	52	(1 004)	915	7	(908)
Earnings / (loss) – diluted	1 056	52	(1 004)	836	6	(830)

* *Earnings / (loss) per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue. Refer to note 8. Headline Earnings for additional information.*

5. DISCONTINUED OPERATIONS continued

The earnings from discontinued operations are analysed as follows:

	31 December 2021 (Reviewed) Rm	(Re-presented)* 31 December 2020 (Reviewed) Rm	(Re-presented)* 30 June 2021 (Audited) Rm
Revenue	**254**	606	1 035
Cost of sales	**(226)**	(540)	(907)
Gross earnings	**28**	66	128
Other earnings	**7**	9	3
Operating expenses	**(22)**	(50)	(106)
Loss from equity-accounted investments	**–**	–	(13)
Operating earnings	**13**	25	12
Gain on disposal of property, plant and equipment	**–**	4	6
Fair value adjustments on disposal groups classified as Held for sale	**8**	–	–
Earnings before financing transactions	**21**	29	18
Net finance expenses	**–**	(4)	(13)
Earnings before taxation	**21**	25	5
Taxation	**–**	–	–
Earnings for the period	**21**	25	5
Attributable to:			
Equity-holders of the parent	**21**	25	5
Items by nature			
Capital expenditure	**–**	6	9
Operating earnings before interest, depreciation and amortisation (EBITDA)	**13**	25	12
Results per share (cents)			
Earnings – basic	**17**	52	7
Earnings – diluted	**16**	52	6
Cash inflow from operating activities	**3**	14	–
Cash inflow / (outflow) from investing activities	**41**	(6)	(8)
Cash outflow from financing activities	**(30)**	(16)	(32)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

6. SEGMENTAL REPORT

The reportable segments of the Group are components:

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

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

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

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

Details on the reportable segments are as follows:

6.1 Construction and Engineering: Australasia and Asia

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

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

6.2 Mining

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

6. SEGMENTAL REPORT continued

6.3 Construction and Engineering: South Africa and rest of Africa

This segment includes Aveng Construction: South Africa and Aveng Capital Partners (ACP).

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

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

6.4 Manufacturing and processing

This segment comprises Aveng Manufacturing and Trident Steel.

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

The Group disposed of a number of Aveng Infraset factories and the Aveng Automation and Control Solutions (ACS) business in the current year and only has a limited number of Aveng Infraset factories making up the Manufacturing business unit. These factories are classified as Held for Sale.

6.5 Other and Eliminations

This segment comprises corporate services and the balance of corporate-held investments, properties and consolidation eliminations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

6. SEGMENTAL REPORT continued

December 2021 (Reviewed)	Construction and Engineering: Australasia and Asia Rm	Mining Rm
Assets		
Goodwill arising on consolidation	100	–
Intangible assets	–	9
Property, plant and equipment	720	2 022
Equity-accounted investments	2	3
Infrastructure investments	–	–
Deferred taxation	754	–
Derivative instruments	–	4
Amounts due from contract customers	2 592	429
Inventories	15	213
Trade and other receivables	167	77
Taxation receivable / (payable)	30	(15)
Lease receivables	–	–
Cash and bank balances	2 571	310
Assets Held for Sale	–	–
Total assets	6 951	3 052
Liabilities		
Deferred taxation	128	–
Borrowings and other liabilities	244	166
Payables other than contract related	–	–
Employee-related payables	528	154
Amounts due to contract customers	1 274	89
Trade and other payables	2 660	578
Liabilities Held for Sale	–	–
Total liabilities	4 834	987

Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Other and Eliminations Rm	Total Rm
–	–	–	100
–	2	–	11
–	574	8	3 324
–	–	–	5
–	–	142	142
–	–	27	781
–	–	–	4
22	–	–	3 043
–	913	–	1 141
18	251	43	556
(2)	(1)	16	28
–	–	40	40
20	197	(54)	3 044
–	120	120	240
58	2 056	342	12 459
–	–	–	128
–	593	899	1 902
–	–	166	166
1	13	38	734
2	–	–	1 365
221	682	241	4 382
–	85	–	85
224	1 373	1 344	8 762

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

6. SEGMENTAL REPORT continued

December 2020 (Reviewed)	Construction and Engineering: Australasia and Asia Rm	Mining Rm
Assets		
Goodwill arising on consolidation	100	–
Intangible assets	–	15
Property, plant and equipment	757	2 107
Equity-accounted investments	–	3
Infrastructure investments	–	–
Deferred taxation	737	–
Amounts due from contract customers	2 480	337
Inventories	16	196
Trade and other receivables	139	56
Taxation receivable	32	(6)
Cash and bank balances	2 123	331
Assets Held for Sale	–	–
Total assets	6 384	3 039
Liabilities		
Deferred taxation	136	235
Borrowings and other liabilities	381	131
Payables other than contract related payables	–	–
Employee-related payables	445	113
Trade and other payables	1 840	581
Derivative instruments	–	–
Amounts due to contract customers	1 684	151
Liabilities Held for Sale	–	–
Total liabilities	4 486	1 211

Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Other and Eliminations Rm	Total Rm
–	–	–	100
–	–	–	15
–	–	34	2 898
–	–	28	31
119	–	142	261
–	–	–	737
(25)	–	(3)	2 789
–	–	–	212
78	10	25	308
(4)	7	11	40
50	314	(134)	2 684
13	1 914	–	1 927
231	2 245	103	12 002
12	(9)	(213)	161
–	–	2 040	2 552
–	–	154	154
–	–	54	612
392	–	120	2 933
–	–	1	1
9	–	–	1 844
–	1 643	–	1 643
413	1 634	2 156	9 900

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

6. SEGMENTAL REPORT continued

Segment report June 2021 (Audited)	Construction and Engineering: Australasia and Asia Rm	Mining Rm
Assets		
Goodwill arising on consolidation	100	–
Intangible assets	–	11
Property, plant and equipment	709	2 074
Equity-accounted investments	3	4
Infrastructure investments	–	–
Deferred taxation	723	–
Lease receivables	–	–
Amounts due from contract customers	2 963	396
Inventories	14	197
Trade and other receivables	200	91
Taxation receivable / (payable)	25	(6)
Cash and bank balances	1 853	241
Assets Held for Sale	–	–
Total assets	6 590	3 008
Liabilities		
Deferred taxation	144	238
Borrowings and other liabilities	287	183
Payables other than contract related	–	–
Employee-related payables	428	130
Trade and other payables	2 286	606
Amounts due to contract customers	1 558	94
Liabilities Held for Sale	–	–
Total liabilities	4 703	1 251

Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Other and Eliminations Rm	Total Rm
–	–	–	100
–	–	–	11
–	–	17	2 800
–	–	23	30
–	–	257	257
–	2	–	725
–	–	41	41
39	–	–	3 398
–	–	–	211
–	–	36	327
–	(3)	21	37
24	285	116	2 519
–	1 989	–	1 989
63	2 273	511	12 445
–	–	(230)	152
–	–	928	1 398
–	–	160	160
1	–	55	614
296	–	253	3 441
5	–	–	1 657
–	1 575	–	1 575
302	1 575	1 166	8 997

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

6. SEGMENTAL REPORT continued

Six months ended December 2021 (Reviewed)	Construction and Engineering: Australasia and Asia Rm	Mining Rm
Revenue	9 272	1 919
Construction contract revenue	9 272	1 909
Sale of goods	–	1
Other revenue	–	9
Transport revenue	–	–
Cost of sales	(8 649)	(1 716)
Gross earnings / (loss)	623	203
Other earnings	(5)	(11)
Operating expenses	(473)	(93)
Loss from equity-accounted investments	(1)	–
Operating earnings / (loss)	144	99
Reversal of impairment of long-term receivables	–	–
Loss on disposal of assets Held for Sale	–	–
Gain on sale of property, plant and equipment	16	–
Fair value adjustment on disposal groups classified as Held for Sale	–	–
Earnings / (loss) before financing transactions	160	99
Net finance expenses	(16)	(12)
Earnings / (loss) before taxation	144	87
Taxation	(8)	–
Earnings / (loss) for the period	136	87
Capital expenditure	58	286
Operating earnings / (loss)	144	99
Depreciation	133	253
Amortisation	–	2
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	277	354

Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Other and Eliminations Rm	Total Rm
104	1 666	(3)	12 958
104	–	–	11 285
–	1 624	(3)	1 622
–	27	–	36
–	15	–	15
(120)	(1 497)	3	(11 979)
(16)	169	–	979
–	31	23	38
(20)	(111)	(103)	(800)
–	–	(1)	(2)
(36)	89	(81)	215
–	–	13	13
–	–	(3)	(3)
–	–	(3)	13
–	(52)	–	(52)
(36)	37	(74)	186
–	(36)	(61)	(125)
(36)	1	(135)	61
–	–	–	(8)
(36)	1	(135)	53
–	5	–	349
(36)	89	(81)	215
–	38	1	425
–	1	–	3
(36)	128	(80)	643

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

6. SEGMENTAL REPORT continued

Six months ended December 2020 (Reviewed)	Construction and Engineering: Australasia and Asia Rm	Mining Rm
Revenue	8 368	2 131
Construction contract revenue	8 368	2 129
Sale of goods	–	1
Other revenue	–	1
Transport revenue	–	–
Cost of sales	(7 890)	(1 921)
Gross earnings / (loss)	478	210
Other earnings / (loss)	94	13
Operating expenses	(418)	(92)
Loss from equity-accounted investments	(1)	1
Operating earnings / (loss)	153	132
Impairment loss on equity-accounted investments	–	(2)
Gain on disposal of assets Held for Sale	–	–
Gain on disposal of subsidiary	–	–
Gain on sale of property, plant and equipment		
Fair value adjustments on disposal groups classified as Held for sale	–	–
Earnings / (loss) before financing transactions	153	130
Net finance expenses / (income)	(16)	(12)
Earnings / (loss) before taxation	137	118
Taxation	(22)	(8)
Earnings / (loss) for the period	115	110
Capital expenditure	75	337
Operating earnings / (loss)	153	132
Depreciation	115	313
Amortisation	–	2
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	268	447

Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Other and Eliminations Rm	Total Rm
396	1 990	11	12 896
396	–	–	10 893
–	1 957	11	1 969
–	5	–	6
–	28	–	28
(535)	(1 795)	78	(12 063)
(139)	195	89	833
10	57	9	183
(15)	(120)	(90)	(735)
(1)	–	–	(1)
(145)	132	8	280
–	–	(52)	(54)
–	–	(45)	(45)
–	–	40	40
	10	(1)	9
–	415	–	415
(145)	557	(50)	645
7	(48)	(108)	(177)
(138)	509	(158)	468
–	–	–	(30)
(138)	509	(158)	438
–	14	–	426
(145)	132	8	280
–	–	10	438
–	–	–	2
(145)	132	18	720

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

6. SEGMENTAL REPORT continued

Year ended June 2021 (Audited)	Construction and Engineering: Australasia and Asia Rm	Mining Rm
Revenue	16 911	4 009
Construction contract revenue	16 911	4 000
Sale of goods	–	1
Other revenue	–	8
Transport revenue	–	–
Cost of sales	(15 726)	(3 602)
Gross earnings / (loss)	1 185	407
Other earnings	42	12
Operating expenses	(912)	(180)
Loss from equity-accounted investments	(3)	–
Operating earnings / (loss)	312	239
Impairment loss on goodwill, intangible assets and property, plant and equipment	–	(81)
Impairment loss on long-term receivables		
Gain on disposal of assets Held for Sale	–	–
Gain / (loss) on sale of property, plant and equipment	–	–
Gain on early redemption of borrowings	–	–
Fair value adjustments on disposal groups classified as Held for Sale	–	–
Earnings / (loss) before financing transactions	312	158
Net finance (expenses) / income	(34)	(24)
Earnings/ (loss) before taxation	278	134
Taxation	(24)	(61)
Earnings / (loss) for the period	254	73
Capital expenditure	170	649
Operating earnings / (loss)	312	239
Depreciation	304	611
Amortisation	–	4
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	616	854

Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Other and Eliminations Rm	Total Rm
591	4 198	–	25 709
591	–	–	21 502
–	4 124	–	4 125
–	28	–	36
–	46	–	46
(747)	(3 765)	96	(23 744)
(156)	433	96	1 965
49	108	57	268
(38)	(270)	(275)	(1 675)
(19)	–	–	(22)
(164)	271	(122)	536
–	(102)	(58)	(241)
		(26)	(26)
–	–	28	28
–	13	(3)	10
–	–	486	486
–	611	–	611
(164)	793	305	1 404
8	(104)	(221)	(375)
(156)	689	84	1 029
–	–	44	(41)
(156)	689	128	988
–	26	–	845
(164)	271	(122)	536
3	–	5	923
–	–	–	4
(161)	271	(117)	1 463

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

6. SEGMENTAL REPORT continued

The Group operates in the following principal geographical areas:

	Six months ended 31 December 2021 (Reviewed) Rm	Six months ended 31 December 2020 (Reviewed) Rm	Year ended 30 June 2021 (Audited) Rm
Revenue			
South Africa	**3 526**	4 380	8 507
Rest of Africa including Mauritius	**160**	148	291
Australia	**6 787**	6 189	12 631
New Zealand and Pacific Islands	**1 035**	1 396	2 350
Southeast Asia	**1 450**	783	1 930
	12 958	12 896	25 709
Segment assets			
South Africa	**5 360**	5 403	5 399
Rest of Africa including Mauritius	**113**	172	158
Australia	**4 173**	4 086	4 512
New Zealand and Pacific Islands	**1 318**	1 140	1 215
Southeast Asia	**1 460**	1 159	1 122
Other regions	**35**	42	39
	12 459	12 002	12 445

6. SEGMENTAL REPORT continued

Normalised performance measures

The term *normalised* refers to performance measures (earnings for the period and earnings per share) before non-recurring items. Non-recurring items are either income or expenses which do not occur regularly as part of the normal operating activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature. Normalised measures are additional measures used by management and should not replace the measures determined in accordance with IFRS as an indicator of the Group's performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

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

Detailed reconciliations of IFRS to normalised results are provided below:

	Notes	**Six months ended 31 December 2021 (Reviewed) Rm**	Six months ended 31 December 2020 (Reviewed) Rm	Year ended 30 June 2021 (Audited) Rm
Earnings for the period		**53**	438	988
Non-recurring items				
Impairment loss on goodwill, intangible assets and property, plant and equipment	7	**–**	54	241
(Reversal of) / impairment loss on long-term receivables	7	**(13)**	45	26
Loss / (gain) on disposal of Held for Sale		**3**	(40)	(28)
Gain on disposal of property, plant and equipment		**(13)**	(9)	(10)
Gain on early redemption of borrowings and other liabilities		**–**	–	(486)
Fair value adjustment of disposal groups classified as Held for Sale	10	**52**	(415)	(611)
Normalised earnings for the period[1]		**82**	73	120
Normalised earnings per share – basic (cents)[2]		**67**	151	162
Normalised earnings per share – diluted (cents)[3]		**63**	151	148

1 *Normalised earnings for the period adjusts the earnings for the period for the impact of non-recurring items such as impairment losses, reversal of impairment losses, fair value adjustments of disposal groups classified as Held for Sale and gains or losses recognised on the sale of Held for Sale CGUs and early redemption of borrowings. The adjustment for non-recurring items are not expected to re-occur on a continuing basis.*

2 *Normalised earnings per share – basic is calculated by dividing the normalised earnings for the period by the weighted average number of shares.*

3 *Normalised earnings per share – diluted is calculated by dividing the normalised earnings for the period by the diluted weighted average number of shares.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

7. IMPAIRMENT

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

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

At 31 December 2021, the only remaining CGUs in the scope of *IFRS 5* were:

- Aveng Infraset factories
- Infrastructure Investments
  - Firefly 238 Proprietary Limited (classified as Held for Sale in the current period); and
  - Imvelo Concession Company Proprietary Limited (classified as Held for Sale in the current period)
- Equity-accounted investments
  - Oakleaf Investment Holdings 86 Proprietary Limited (classified as Held for Sale in the current period)

The assets identified above were deemed to be individual CGUs for which further individual impairment assessments were performed at 31 December 2021.

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

Manufacturing and Processing

- Aveng Automation & Control Solutions (ACS)
- Aveng Infraset Effingham factory

Further, a decision was made by management to reclassify the Trident Steel CGU from Held for Sale. Management has determined that there is insufficient evidence to conclude that it is highly probable that the sale of Trident Steel will be concluded within the next 12 months.

As at 31 December 2021, management calculated the recoverable amount of the Held for Sale CGUs and investments to be the fair value less cost of disposal. As at 31 December 2021, a fair value adjustment of R52 million was recognised in the *Manufacturing and Processing* segment to reflect the remaining CGUs in the segment at fair value less cost of disposal.

Refer to *note 10*: Assets and liabilties classified as Held for Sale for additional information on the fair value adjustment.

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

The Group performed an assessment on right-of-use land and buildings at Trident Steel, which is part of the Manufacturing and Processing reportable segment. As at 30 June 2021, the Group determined that an impairment of R102 million was required for Trident Steel relating to right-of-use land and buildings. As at 31 December 2021, the Group determined that no further impairment was required. The fair value of these assets falls within Level 2 of the hierarchy identified in IFRS 13 and was calculated using prices of similar rentals within the market.

7. IMPAIRMENT continued

7.3 Assets in the scope of *IAS 36 – Impairments*

An impairment assessment was performed on:

- Property, plant and equipment at Moolmans, which is part of the *Mining* reportable segment. As at 31 December 2021, the Group determined that there was no impairment required (31 December 2020: R2 million) (30 June 2021: R54 million) relating to owned equipment and vehicles and no impairment was required (31 December 2020: Rnil) (30 June 2021: R27 million) on right-of-use land and buildings within the scope of *IAS 36 – Impairments*. The recoverable amount of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar rentals within the market.
- Right-of-use land and buildings in the *Other and Eliminations* segment did not require further impairment (31 December 2020: R52 million) (30 June 2021: R58 million). The recoverable amount of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar assets within the market.

7.4 Assets in the scope of *IFRS 9 – Financial Instruments*

Other individual assets in the scope of *IFRS 9 – Financial Instruments*

Following an impairment assessment performed on long-term receivables accounted for in *Other and Eliminations* in the previous year, the Group determined that a reversal of impairment amounting to R13 million was required (31 December 2020: R45 million impairment) (30 June 2021: R26 million impairment). The long-term receivable was determined to be unrecoverable and as such was written down to a recoverable amount of Rnil as at 30 June 2021. In the current year an amount of R13 million was paid by the counterparty necessitating the reversal of impairment previously recognised. The recoverable amount of this asset remaining previously written off falls within Level 3 of the hierarchy identified in *IFRS 13* and was calculated based on the expectation that no additional amount will be received from the counterparty.

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8. HEADLINE EARNINGS

	31 December 2021 (Reviewed)		(Restated) 31 December 2020 (Reviewed)		(Restated) 30 June 2021 (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
Determination of headline earnings						
Earnings for the period attributable to equity-holders of parent		**53**		438		990
Impairment of property, plant and equipment	**–**	**–**	54	54	139	139
Impairment of property, plant and equipment – Held for Sale	**–**	**–**	–	–	102	102
Loss / (gain) on disposal of assets Held for Sale	**3**	**3**	(40)	(40)	(28)	(28)
Derecognition of components included in property, plant and equipment	**77**	**77**	81	81	169	169
Gain on disposal of property, plant and equipment	**(13)**	**(13)**	(9)	(9)	(10)	(10)
Fair value adjustment on disposal groups classified as Held for Sale	**(103)**	**(103)**	(415)	(415)	(611)	(611)
Headline earnings		**17**		109		751
Diluted headline earnings		**17**		109		751
HEPS from continuing and discontinued operations						
Headline earnings per share – basic (cents)		**14**		226		1 016
Headline earnings per share – diluted (cents)		**13**		226		928
Issued shares		**129,5**		38,8		129,5
Weighted average shares		**122,5**		48,2		73,9
Diluted shares		**129,5**		48,2		80,9
Reconciliation of diluted shares						
Weighted average number of shares		**122,5**		48,2		73,9
Add: Shares issuable in terms of the equity-settled share-based payment plan		**7,0**		–		7,0
Diluted weighted average number of shares		**129,5**		48,2		80,9

9. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Uncertified claims and variations (underclaims)*[1]	**980**	879	817
Contract contingencies	**(75)**	(380)	(50)
Progress billings received (including overclaims)[2]	**(1 364)**	(1 794)	(1 656)
Uncertified claims and variations less progress billings received	**(459)**	(1 295)	(889)
Contract receivables[3]	**2 093**	2 240	2 582
Provision for expected credit losses	**(3)**	(2)	(1)
Retention receivables[4]	**48**	52	50
	1 679	995	1 742
Amounts received in advance[5]	**(1)**	(50)	(1)
Net amounts due from contract customers	**1 678**	945	1 741
Disclosed on the statement of financial position as follows:			
Uncertified claims and variations*[1]	**980**	879	817
Contract contingencies	**(75)**	(380)	(50)
Contract and retention receivables	**2 141**	2 292	2 632
Provision for expected credit losses	**(3)**	(2)	(1)
Amounts due from contract customers	**3 043**	2 789	3 398
Progress billings received	**(1 364)**	(1 794)	(1 656)
Amounts received in advance	**(1)**	(50)	(1)
Amounts due to contract customers	**(1 365)**	(1 844)	(1 657)
Net amounts due from contract customers	**1 678**	945	1 741

* *Provisions have been netted off against uncertified claims and variations.*
[1] *Includes revenue not yet certified – recognised over time / measurement and agreed variations, less provisions and deferred contract costs.*
[2] *Progress billings are amounts billed for work performed above revenue recognised.*
[3] *Amounts invoiced still due from customers.*
[4] *Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified. These conditions are anticipated to be fulfilled within the following 12 months.*
[5] *Advances are amounts received from the customer before the related work is performed.*

The net amounts due from contract customers include R288 million (December 2020: R281 million; June 2021: R266 million) which is subject to protracted legal proceedings.

Expected credit losses

Impact of COVID-19

The assessment of recoverability of amounts due from contract customers and trade receivables at 31 December 2021 has considered the impacts of COVID-19 and no material recoverability issues have been identified.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

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

These non-core segments were initially recognised and presented as separately identifiable disposal groups and were disclosed as discontinued operations in the Group's statement of comprehensive earnings.

Sales finalised in the current year

Construction and Engineering: South Africa and the rest of Africa

Equity-accounted investments

The Group completed the disposals of the equity-accounted investments in REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited. The disposals did not require separate disclosure in terms of the JSE Listings Requirements.

Manufacturing and Processing

Aveng Automation & Control Solutions

The Group disposed of Aveng Automation & Control Solutions (ACS) business as a going concern for R74 million, adjusted for working capital. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

Aveng Infraset Effingham factory

The Group disposed of the Infraset Effingham factory as a going concern for R14,5 million with an effective date of 15 September 2021.

Sales not finalised in the current year

In the preceding six months there have been numerous expressions of interest and a number of non-binding offers for the remaining CGUs, however, the Group did not receive reasonable offers to purchase all of these by 31 December 2021.

Management has determined that there is insufficient evidence to conclude that it is highly probable that the sale of Trident Steel will be concluded within the next 12 months and the Trident Steel business was reclassified out of assets and liabilities classified Held for Sale at 31 December 2021.

The continued support by the board and plan by management to locate buyers indicate that it is highly unlikely that the process to dispose of the remaining non-core CGUs will be withdrawn.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Changes to a plan of sale of non-core operating groups

At 31 December 2021, the fair value adjustment of R52 million was recognised in the *Manufacturing and Processing* segment to reflect the CGUs within the disposal group at fair value less cost of disposal.

Management calculated the recoverable amount of the CGUs within the *Manufacturing and Processing* segment to be fair value less costs of disposal.

	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Assets Held for Sale	**240**	1 927	1 989
Liabilities Held for Sale	**(85)**	(1 643)	(1 575)
	155	284	414
Movement during the period			
Opening balance	**414**	258	258
Movements in:			
Non-current assets	**(73)**	9	(90)
Current assets	**119**	(217)	29
Non-current liabilities	**43**	38	51
Current liabilities	**84**	(232)	(413)
Sale of assets Held for Sale	**(66)**	7	(35)
Adjustment to fair value less cost of disposal*[1]	**(52)**	415	611
Transferred to / from:			
Transfer to assets classified as Held for Sale	**136**	–	–
Transfer from assets classified as Held for Sale	**(450)**	6	3
Net assets Held for Sale	**155**	284	414

* *No impact on other comprehensive earnings in the current period.*
[1] *The adjustment to fair value less cost of disposal is made up of:*

Trident Steel	
Depreciation and amortisation previously not expensed under IFRS 5 – released on reclassification to continuing operations	***(155)***
Reversal of impairment loss previously recognised	***103***
Other adjustments	
Fair value adjustment on infrastructure investment classified as Held for Sale	***(16)***
Fair value adjustment on disposal groups classified as Held for Sale	***16***

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 31 December 2021, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose of and comprised the following:

31 December 2021	Infrastructure investments Rm	Manufacturing and Processing – Disposal group Rm	Total Rm
ASSETS			
Non-current assets			
Property, plant and equipment	–	59	59
Infrastructure investments	120	–	120
	120	59	179
Current assets			
Inventories	–	26	26
Trade and other receivables	–	35	35
	–	61	61
TOTAL ASSETS	120	120	240
LIABILITIES			
Non-current liabilities			
Borrowings and other liabilities	–	43	43
	–	43	43
Current liabilities			
Borrowings and other liabilities	–	3	3
Employee-related payables	–	4	4
Trade and other payables	–	35	35
	–	42	42
TOTAL LIABILITIES	–	85	85
Net assets Held for Sale	120	35	155

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 31 December 2020, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

31 December 2020	Construction and Engineering: South Africa and the rest of Africa – Disposal group Rm	Manufacturing and Processing – Disposal group Rm	Total Rm
ASSETS			
Non-current assets			
Intangible assets	–	7	7
Property, plant and equipment	–	909	909
Equity-accounted investments	13	–	13
	13	916	929
Current assets			
Inventories	–	661	661
Derivative instruments	–	7	7
Amounts due from contract customers	–	3	3
Trade and other receivables	–	327	327
	–	998	998
TOTAL ASSETS	13	1 914	1 927
LIABILITIES			
Non-current liabilities			
Borrowings and other liabilities	–	609	609
Employee-related payables	–	4	4
	–	613	613
Current liabilities			
Amounts due to contract customers	–	6	6
Borrowings and other liabilities	–	126	126
Employee-related payables	–	15	15
Trade and other payables	–	660	660
Provision for unallocated fair value adjustments	–	223	223
	–	1 030	1 030
TOTAL LIABILITIES	–	1 643	1 643
Net assets Held for Sale	13	271	284

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

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

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

11. STATED CAPITAL

	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Authorised			
Ordinary shares			
Number of shares (before share consolidation)	**180 882 034 263**	180 882 034 263	180 882 034 263
Number of shares (after share consolidation)**	**361 764 068**	361 764 068	361 764 068
Value (Rm)	**9 044**	9 044	9 044
Class A shares			
Number of shares (before share consolidation)	**500 000 000 000**	–	500 000 000 000
Number of shares (after share consolidation)**	**1 000 000 000**	–	1 000 000 000
Value (Rm)	**5 000**	–	5 000
Issued			
Ordinary shares			
Number of shares (before share consolidation)	**62 263 682 419**	19 394 498 220	62 263 682 419
Number of shares (after share consolidation)**	**124 527 364**	38 788 996	124 527 364
Value (Rm)	**4 710**	3 874	4 710
Class A shares			
Number of shares (before share consolidation)*	**2 477 989 637**	–	2 477 989 637
Number of shares (after share consolidation)*/**	**4 955 979**	–	4 955 979
Value (Rm)	**37**	–	37
Stated capital (Rm)	**4 747**	3 874	4 747

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

** *The number of shares authorised and issued has been retrospectively presented for all prior periods for the effects of the share consolidation. The number of shares (after share consolidation) are used in the per share calculations for all periods presented. From a legel perspective, the share consolidation was effective prospectively from 8 December 2021. Refer to the next page for the reconciliation of number of shares issued for all periods presented.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 December 2021

11. STATED CAPITAL continued

	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Treasury shares			
Shares held by the Aveng Limited Share Purchase Trust			
– Number of shares (before share consolidation)	**6 018 386**	6 018 386	6 018 386
– Number of shares (after share consolidation)	**12 037**	12 037	12 037
– Market value (Rm)	*	*	*
Shares held by the Aveng Management Company Proprietary Limited			
– Number of shares (before share consolidation)	**788 684**	788 684	788 684
– Number of shares (after share consolidation)	**1 577**	1 577	1 577
– Market value (Rm)	*	*	*
Shares held in terms of equity-settled share-based payment plan			
– Number of shares (before share consolidation)	**3 500 186 838**	18 046 763	3 500 186 838
– Number of shares (after share consolidation)	**7 000 374**	36 094	7 000 374
– Market value (Rm)	**52**	*	52

Reconciliation of number of shares issued	Number of shares	Number of shares	Number of shares
Opening balance	**64 741 672 056**	19 394 498 220	19 394 498 220
Share issue – rights to qualifying shareholders (15 March 2021)	**–**	–	37 955 034 249
Share issue – rights to qualifying shareholders (7 June 2021)	**–**	–	4 914 149 950
Share issue – Class A shares (15 March 2021)**	**–**	–	725 472 919
Share issue – Class A shares (7 June 2021)**	**–**	–	1 752 516 718
Share consolidation (8 December 2021)	**(64 612 188 713)**	(19 355 709 224)	(64 612 188 713)
Closing balance	**129 483 343**	38 788 996	129 483 343
Less: Treasury shares	**(7 013 988)**	(49 708)	(7 013 988)
Number of shares in issue less treasury shares	**122 469 355**	38 739 288	122 469 355

* *Amounts less than R1 million.*

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

Share consolidation (8 December 2021) – ordinary shares

On 8 December 2021 , the Group underwent a share consolidation on the basis of 1-for-500 shares held, from an authorised ordinary share capital of 180 882 034 263 ordinary shares to 361 764 068 ordinary shares. The issued ordinary share capital of 62 263 682 419 ordinary shares to be consolidated to 124 527 364 ordinary shares.

Share consolidation (8 December 2021) – Class A shares

On 8 December 2021 , the Group underwent a share consolidation on the basis of 1-for-500 shares held, from an authorised Class A share capital of 500 000 000 000 Class A shares to 1 000 000 000 Class A shares. The issued Class A share capital of 2 477 989 637 Class A shares to be consolidated to 4 955 979 Class A shares.

12. BORROWINGS AND OTHER LIABILITIES

	Notes	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Borrowings and other liabilities comprise:				
Interest-bearing borrowings held at amortised cost	12.1	**814**	2 105	879
Lease liabilities	12.2	**1 088**	447	519
Total borrowings and other liabilities		**1 902**	2 552	1 398

12.1 Interest-bearing borrowings held at amortised cost

Interest-bearing borrowings held at amortised cost comprise:			
Credit and term facilities	**803**	1 985	828
Asset-backed financing arrangements	**11**	120	51
Total borrowings held at amortised cost	**814**	2 105	879
Payment profile			
– within one year	**458**	845	388
– between two and five years	**356**	1 260	491
	814	2 105	879
Interest rate structure			
Fixed and variable (interest rates)			
Fixed – long term	**3**	39	12
Fixed – short term	**4**	414	31
Variable – long term	**353**	1 221	479
Variable – short term	**454**	431	357
	814	2 105	879

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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12. BORROWINGS AND OTHER LIABILITIES continued

12.1 Interest-bearing borrowings held at amortised cost continued

Description	Terms	Rate of interest	**31 December 2021 (Reviewed) Rm**	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Credit and term facilities					
Restructured Term facility*/**	Repayable September 2023	3M JIBAR + 7,17%	**603**	–	628
Restructured Super Senior Liquidity Facility*/**	Repayable June 2022	3M JIBAR + 6,37%	**200**	–	200
Revolving Credit Facility*	Settled March 2021	1M JIBAR + 4,89%	**–**	589	–
Revolving Credit Facility*	Settled March 2021	Fixed rate of 13,986%.	**–**	334	–
Term facility*	Settled March 2021	1M JIBAR + 5,02%	**–**	656	–
Term facility*	Settled March 2021	1M JIBAR + 5,02%	**–**	195	–
Super Senior Liquidity Facility*	Settled March 2021	1M JIBAR + 4,07%	**–**	203	–
Term loan facility denominated in ZAR	Settled April 2021	Fixed interest rate of 10,58%	**–**	8	–
Asset-backed financing arrangements					
Facilities denominated in AUD	Monthly instalments ending in March 2023	Fixed interest rate of 6,95%	**–**	50	40
Facilities denominated in AUD	Monthly instalments ending in February 2025	Fixed range of 2,99% to 7,60%	**6**	5	4
Facilities denominated in ZAR	Monthly instalments ending in November 2022	South African Prime	**4**	9	6
Facilities denominated in ZAR	Monthly instalments ending in February 2022	Fixed interest rate of 8,00%	**1**	1	1
Hire purchase facility denominated in USD	Settled August 2020	Fixed interest rate of 6,70%	**–**	17	–
Hire purchase agreement denominated in ZAR	Settled April 2021	Fixed interest rate of 12,27%	**–**	2	–
Lease facility of AUD4 million	Settled September 2021	Fixed interest rate of 1,90%	**–**	36	–
Total interest-bearing borrowings			**814**	2 105	879

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

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

12. BORROWINGS AND OTHER LIABILITIES continued

12.1 Interest-bearing borrowings held at amortised cost continued

Unutilised borrowing facilities

At 31 December 2021, the Group had available R364 million (includes bank overdraft facilities of R205 million) (30 June 2021: R364 million (includes bank overdraft facilities of R205 million); and 31 December 2020: R511 million (includes bank overdraft facilities of R205 million)) of unutilised borrowing facilities.

Asset-backed financing arrangements

Construction and Engineering: Australasia and Asia

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

The total asset-backed financing facilities amounted to AUD0,7m (December 2020: AUD10 million; June 2021: AUD4 million) and is equivalent with a net carrying amount of R6 million (December 2020: R91 million; June 2021: R44 million). These asset-backed financing arrangements were secured by plant and equipment with a net carrying amount of R16 million (December 2020: R108 million; June 2021: R78 million).

Mining

The operating segment entered into various asset-based finance lease agreements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment expected to be made in November 2022. The total amount outstanding on these facilities amounted to R5 million (December 2020: R29 million; June 2021: R7 million).

Equipment with a net carrying amount of R4 million (December 2020: R115 million; June 2021: R6 million) has been pledged as security for the facility.

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

	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Asset-backed financing arrangements are payable as follows:			
Minimum lease payments due:			
– within one year	**9**	87	40
– in two to five years	**2**	50	15
Less: Future finance charges	**–**	(17)	(4)
Present value of minimum lease payments	**11**	120	51

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

12. BORROWINGS AND OTHER LIABILITIES continued

12.2 Lease liabilities

The table represents only the continuing operations lease liabilities, recognised under *IFRS 16 – Leases*. Refer to *note 10: Assets and liabilities classified as Held for Sale* for disclosure of the disposal group's lease liabilities classified as Held for Sale.

	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Lease liabilities are payable as follows:			
Minimum lease payments due:			
– within one year	**317**	162	197
– in two to five years	**1 032**	289	353
– more than five years	**43**	93	80
Less: Future finance charges	**(304)**	(97)	(111)
Present value of minimum lease payments	**1 088**	447	519
Current lease liabilities	**279**	130	154
Non-current lease liabilities	**809**	317	365

13. CONTINGENT LIABILITIES

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

	31 December 2021 (Reviewed)	31 December 2020 (Reviewed)	30 June 2021 (Audited)
South Africa and rest of Africa			
Guarantees and bonds (ZARm)	**364**	609	554
Parent company guarantees (ZARm)	**82**	31	82
	446	640	636
Australasia and Asia			
Guarantees and bonds (AUDm)	**303**	327	352
Parent company guarantees (AUDm)	**2**	14	14
	305	341	366

Claims and legal disputes in the ordinary course of business

The Group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are probable.

14. CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	31 December 2021 (Reviewed) Rm	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Earnings before taxation from continuing operations		**40**	443	1 024
Earnings before taxation from discontinued operations*		**21**	25	5
Earnings before taxation		**61**	468	1 029
Finance earnings		**(11)**	(45)	(19)
Finance expenses		**136**	222	394
Dividend earnings		**(17)**	(14)	(57)
Share of loss from equity-accounted investment		**2**	1	22
Cash retained from operations		**171**	632	1 369
Non-cash and other movements	14.1	**(63)**	(171)	(649)
Cash retained from operations after non-cash movements		**108**	461	720
Depreciation		**425**	438	923
Amortisation		**3**	2	4
Cash generated from operations		**536**	901	1 647
Changes in working capital	14.2	**269**	958	628
		805	1 859	2 275

14.1 Non-cash and other movements

Equity-settled share-based payment expense		**16**	–	20
Impairment loss on goodwill, property, plant and equipment and intangible assets		**–**	54	241
(Reversal of) / impairment loss on long-term receivable		**(13)**	45	26
Loss / (gain) on disposal of assets Held for Sale		**3**	(40)	(28)
Gain on disposal of property, plant and equipment		**(13)**	(9)	(10)
Gain on early settlement of borrowings and other liabilities		**–**	–	(486)
Fair value adjustment on disposal groups classified as Held for Sale		**52**	(415)	(611)
Unrealised foreign exchange gains on borrowings and other liabilities		**20**	(2)	(32)
Movements in foreign currency translation		**(205)**	115	66
Non-cash working capital movement		**–**	–	(4)
Derecognition of components included in property, plant and equipment		**77**	81	169
		(63)	(171)	(649)

* *The earnings before taxation from discontinued operations have been re-presented and exclude the earnings before taxation from Trident Steel which have been included in the continuing operations of the Group for all periods presented.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the six months ended 31 December 2021

14. CASH GENERATED FROM OPERATING ACTIVITIES continued

14.2 Movements in working capital

	Notes	**31 December 2021 (Reviewed) Rm**	31 December 2020 (Reviewed) Rm	30 June 2021 (Audited) Rm
Decrease / (increase) in inventories		**5**	(25)	(6)
Decrease / (increase) in amounts due from contract customers		**360**	(258)	(627)
Decrease / (increase) in trade and other receivables		**86**	(12)	43
(Decrease) / increase in amounts due to contract customers		**(294)**	554	367
Increase in trade and other payables		**213**	176	475
Decrease in derivative instruments		**–**	11	10
Increase in payables other than contract-related		**6**	6	–
Increase / (decrease) in employee-related payables		**100**	62	(20)
(Decrease) / increase in working capital Held for Sale		**(207)**	444	386
		269	958	628

15. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments
- Forward exchange contracts

The infrastructure investments comprise the following investment:

- Dimopoint Proprietary Limited (Dimopoint)

Infrastructure investments classified as Held for Sale comprise the following:

- Firefly Investments 238 Proprietary Limited (Firefly)
- Imvelo Concession Company Proprietary Limited (Imvelo)

The methodology, valuation parameters and assumptions for infrastructure investments have remained unchanged since 30 June 2021. For more detail, refer to the Aveng Group audited consolidated annual financial statements 2021 available on the Group's website.

Fair value hierarchy

The table below shows the Group's fair value hierarchy and carrying amounts of assets and liabilities.

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobservable inputs Level 3 Rm
31 December 2021 (Reviewed)					
Assets recognised at fair value					
Assets					
Infrastructure investments	**142**	**142**	**–**	**–**	**142**
Infrastructure investments (Held for sale)	**120**	**120**	**–**	**–**	**120**
Forward exchange contracts (FECs)	**4**	**4**	**–**	**4**	**–**
31 December 2020 (Reviewed)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	261	261	–	–	261
FECs (Held for Sale)	7	7	–	7	–
Liabilities					
FECs	1	1	–	1	–
30 June 2021 (Audited)					
Assets recognised at fair value					
Assets					
Infrastructure investments	257	257	–	–	257
FECs (Held for Sale)	1	1	–	1	–

15. FAIR VALUE OF ASSETS AND LIABILITIES continued

Fair value hierarchy continued

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

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

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

Sensitivity analysis: Financial assets valuations using observable and unobservable inputs

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

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

16. EVENTS AFTER THE REPORTING PERIOD

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

COMMENTARY
for the six months ended 31 December 2021

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

- **Core revenue at R11,2 billion (December 2020: R10,5 billion)**
- **Operating earnings of R215 million (December 2020: R280 million)**
- **Earnings of R53 million (December 2020: R438 million)**
- **Normalised earnings* of R82 million (December 2020: R73 million)**
- **Operating free cash inflow of R490 million (December 2020: R1,4 billion)**
- **Cash and cash equivalents of R3,0 billion (June 2021: R2,5 billion)**
- **Net cash at R1,1 billion (June 2021: R1,1 billion)**
- **Work in hand of R29,1 billion (June 2021: R25,3 billion)**

**Excludes significant non-recurring items*

Aveng has continued its turnaround journey during the six months to 31 December 2021. The Company continues to focus on growing its revenues and improving its operational performance in its businesses in order to enhance gross margins, operating earnings and cash generation. In line with our turnaround, including the disposal of its non-core businesses, Aveng has reported various non-cash non-operating gains and losses with the execution of this strategy. With a view to presenting the results in a manner which reflects management's view of the Company, we present normalised earnings in addition to our reported earnings. These normalised earnings do not replace our earnings or headline earnings metrics, but rather should be used in conjunction with these measures.

CLASSIFICATION OF TRIDENT STEEL AS CONTINUING OPERATIONS

While the strategy to dispose of Trident Steel remains unchanged, Aveng is required to continue to consider the application of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).* Following a technical evaluation, the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met at 31 December 2021. Consequently, Trident Steel has been reclassified as a continuing operation in the current period.

The reclassification required the recognition of prior periods depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million in the current period. This compares to a fair value gain of R415 million in the comparable period. These amounts have been included in the reported earnings. The reclassification and related non-cash charges and gains did not impact the trading activities or cash flow of Trident Steel.

Pro forma financial information

The presentation of the pro forma financial information and related reconciliation as detailed below, is the responsibility of the directors of Aveng Limited. The pro forma financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Aveng Limited. The pro forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information. This pro forma financial information for the six months ended 31 December 2021 and comparative periods has not been reviewed or reported on by the Group's auditors.

	Pro forma HY 2022 Rm	Pro forma HY 2021 Rm	Change Rm
Earnings for the period	**53**	438	(385)
IFRS 5 ADJUSTMENTS RELATING TO TRIDENT STEEL			
Fair value adjustment on disposal groups classified as Held for Sale	**–**	(415)	415
Accumulated depreciation and amortisation previously not expensed under *IFRS 5* – charged on reclassification to continuing operations	**155**	–	155
Reversal of impairment loss previously recognised	**(103)**	–	(103)
Earnings for the period excluding *IFRS 5* adjustments	**105**	23	82
Depreciation and amortisation for the period – Trident Steel	**39**	–*	39
Normalised earnings	**144**	23	121

**No depreciation and amortisation recognised while Trident Steel was classified as Held for Sale*

REVENUES AND EARNINGS

Group revenue for the six-month period was in line with the prior comparative period. Trading conditions continued to be impacted by the effects of COVID-19, including travel restrictions and lockdowns. In addition, South Africa was impacted by riots, a steel industry strike and a global shortage of semi-conductors affecting the automotive sector.

Operating earnings of R215 million (December 2020: R280 million) reduced mainly as a result of a once-off gain on project asset disposals in Moolmans in the prior period and depreciation and amortisation of R39 million in Trident Steel with no corresponding charge in the comparative period.

Earnings for the period of R53 million (December 2020: R438 million) were impacted by the reclassification of Trident Steel as a continuing operation from discontinued in terms of *IFRS 5* as described above.

Aveng has presented normalised earnings of R82 million for the period in comparison to R73 million for the prior period.

Pro forma financial information

The presentation of the pro forma financial information and related reconciliation, as detailed below, is the responsibility of the directors of Aveng Limited.

	Pro forma HY 2022 Rm	Pro forma HY 2021 Rm	FY 2021 Rm
Earnings for the period	**53**	438	988
Impairment loss on goodwill, intangibles and property, plant and equipment	**–**	54	241
(Reversal of) / impairment loss on long-term receivables	**(13)**	45	26
Loss / (gain) on disposals of assets Held for Sale	**3**	(40)	(28)
Gain on sale of property, plant and equipment	**(13)**	(9)	(10)
Fair value adjustment of disposal groups classified as Held for Sale	**52**	(415)	(611)
Gain on early redemption of borrowings and other liabilities	**–**	–	(486)
Normalised earnings for the period	**82**	73	120

Headline earnings for the period were R17 million compared to R109 million in the prior period. The recognition of depreciation and amortisation that would have been recognised had there been no Held for Sale classification of R155 million is included in headline earnings. The reversal of impairments of R103 million is excluded from headline earnings. As a result, normalised headline earnings is R172 million.

The Group generated a positive operating free cash flow of R490 million as compared to R1,4 billion in the prior comparative period. Cash generation was lower relative to the comparative period as a result of negative working capital movements of R201 million in Trident Steel arising from the disruption associated with the steel industry strike and the global shortage of semi-conductors. This compares to a positive working capital movement of R453 million including the proceeds of R160 million from the sale of merchanting stock. The prior period was also enhanced by proceeds of R93 million from a once-off sale of property, plant and equipment and the impact of working capital changes of R178 million in Moolmans.

Cash and cash equivalents of R3,0 billion represents a R525 million increase from June 2021, mainly as a result of upfront mobilisation costs in Australia. External debt reduced by R65 million in the period to R814 million.

Work in hand grew by 15% to R29,1 billion on the back of McConnell Dowell winning new work, particularly in Australia, partially offset by a decrease in the Moolmans work in hand on the back of contract terminations.

The Group disposed of Automation & Control Solutions (ACS) and Infraset Effingham factory in the period for a combined value of R89 million. Proceeds have been received.

PERFORMANCE REVIEW

McConnell Dowell

McConnell Dowell achieved an 18% growth in revenue to AUD842 million representing the highest recorded half-year revenue in six years, despite COVID-19 challenges. Operating earnings were in line with the prior comparative period at AUD13 million. McConnell Dowell is in a strong liquidity position with cash reserves of AUD221 million, minimal debt, undrawn credit lines and sufficient available guarantee facilities to meet its growth aspirations.

The Australian business unit continued to perform particularly well and remains the primary growth driver of McConnell Dowell. The business unit currently accounts for approximately two thirds of McConnell Dowell's revenue and work in hand. Impressively, operating earnings increased by 44% due to increasing work in hand and constantly improving project execution.

Built Environs benefitted from project awards previously deferred in all its markets coupled with sound project delivery. Revenue for the period grew by 29% in comparison to 31 December 2020.

New Zealand and Pacific Islands had a slow start to the financial year due to COVID-19 restrictions. Border control implementations and measures had an adverse effect on project awards and operational efficiencies. As a result, the business unit's operating earnings decreased. However, the back end of the period saw several projects secured by the business and indicators point to greater confidence and certainty in the New Zealand construction market.

Southeast Asia continues to be impacted by COVID-19 issues relating to travel restrictions and lockdowns that restricted the ability to mobilise resources on projects, affecting appropriate supervision and oversight of projects in execution and effective connection with our clients. This has tempered our short-term ambition in the region. The business unit significantly increased revenue but margins were eroded by a small number of unprofitable contracts which are being closely managed. McConnell Dowell remains committed to the region with a plan to stabilise operations and prepare for the post-COVID-19 era.

McConnell Dowell's earnings after tax improved to AUD12 million from AUD10 million in the prior period. McConnell Dowell's continual strong operational performance is underpinned by disciplined and consistent project delivery, with approximately 80% of projects at or above tender margin and over 90% of projects profitable. A small number of projects did not meet expectations and are being closely monitored and managed.

McConnell Dowell's focus on its targeted markets, in a buoyant construction market, was rewarded with growth of AUD1,1 billion of new project awards which resulted in work in hand increasing to AUD2,2 billion (30 June 2021: AUD1,9 billion). The project pipeline continues to grow in value with preferred tender projects amounting to AUD2,1 billion (30 June 2021: AUD1,7 billion) having transferred some AUD468 million to work in hand. McConnell Dowell expects to continue to successfully convert these preferred positions into new work in hand in the upcoming reporting periods.

McConnell Dowell recorded a 12-month rolling lost-time injury frequency rate (LTIFR) of 0,07 (December 2020: 0,19), against a target of 0,09 and total recordable injury frequency rate (TRIFR) of 0,60 (December 2020: 0,51) against a target of 1,00. No serious environmental incidents were recorded.

Moolmans

Moolmans reported revenue of R1,9 billion compared to R2,1 billion in the prior comparative period. Revenue reduced due to the completion of the Nkomati contract, partially offset by extensions and expansions on existing contracts. Gross margin improved from 9,9% to 10,6%.

Operating earnings for the period were R99 million (December 2020: R132 million). Prior period earnings included a gain of R33 million following the once-off sale of project specific assets following the completion of the contract. Moolmans renewed focus and discipline in project execution, risk management, fleet management and procurement practices has been the main driver behind the increases in margins.

Work in hand decreased to R4,5 billion from R5,4 billion at 30 June 2021, mainly as a result of the termination of the Gamsberg contract, as Moolmans and the client could not agree on mutually acceptable terms. The project pipeline continues to grow in value with preferred tender projects amounting to R14,7 billion.

Moolmans has set up a dedicated task team to design and execute a fleet renewal plan. Fleet renewal remains a priority that requires investment in heavy mining equipment for both existing and new contracts. Negotiations are underway with orignal equipment manufacturers (OEMs) to secure equipment and related finance.

Moolmans recorded a 12-month rolling LTIFR of 0,19 (December 2020: 0,19), against a target of 0,19 and TRIFR of 0,62 (December 2020: 0,51), against a target of 0,60. No major environmental issues were recorded.

Trident Steel

Trident Steel continued to outperform as a steel service centre business, primarily focused on the automotive sector. Despite a challenging business environment which included the KwaZulu-Natal riots in July 2021, the steel industry strike and the ongoing global shortage of semi-conductors that impacted our OEM clients, Trident Steel reported improved revenues, gross profit and earnings before interest, tax, depreciation and amortisation (EBITDA).

Revenue was positively impacted by an increase in global steel prices and improved steel volumes to our OEM customers, offset by the lost volumes from our merchanting business in the prior period.

Operating earnings were lower than the comparative period, although it should be noted that the current earnings of R76 million includes a depreciation charge of R39 million while the comparative R107 million operating earnings did not. This follows from the reclassification of Trident Steel as a continuing operation in the current period.

Industry disruptions negatively impacted our working capital and consequently Trident Steel absorbed cash of R135 million in the period. This is a timing issue and is expected to normalise by year end.

Following the award of a new first-tier supply contracts to a major OEM and increased levels of planned production on existing contracts by other OEMs, prospects for the growth of this business remains positive.

The Group remains committed to disposing of Trident Steel and remains in discussions with various parties.

Aveng Manufacturing

Manufacturing recorded reduced revenues in line with the disposal of various business units. Manufacturing was profitable and cash generative in the period under review. Negotiations continue for the sale of the three remaining Infraset factories in Mozambique, Zambia and South Africa.

Project Management Office

The project management office continues to manage and implement the significant task of closing out the non-core disposals and ensuring that the Group complies with all statutory, legal, technical, commercial and human resources obligations. This primarily relates to Aveng Construction: South Africa. The business unit recorded operating costs of R36 million and cash outflow of R103 million. The South African bond exposure continued to decrease from R554 million in June 2021 to R364 million, in line with the ongoing completion of projects.

FINANCIAL PERFORMANCE

Aveng reported headline earnings of R17 million (December 2020: R109 million), and earnings for the period of R53 million (December 2020: R438 million). Normalised earnings are R82 million (December 2020: R73 million).

Statement of comprehensive earnings

Group revenue of R13,0 billion remained consistent (December 2020: R12,9 billion), despite the ongoing disposal of non-core businesses. Core business (Moolmans and McConnell Dowell) revenue of R11,2 billion increased by 6,7% (December 2020: R10,5 billion) and makes up 86% of total Group revenue (December 2020: 81%).

Other earnings of R38 million (December 2020: R183 million) decreased mainly due to the prior period recognition of COVID-19 subsidy income of R60 million and a profit on sale property, plant and equipment of R18 million. The remaining decrease is primarily as a result of unrealised foreign exchange gains being lower in the current period.

Operating earnings of R215 million (December 2020: R280 million), mainly driven by:

- McConnell Dowell R144 million (December 2020: R153 million)
- Moolmans R99 million (December 2020: R132 million)
- Trident Steel R76 million (December 2020: R107 million). Operating earnings include depreciation and amortisation of R39 million in the current period with no corresponding charge in the comparative period.

Normalised earnings of R82 million (December 2020: R73 million). Normalised earnings refers to earnings for the period excluding items that are either income or expenses which do not occur regularly as part of the normal operating activities of the Company. The normalised earnings removes the effects of the *IFRS 5* fair value adjustments in prior periods, the effects of reclassification of Trident Steel from Held for Sale, including the recognition of prior periods depreciation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, non-recurring impairments on property, plant and equipment and the gains or losses on the sale of non-core businesses.

Normalised earnings per share was 67 cents (December 2020: 151 cents per share (adjusted retrospectively for the number of shares in issue after two rights offers and the share consolidation; and restated for change in classification of Trident Steel as a continuing operation)).

Fair value loss on disposal groups classified as Held for Sale of R52 million (December 2020: R415 million gain) is recognised on the reclassification of Trident Steel as a continuing operation rather than Held for Sale. This loss is made up of depreciation and amortisation of R155 million recorded in the current period which was previously not expensed under *IFRS 5*, offset by the reversal of a previously recognised impairment loss of R103 million.

Net finance charges reduced to R125 million (December 2020: R177 million). Finance expenses decreased in comparison to prior year due to reduced levels of debt.

Basic earnings per share of 43 cents was calculated using a weighted average number of shares of 122,5 million shares. As a result of the rights issues and share consolidation, the prior year basic earnings per share (909 cents restated) was calculated using a weighted average number of shares of 48,2 million shares.

Using a pro forma comparative weighted average number of shares of 122,5 million shares, the basic earnings per share would amount to 358 cents for the prior period. This metric has been used for illustrative and comparative purposes only and may not fairly present the earnings per share of Aveng Limited.

Headline earnings of R17 million includes the Trident Steel depreciation and amortisation of R155 million recognised in the current period. The reversal of previously recognised impairment losses of R103 million are excluded from headline earnings. **Headline earnings per share** is 14 cents, calculated using a weighted average number of shares of 122,5 million shares. As a result of the rights issues and share consolidation, the prior year headline earnings per share (226 cents restated) was calculated using a weighted average number of shares of 48,2 million shares.

Using a pro forma comparative weighted average number of shares of 122,5 million shares, the headline earnings per share would amount to 89 cents for the prior period. This metric has been used for illustrative and comparative purposes only and may not fairly present the headline earnings per share of Aveng Limited.

Statement of financial position

Property, plant and equipment increased by R524 million to R3,3 billion. This increase includes right-of-use assets amounting to R707 million (June 2021: R337 million) after depreciation, including Trident Steel right-of-use assets of R574 million following the reclassification as continuing operations.

Group incurred replacement **capital expenditure** of R349 million (December 2020: R381 million), with no expansionary capital expenditure (December 2020: R45 million). The majority of the amount was spent as follows:

- R58 million at McConnell Dowell, relating to specific projects across the business units; and
- R286 million at Moolmans, primarily investment in components on existing fleet.

Inventories increased by R930 million to R1,1 billion (June 2021: R211 million) largely due to the reclassification of Trident Steel as a continuing operation. Aside from the reclassification, inventories increased by R288 million, primarily in Trident Steel (R272 million increase).

Amounts due from contract customers for the Group decreased by R355 million to R3,0 billion (June 2021: R3,4 billion) due to a reduction in contract and retention receivables following earlier contract receipts at McConnell Dowell.

Assets Held for Sale decreased by R1,7 billion to R240 million (June 2021: R2,0 billion) due to the reclassification of Trident Steel as a continuing operation combined with the continued disposal of non-core assets. The remaining assets classified as Held for Sale comprise the Infraset factories in the Manufacturing and Processing disposal group and infrastructure investments.

Borrowings and other liabilities, excluding *IFRS 16* lease liabilities, decreased by R65 million to R814 million from June 2021 as a result of repayments made. Lease liabilities increased by R569 million to R1,1 billion mainly due to the reclassification of Trident Steel as a continuing operation.

Amounts due to contract customers decreased by R292 million to R1,4 billion (June 2021: R1,7 billion) mainly due to advance payments received in the prior year being repaid in line with plan, in the current period.

Liabilities Held for Sale decreased by R1,5 billion to R85 million (June 2021: R1,6 billion) due to the reclassification of Trident Steel as a continuing operation and the continued disposal of non-core liabilities. The remaining liabilities Held for Sale comprise of the Infraset factories in the Manufacturing and Processing disposal group.

Operating free cash flow amounted to an inflow of R490 million (December 2021: R1,4 billion inflow) due to:

- McConnell Dowell – inflow of R667 million (December 2021: R623 million inflow);
- Moolmans – inflow of R104 million (December 2021: R422 million inflow);
- Trident Steel – outflow of R135 million (December 2021: R517 million inflow);
- Construction and Engineering: South Africa – Cash outflow of R103 million (December 2021: R24 million outflow);
- R99 million of proceeds on disposal of non-core assets;
- Net finance expenses paid of R133 million; and
- Taxation paid of R10 million.

Cash and bank balances (net of bank overdrafts) increased to R3,0 billion (June 2021: R2,5 billion). Cash in McConnell Dowell increased by R718 million driven mainly by upfront mobilisation costs, partially offset by R193 million outflows in South African operations mainly driven by movements in working capital changes in Trident Steel and Moolmans.

Net cash position remained in line with prior year at R1,1 billion (June 2021: net cash position of R1,1 billion):

- Cash and bank balances increased by R525 million, external borrowings decreased by R65 million following scheduled repayment of external debt
- Offset by an increase of R565 million in IFRS 16 lease liabilities following the reclassification of Trident Steel from Held for Sale

FUTURE GROWTH STRATEGY

McConnell Dowell and Moolmans form the core businesses around which we build a sustainable, growing international infrastructure, resources and contract mining group operating in selected markets. The Group will seek an international listing to attract new capital in support of this growth strategy. The Group has identified five main levers for growth to deliver this strategy.

- Balance sheet optimisation – including the sale of Trident Steel, the optimisation of debt facilities, capital planning for future growth, both organic and inorganic and an international listing
- Capitalise on McConnell Dowell's specialist capabilities – focus on complex projects in areas and economies providing high growth potential leveraging our skills in marine, tunnelling and underground, pipelines, hydropower and dams, and complex civil infrastructure. Operational efficiency leading to margin improvement remains front of mind
- Moolmans will be renewed through a plant optimisation and fleet renewal – dedicating a team to design and execute a plant optimisation strategy including a fleet renewal programme. Operating an appropriate mix of new and current equipment allows Moolmans to maximise its longer-term return on investment. Combined with plant efficiency, operational efficiency leads to improved margins
- People and systems are at the core of our business – we recognise the need to invest in our people to grow their skills, competencies and leadership abilities to allow for succession planning across the business. The digitalisation of processes requires investment in technology and systems, as we adopt new ways of working and our Engineering, Technology and Innovation division continue to build on our core engineering capabilities
- The Group is guided by its purpose and values and applies this in its approach to environmental, sustainability and governance (ESG) matters – the Group has adopted its ESG framework to prioritise initiatives with ESG integrated into how we work, scope projects and tender. Having adopted this framework, the Group will set its baseline and develop its targets, with improvements, by year end.

FINAL COMMENTS

The interim results continue to build on the trend of improved operating performance in McConnell Dowell, Moolmans and Trident Steel. The Group is profitable, cash-generative and has good growth opportunities, notably in the Australian business unit and Moolmans. Management will focus on the following matters for the next reporting period.

- Meeting scheduled debt repayments to reduce Group debt by circa R325 million by year end
- Continue to develop the opportunity for an international listing to facilitate growth
- Continue to focus on cash generation in support of the reduction of existing term debt
- Develop opportunities to invest in the business to facilitate further growth
- In McConnell Dowell, a focus on margin enhancement, growth opportunities in Australia and managing challenges in Southeast Asia
- In Moolmans, a focus on the pursuit of new, extended or expanded contracts and the fleet renewal strategy
- Completing sale of non-core assets

Disclaimer

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

By order of the Board

SJ Flanagan
Group chief executive officer

AH Macartney
Group finance director

Date of release: 21 February 2022

CORPORATE INFORMATION

Directors
PA Hourquebie*# (Chair),
SJ Flanagan (Group CEO),
AH Macartney (Group FD),
MA Hermanus (lead independent director)*#,
MJ Kilbride*#, B Modise*#, BC Meyer*#,
B Swanepoel*#

**Non-executive #Independent*

Company secretary
Edinah Mandizha

Business address and registered office
3rd Floor, 10 The High Street, Melrose Arch,
Johannesburg, 2076, South Africa
Telephone +27 (0) 11 779 2800

Company registration number
1944/018119/06

Share codes
Share code: AEG
Share ISIN: ZAE 000302618

Website
www.aveng.co.za

Auditor
KPMG Incorporated
Registration number: 1999/021543/21
KPMG Crescent
85 Empire Road Parktown,
Johannesburg 2193
Private Bag 9, Parkview, 2122
Telephone +27 (0) 11 647 7111

Principal bankers
Absa Bank Limited
FirstRand Bank Limited
HSBC Bank plc
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
United Overseas Bank Limited

Corporate legal advisers
Baker & McKenzie
Pinsent Masons

Sponsor
UBS South Africa Proprietary Limited
Registration number: 1995/011140/07
64 Wierda Road East
Wierda Valley, Sandton 2196
PO Box 652863
Benmore, 2010
South Africa
Telephone +27 (0) 11 322 7000

Registrars
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196, South Africa
PO Box 61051
Marshalltown, 2107
South Africa
Telephone +27 (0) 11 370 5000

www.aveng.co.za