Summarised audited consolidated annual financial statements for the year ended 30 June 2016

AVENG

Leaders in infrastructure

Vision

Aveng owns and operates a portfolio of infrastructure, mining and manufacturing-related businesses, each of which targets top-quartile performance compared to its peers when measured against return on invested capital, earnings growth, and positive cash flow generation through the business cycle.

Mission

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

Achieved through:

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

Values

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

HOME WITHOUT HARM

EVERYONE EVERYDAY

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

Forward-looking statements

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

Leaders in infrastructure

Summarised audited consolidated annual financial statements for the year ended 30 June 2016

Salient features – financial performance

Revenue
R33,8 billion
Decrease of 23% from R43,9 billion at June 2015

Two-year order book
R28,0 billion
June 2015: R28,9 billion

Net assets held for sale
R1 237 million

Gain on property transaction
R577 million

Headline loss
R299 million
Improvement of 48% from R578 million at June 2015

Net operating earnings / (loss)
R146 million
Improvement from R(288) million at June 2015

Loss per share
25,4 cents
Improvement of 78% from 114,8 cents at June 2015

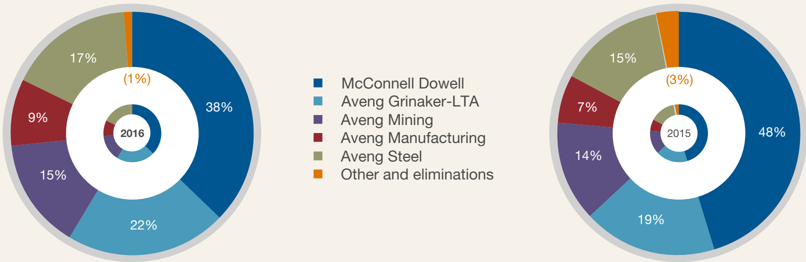
Operating free cash flow
R1 125 million outflow
June 2015: R1 027 million outflow

Headline loss per share
75,2 cents
Improvement of 48% from 144,3 cents at June 2015

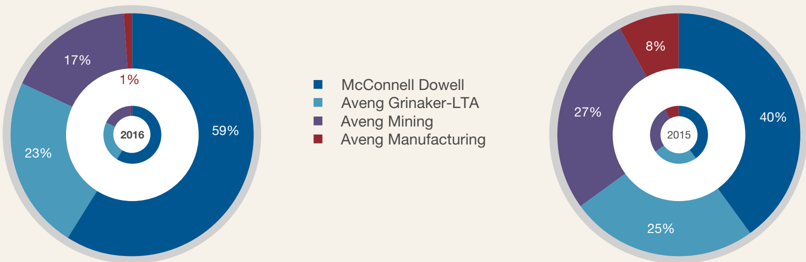
Net operating earnings / (loss) – segmental analysis

	FY2016 Rm	FY2015 Rm	Change %
South Africa and rest of Africa	**(187)**	(697)	73
Aveng Grinaker-LTA	**(69)**	(575)	(88)
Africa Construction	**(39)**	(12)	>(100)
Aveng Engineering	**(273)**	(291)	(6)
Aveng Capital Partners	**194**	181	7
Australasia and Asia	**14**	112	(88)
Total Construction and Engineering	**(173)**	(585)	70
Mining	**276**	413	(33)
Manufacturing and Processing	**(70)**	54	>(100)
Aveng Steel	**(166)**	(174)	(5)
Aveng Manufacturing	**96**	228	(58)
Other and Eliminations	**113**	(170)	>(100)
Total	**146**	(288)	>(100)
Loss attributable to equity-holders of the parent	**(101)**	(460)	78
Headline loss	**(299)**	(578)	48

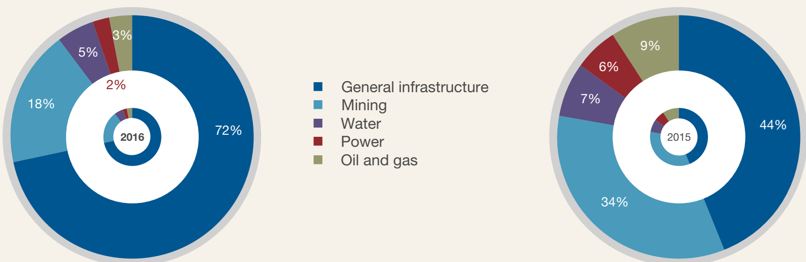
Revenue per operating group



Two-year order book per operating group



Two-year order book by sector



Summarised statement of financial position
as at 30 June 2016

	Notes	2016 Rm	2015 Rm
ASSETS			
Non-current assets			
Goodwill arising on consolidation		**342**	342
Intangible assets		**325**	339
Property, plant and equipment		**4 843**	5 626
Equity-accounted investments	8	**100**	151
Infrastructure investments	9	**177**	778
Deferred taxation	10	**1 858**	1 580
Derivative instruments		**–**	6
Amounts due from contract customers	11	**1 417**	900
		9 062	9 722
Current assets			
Inventories		**2 211**	2 529
Derivative instruments		**20**	35
Amounts due from contract customers	11	**8 047**	9 394
Trade and other receivables		**2 058**	2 424
Cash and bank balances		**2 450**	2 856
		14 786	17 238
Non-current assets held-for-sale	12	**1 484**	559
TOTAL ASSETS		**25 332**	27 519
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium		**2 009**	2 023
Other reserves		**1 821**	1 162
Retained earnings		**9 689**	9 790
Equity attributable to equity-holders of parent		**13 519**	12 975
Non-controlling interest		**37**	23
TOTAL EQUITY		**13 556**	12 998

	Notes	2016 Rm	2015 Rm
Liabilities			
Non-current liabilities			
Deferred taxation	10	**266**	221
Borrowings and other liabilities	13	**1 770**	2 037
Employee-related payables		**379**	468
		2 415	2 726
Current liabilities			
Amounts due to contract customers	11	**1 322**	2 562
Borrowings and other liabilities	13	**1 214**	426
Payables other than contract-related		**–**	102
Employee-related payables		**559**	648
Derivative instruments		**27**	2
Trade and other payables		**5 886**	7 961
Taxation payable		**106**	94
		9 114	11 795
Non-current liabilities held-for-sale	12	**247**	–
TOTAL LIABILITIES		**11 776**	14 521
TOTAL EQUITY AND LIABILITIES		**25 332**	27 519

Summarised statement of comprehensive earnings

for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Revenue		**33 755**	43 930
Cost of sales		**(31 260)**	(41 566)
Gross earnings		**2 495**	2 364
Other earnings		**591**	471
Operating expenses	15	**(2 808)**	(3 063)
Loss from equity-accounted investments	8	**(132)**	(60)
Net operating earnings / (loss)		**146**	(288)
Impairment / loss on derecognition of property, plant and equipment and intangible assets	7	**(333)**	(330)
Impairment of goodwill arising on consolidation		**–**	(291)
Profit on sale of subsidiary		**–**	777
Profit on sale of property, plant and equipment	14	**592**	–
Earnings / (loss) before financing transactions		**405**	(132)
Finance earnings		**211**	177
Interest on convertible bonds		**(225)**	(167)
Other finance expenses		**(327)**	(316)
Earnings / (loss) before taxation		**64**	(438)
Taxation	16	**(129)**	(80)
Loss for the period		**(65)**	(518)
Other comprehensive earnings			
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
Exchange differences on translating foreign operations		**786**	(372)
Other comprehensive loss released / (recognised) from equity-accounted investments	9	**–**	28
Other comprehensive earnings / (loss) for the period, net of taxation		**786**	(344)
Total comprehensive earnings / (loss) for the period		**721**	(862)

	2016 Rm	2015 Rm
Total comprehensive earnings / (loss) for the period attributable to:		
Equity-holders of the parent	**676**	(804)
Non-controlling interest	**45**	(58)
	721	(862)
Loss for the period attributable to:		
Equity-holders of the parent	**(101)**	(460)
Non-controlling interest	**36**	(58)
	(65)	(518)
Other comprehensive earnings for the period, net of taxation		
Equity-holders of the parent	**777**	(344)
Non-controlling interest	**9**	–
	786	(344)
Results per share (cents)		
Loss – basic	**(25,4)**	(114,8)
Loss – diluted	**(25,1)**	(114,4)
Headline loss – basic	**(75,2)**	(144,3)
Headline loss – diluted	**(74,4)**	(143,8)
Number of shares (millions)		
In issue	**416,7**	416,7
Weighted average	**397,4**	400,6
Diluted weighted average	**402,1**	402,1

Summarised statement of changes in equity

for the year ended 30 June 2016

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency trans- lation reserve Rm
Balance at 1 July 2014	20	1 988	2 008	1 129
Loss for the period	–	–	–	–
Other comprehensive loss for the period (net of taxation)	–	–	–	(372)
Total comprehensive loss for the period	–	–	–	(372)
Purchase of treasury shares	–	(7)	(7)	–
Equity-settled share-based payment release	–	22	22	–
Equity-settled share-based payment charge	–	–	–	–
Transfer of convertible bond option to convertible bond equity reserve	–	–	–	–
Deferred transaction costs allocated to convertible bond equity reserve	–	–	–	–
Increase in equity investment	–	–	–	–
Foreign currency translation movement	–	–	–	–
Dividends paid	–	–	–	–
Total contributions and distributions recognised	–	15	15	–
Balance at 1 July 2015	**20**	**2 003**	**2 023**	**757**
(Loss) / earnings for the period	**–**	**–**	**–**	**–**
Other comprehensive earnings for the period (net of taxation)	**–**	**–**	**–**	**777**
Total comprehensive loss for the period	**–**	**–**	**–**	**777**
Purchase of treasury shares	**–**	**(23)**	**(23)**	**–**
Equity-settled share-based payment release	**–**	**9**	**9**	**–**
Equity-settled share-based payment charge	**–**	**–**	**–**	**–**
Recognition of deferred tax on convertible bond	**–**	**–**	**–**	**–**
Decrease in equity investment	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**
Total contribution and distributions recognised	**–**	**(14)**	**(14)**	**–**
Balance at 30 June 2016	**20**	**1 989**	**2 009**	**1 534**

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

Summarised statement of cash flows

for the year ended 30 June 2016

	Notes	2016 Rm	2015 Rm
Operating activities			
Cash retained / (utilised) from operations		**529**	(92)
Depreciation		**793**	929
Amortisation		**30**	21
Non-cash and other movements	17	**(403)**	(457)
Cash generated by operations		**949**	401
Changes in working capital:			
Decrease in inventories		**150**	201
Decrease in amounts due from contract customers		**825**	547
Decrease in trade and other receivables		**206**	357
Decrease in amounts due to contract customers		**(1 240)**	(43)
Decrease in trade and other payables		**(782)**	(1 953)
QCLNG repayment		**(1 072)**	–
Decrease / (increase) in derivative instruments		**46**	(101)
Decrease in payables other than contract-related		**(102)**	(102)
Decrease in employee-related payables		**(254)**	(258)
Total changes in working capital		**(2 223)**	(1 352)
Cash utilised by operating activities		**(1 274)**	(951)
Finance expenses paid		**(458)**	(361)
Finance earnings received		**214**	174
Taxation paid		**(316)**	(397)
Cash outflow from operating activities		**(1 834)**	(1 535)
Investing activities			
Property, plant and equipment purchased			
– expansion		**(175)**	(175)
– replacement		**(319)**	(649)
Proceeds on disposal of property, plant and equipment		**161**	245
Proceeds on disposal of investment property		**–**	97
Proceeds on disposal of properties	14	**1 127**	–
Acquisition of intangible assets			
– expansion		**(12)**	(52)
– replacement		**(4)**	–
Capital expenditure net of proceeds on disposal		**778**	(534)

	2016 Rm	2015 Rm
Loans advanced to equity-accounted investments net of dividends received	**(63)**	(68)
Proceeds on disposal of equity-accounted investments	**–**	5
Net loans advanced to infrastructure investment companies	**(13)**	(208)
Acquisition of subsidiary (net of cash acquired)	**–**	(23)
Net proceeds on disposal of subsidiary	**–**	1 314
Dividend earnings	**7**	22
Cash inflow from investing activities	**709**	508
Operating free cash outflow	**(1 125)**	(1 027)
Financing activities with equity-holders		
Shares repurchased	**(23)**	(7)
Loans (repaid) / advanced by non-controlling interest	**(20)**	76
Dividends paid	**(2)**	(7)
Proceeds from convertible bonds issued	**–**	1 947
Net proceeds from / (repayment of) borrowings	**429**	(2 066)
Net decrease in cash and bank balances before foreign exchange movements	**(741)**	(1 084)
Foreign exchange movements on cash and bank balances	**315**	(196)
Cash and bank balances at the beginning of the period	**2 856**	4 136
Cash related to assets held-for-sale	**20**	–
Total cash and bank balances at the end of the period	**2 450**	2 856
Borrowings excluding bank overdrafts	**2 984**	2 463
Net cash position	**(534)**	393

Summarised accounting policies

for the year ended 30 June 2016

1. CORPORATE INFORMATION

The summarised audited consolidated financial statements ("results") of Aveng Limited (the "Company") and its subsidiaries (the "Group") for the period ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 19 August 2016.

Nature of business

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

Change in directorate

Mr PA Hourquebie was appointed as a non-executive director effective from 5 August 2015.
Mr D Robinson retired as a non-executive director effective from 17 August 2015.
Mr SJ Flanagan was appointed as a non-executive director effective from 1 November 2015.
Mr PK Ward retired as a non-executive director effective from 30 June 2016.
Mr AWB Band retired as a non-executive director effective from 19 August 2016.

2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of preparation

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

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

The summarised audited consolidated financial results do not include all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at 30 June 2016 that are available on the Company's website, www.aveng.co.za.

The Company's integrated report for the year ended 30 June 2016 will be available by 19 September 2016.

The financial results have been prepared by Clare Giletti CA(SA) under the supervision of the Group CFO, Adrian Macartney CA(SA).

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Impairment of cash generating units

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

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rates used for extrapolation and terminal value purposes. The following assumptions were used in the calculations:
– The Group WACC was adjusted to take into account the risk specific to each cash generating unit; and
– Non-cash settled intercompany balances were excluded from the calculation of the Net Asset Value ("NAV").

Refer to *note 7 – Impairments* for further detail.

5. CHANGE IN ESTIMATE

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

6. SEGMENTAL REPORT

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

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

The Group's reportable segments are categorised as follows:

6.1 Construction and Engineering

6.1.1 Construction and Engineering: South Africa and rest of Africa

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

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

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

6. SEGMENTAL REPORT continued

6.1 Construction and Engineering continued

6.1.2 Construction and Engineering: Australasia and Asia

This segment comprises McConnell Dowell.

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

McConnell Dowell business units include: Australia, New Zealand and Pacific, Built Environs, Southeast Asia and Middle East.

There has been a change in disclosure of business units as per discipline to geography in relation to Australia, New Zealand and Pacific and Southeast Asia.

6.2 Mining

This segment comprises Aveng Moolmans and Aveng Shafts & Underground.

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

6.3 Manufacturing and Processing

This segment comprises Aveng Manufacturing and Aveng Steel.

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

During the current year Aveng Steeledale was classified as held-for-sale and Aveng Steel Fabrication was closed. Subsequent to year-end 70% of Aveng Steeledale was sold to a related party subject to conditions precedent. *Refer note 12: Non-current assets held-for-sale*.

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

6.4 Aveng Capital Partners

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

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

6.5 Other and Eliminations

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

6. SEGMENTAL REPORT continued

Statement of financial position

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

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

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

6. SEGMENTAL REPORT continued

Statement of comprehensive income

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

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

6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

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

7. IMPAIRMENTS

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

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

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

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

7. IMPAIRMENTS continued

Impairments recognised during the year

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

8. EQUITY-ACCOUNTED INVESTMENTS

	2016 Rm	2015 Rm
Opening balance	**151**	306
Transfer to infrastructure investments held at fair value	–	(3)
Transfer of shareholder loans to infrastructure investments	–	(168)
Transfer to held-for-sale	**(17)**	–
Loans advanced	**65**	74
Obligation for Group share of REHM Grinaker Construction losses*	**26**	–
Share of earnings after taxation and dividends	**(132)**	(44)
Amount recorded in the statement of comprehensive earnings	**(132)**	(60)
Excluding: Fair value adjustments on foreign exchange contracts disclosed as derivative instruments	–	16
Dividends received	**(2)**	(6)
Foreign currency translation movement	**9**	7
Impairment	–	(7)
Disposal	–	(5)
Other	–	(3)
	100	151

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

8. EQUITY-ACCOUNTED INVESTMENTS continued

Investments	% holding	2016 Rm	2015 Rm
Reconciliation of investments			
Oakleaf Investment Holdings 86 Proprietary Limited	50	**17**	48
REHM Grinaker Property Co Limited	43	**16**	16
REHM Grinaker Construction Co Limited*	43	**–**	2
RPP Developments Proprietary Limited**	10	**–**	10
RPP JV Property Proprietary Limited**	40	**–**	7
Dutco McConnell Dowell Middle East Limited	49	**56**	56
Other		**11**	12
		100	151

* *Losses have been transferred to trade and other payables, being our share of the guaranteed losses.*
** *Transferred to held-for-sale.*

8. EQUITY-ACCOUNTED INVESTMENTS continued

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

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

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

8. EQUITY-ACCOUNTED INVESTMENTS continued

Regulatory constraints

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

Contingent liabilities

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

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

For detail on *Commitments* refer to the consolidated financial statement available on the Group's website and note 18: *Contingent liabilities* for the Group's contingent liabilities relating to its associates and joint ventures.

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

* *Transferred to held-for-sale.*

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

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

10. DEFERRED TAXATION continued

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

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

Unused tax losses

The Group performed a five-year forecast for the financial years 2017 to 2021 which is the key evidence that supports the recognition of the deferred taxation assets. This forecast specifically focused on Aveng (Africa) Proprietary Limited, including Aveng Grinaker-LTA. Given its financial performance in the past Aveng Grinaker-LTA contributed significantly to the assessed losses in the Group.

The forecast includes certain restructuring and corporate actions, which will generate additional taxable income in Aveng (Africa) Proprietary Limited. The proposed corporate actions include, the following:

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

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

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

* *Amounts less than R1 million.*
** *Provisions have been netted off against uncertified claims and variations.*
[1] *Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.*
[2] *Progress billings are amounts billed for work performed above revenue recognised.*
[3] *Amounts invoiced still due from customers.*
[4] *Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified.*
[5] *Advances are amounts received from the customer before the related work is performed.*

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

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

**Amounts less than R1 million.*

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

12. NON-CURRENT ASSETS HELD-FOR-SALE

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

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

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

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

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

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

13. BORROWINGS AND OTHER LIABILITIES

	2016 Rm	2015 Rm
Interest-bearing borrowings comprise:		
Payment profile		
– within one year	**1 214**	426
– between two to five years	**1 770**	2 037
	2 984	2 463

13.1 Borrowings held at amortised cost

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

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

13. BORROWINGS AND OTHER LIABILITIES continued

13.1 Borrowings held at amortised cost continued

	2016 Rm	2015 Rm
Finance lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	**321**	369
– in two to five years	**194**	411
Less: future finance charges	**(30)**	(62)
Present value of minimum lease payments	**485**	718

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

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

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

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

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

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

14. PROFIT ON SALE OF PROPERTY, PLANT AND EQUIPMENT

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

Profit on sale of properties

Effective 1 September 2015, Dimopoint Proprietary Limited ("Dimopoint") (a wholly owned subsidiary of Aveng), issued additional shares to Collins Property Group. Prior to the issue of shares, Dimopoint held a portion of the properties held-for-sale at 30 June 2015 (refer to note 12: *Non-current asset held-for-sale*). The issue of the additional shares resulted in Aveng's interest being diluted thereby resulting in a loss of control of Dimopoint, with Aveng retaining a 30% non-controlling interest. A profit of R150 million resulted from the loss of control of Dimopoint. The remaining 30% investment in Dimopoint is treated as a joint venture as Aveng retains joint control of Dimopoint and is measured at fair value in terms of IFRS 9 in accordance with the IAS 28.18 (*Investments in Associates and Joint Ventures*) Venture Capital Organisation exemption.

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

Profit on sale of vehicles

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

	2016 Rm	2015 Rm
15. OPERATING EXPENSES		
Operating lease charges	**133**	97
Rationalisation and restructuring	**189**	123
Depreciation of property, plant and equipment	**41**	47
Amortisation of intangible assets	**30**	21
Share-based payment expense	**13**	(20)
Employee costs	**1 675**	1 895
Employee benefits	**23**	65
Computer costs	**128**	105
Consulting fees	**82**	119
Other	**494**	611
	2 808	3 063

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

	2016 %	2015 %
Reconciliation of the taxation expense		
Effective taxation rate	**201,0**	(18,3)
Exempt income and capital profits*	**328,5**	(45,3)
Deferred taxation asset not recognised	**(144,6)**	63,0
Disallowable charges**	**(303,1)**	34,4
Prior-year adjustment	**29,2**	(11,8)
Foreign tax rate differential and other	**130,8**	6,0
Withholding taxation	**(213,8)**	0,0
	28,0	28,0

* *The items impacting the tax rate in this regard relate mainly to the external dividends received and foreign exchange differences recognised in other comprehensive income.*
** *This relates mainly to an Australian JV profit distribution that is not deductible for tax purposes.*

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

		2016 Rm	2015 Rm
17.	**NON-CASH AND OTHER MOVEMENTS**		
	Earnings from disposal of property, plant, equipment and vehicles	**(648)**	(61)
	Impairment of goodwill, property, plant and equipment and intangible assets	**333**	628
	Profit on disposal of subsidiary	**–**	(777)
	Fair value adjustments	**(306)**	(196)
	Movements in foreign currency translation	**205**	(62)
	Movement in equity-settled share-based payment reserve	**13**	11
		(403)	(457)
18.	**CONTINGENT LIABILITIES**		
	Contingent liabilities at the reporting date, not otherwise provided for in the summarised consolidated financial statements, arise from performance bonds and guarantees issued in:		
	South Africa and rest of Africa		
	Guarantees and bonds (ZARm)	**3 615**	3 721
	Parent company guarantees (ZARm)	**516**	898
		4 131	4 619
	Australasia and Asia		
	Guarantees and bonds (AUDm)	**409**	647
	Parent company guarantees (AUDm)	**521**	1 215
		930	1 862

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

Claims and legal disputes in the ordinary course of business

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

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

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

20. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments; and
- Forward exchange contracts.

The Group has reassessed the fair value of its infrastructure investments and those transferred to held-for-sale as at 30 June 2016. A R251 million (2015: R185 million) of unrealised gains have been recognised during the year.

Refer to the Fair Value of Assets and Liabilities note as contained in the consolidated financial statements available on the Group's website for additional detail regarding the methodology, valuation parameters and assumptions applied as well as the fair value hierarchy and the sensitivity analysis.

21. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year-end both the Aveng Capital Partners infrastructure investments and the Steeledale business sales agreements were signed. Refer to *note 12: Non-current assets held-for-sale.* These transactions are subject to various conditions precedent. The proceeds from these transactions will be used to primarily strengthen the statement of financial position of the Group to support Aveng's move to the next phase of its strategy, namely, ***positioning for profitable growth.***

Overview

Salient features

- **Strong improvement in safety performance**
- **Revenue declined by 23% to R33,8 billion (2015: R43,9 billion)**
- **Net operating earnings improved to a profit of R146 million (2015: loss of R288 million) with an improved gross margin**
- **Overheads reset for lower activity levels**
- **Headline loss per share improved by 48% to a loss of 75cps**
- **Substantial improvement in the performance of Aveng Grinaker-LTA, with strong cash generation**
- **Sale of property portfolio, infrastructure investments and Aveng Steeledale business concluded**

Despite the fact that all the markets in which we operate remained subdued, Aveng was able to deliver improved results.

Aveng reported a substantially reduced headline loss of R299 million or 75,2 cents per share for the year ended 30 June 2016, compared to a headline loss of R578 million or 144,3 cents per share for the preceding year.

Group revenue declined by 23% to R33,8 billion (2015: R43,9 billion), in line with expectations, due to a weak macro-economic climate, with McConnell Dowell being most significantly impacted. Net operating earnings increased to a profit of R146 million from a loss of R288 million in 2015, driven primarily by a marked improvement in Aveng Grinaker-LTA and an 8% reduction in Group overheads, despite incurring once-off restructuring costs of R189 million. This improved performance was partially offset by contract underperformance at McConnell Dowell and once-off costs linked to a problematic water contract.

The Group generated a basic loss of R101 million (2015: R460 million), which included a gain on the property transaction of R577 million, offset by impairments of R333 million predominantly relating to Aveng Steel.

Safety

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

During the year, the all injury frequency rate ("AIFR") improved by 23% to 2,7 from 3,5. This indicator includes all types of injuries and principally indicates broad personal injury trends. Aveng continues to see a strong year-on-year improvement in its safety performance.

Our Board and management are concerned with current levels of road traffic safety and believe that extreme vigilance is required across our South African operations given that we work on various public road projects. For this reason the Group has extended its reporting to include "monitored incidents" so as to ensure that the fatal risks associated with circumstances outside the control of Aveng, such as on public roads, are recognised and examined. Efforts to address such risks include increasing controls on road closures, employee vigilance during work activities inside a road closure or non-work activities near a road closure.

Regrettably, eight lives were lost in monitored incidents this year. The Aveng Board and management extend sincere condolences to the families and friends who have suffered such a painful loss. We will continue our efforts to advert such tragedies.

Strategy update

Recover and stabilise

Aveng continues to execute its strategy in three distinct phases. The initial "**recover and stabilise**" phase is mostly complete with the following outcomes:

Aveng Grinaker-LTA

Performance has improved at Aveng Grinaker-LTA in a number of areas. Loss-making contracts have been closed out, including the Grootgeluk Cyclic Pond project, while the Mokolo Pipeline project is in the process of being handed over. The ratio of projects executed at tender margin has substantially improved. While not at optimal levels, the achieved margin has improved significantly. The embedded margin in the Aveng Grinaker-LTA order book, continues to recover through robust tendering and project selection processes.

Strong cash generation in the year has benefited from the resolution of significant claims and receivables, most notably in the power sector. The overhead reduction programme has been completed, resulting in a lower overall cost base but incurring once-off restructuring costs during the year.

Aveng Water is now under the management of Aveng Grinaker-LTA, while the remaining components of Aveng Engineering were closed during the year. All previous construction contracts have been completed with the exception of one remaining water purification project. This project has received attention and the outcome is now more certain. The estimated loss for this contract has been accounted for in the current year, while the associated cash flows will impact the coming year as rectification and commissioning are completed.

These outcomes have largely been a result of a stable management team and considerable improvements in the core skills base within the business.

McConnell Dowell

During the year, McConnell Dowell underwent a comprehensive resetting of its business under new leadership. This process has positioned the operating group to more effectively manage project delivery and reduce its fixed cost base to align with lower revenue levels. Enhancing client relationships and more selective tendering in order to win quality work has been a focus. Under the new organisational structure, lines of accountability and project performance measurement have been significantly improved.

The order book has increased by 22% to AUD1,5 billion, benefiting from several large project awards in the last six months, including the Solid Products Jetty in Malaysia, Tuas Bridges in Singapore, Amrun Export facility in Australia, and Auckland's City Rail Link in New Zealand.

While McConnell Dowell made good progress in finalising various large projects and underperforming contracts, its financial performance remains disappointing. McConnell Dowell's operating free cash flow was impacted primarily by cash consumptive projects, where advance payments were received in the prior year.

Given the complexities of the QCLNG claims, the arbitrators have indicated the final outcome is likely to be delayed to the first half of the 2017 calendar year, while the claims relating to the GCRT project remain on track with conclusion anticipated in 2018. While claims settlements in the future will be cash accretive, they remain a material risk to earnings.

Aveng Mining

The claims relating to the Chile shaft sinking contract have been resolved and the project has closed out earlier and more favourably than anticipated. Contractual and commercial discussions continue regarding Wesizwe's Bakubung Platinum Mine. The Aveng Shafts & Underground business has been fully integrated with Aveng Moolmans and has returned to profitability. This integration has already brought about cost savings, while additional reductions are expected in the coming year.

Aveng Manufacturing

Aveng Manufacturing, like other operating groups, has been impacted by the economic downturn in southern Africa. Rail maintenance spend has been significantly curtailed in South Africa, while the depressed mining sector has impacted most business units. This prompted a fixed cost restructuring process to align to lower activity levels. This process will be completed in the first quarter of the new financial year.

Aveng Steel

Aveng Steel contributed positively to the Group's liquidity through improved working capital management. The operating loss reflects the impact of global steel price volatility during the first half of the financial year as well as lower local demand throughout the year, with an improved performance seen during the second half. In Aveng Steel, substantial effort resulted in the alignment of the fixed cost base with future business needs.

The following strategic transactions have been or are being implemented:

Sale of the Group's South African property portfolio

In the first half of the year the Group concluded the sale of its non-core properties to the Collins Group and retained a 30% share and joint control of these assets. This transaction resulted in a profit of R577 million and cash inflow of R1,1 billion.

Aveng Capital Partners' infrastructure investments

As announced on 10 August 2016 the Group has concluded a binding agreement with Royal Bafokeng Holdings Proprietary Limited, for the sale of all its interests in four major infrastructure investments for a cash consideration of R860 million. Conditions precedent to the disposal transaction include the waiver of the pre-emptive rights by current shareholders, and compliance, regulatory, lender and shareholder approvals.

Aveng Steeledale

The Group has concluded a binding agreement with Kutana Steel Proprietary Limited ("Kutana") whereby Kutana will effectively acquire a 70% interest in the Steeledale business, for approximately R252 million. The Group will have the option to divest from the remaining 30% of its shareholding in the Steeledale business at any time after three years for the fair value of its equity interest and loans at that time. The Kutana group of companies is a black women-owned investment group, with Thoko Mokgosi-Mwantembe being the CEO. She is also an independent non-executive director of Aveng Limited and other major South African listed companies. The sale to an affiliate of a director is a related party transaction and hence shareholder approval is required to complete this transaction.

Aveng Grinaker-LTA and Aveng Trident Steel

Further to the renewal of the cautionary announcement on 10 August 2016 regarding Aveng Grinaker-LTA and Aveng Trident Steel, the Group is still in discussions with parties on both of these transactions, and has not yet reached a stage where an announcement can be made on either the value or the prospective buyers. The market will be kept informed once there are material developments to report.

Position for profitable growth

The second phase of the strategy "position for profitable growth" has commenced and the Group has made some progress on this phase. This is evidenced by the strengthening of its businesses in key domestic markets of both South Africa and Australia. Aveng has continued to right size its business to align with current market conditions and has implemented further substantial reductions in overheads, which will be fully realised in 2017.

In optimising the Group's portfolio, the following actions have been implemented in addition to others mentioned in this report:

- Aveng Engineering and Aveng Facades have been closed
- The business of Aveng Steel Fabrication has been rationalised and amalgamated with the operations of Aveng Trident Steel

- Aveng Water has been repositioned and is set to leverage the advantage that Aveng has built in this market
- The Group's Africa strategy has been reprioritised and will focus on specific sectors for select clients in the rest of Africa.

Market review

Aveng's key markets, being South Africa, SADC and Australia, remained weak. During the last 12 months the construction industries in South Africa and Australia have faced slow growth in revenues, in line with lower economic growth in both markets.

The South African construction industry has been influenced by the downturn in the market, however, growth opportunities exist in the Building market in commercial, residential and healthcare. Continued low levels of public sector expenditure on major projects as well as the impact of depressed commodity prices in the resource markets have impacted the Civils, Mechanical & Electrical, Rail and Mining businesses.

The end of the decade-long resources boom in Australia was further evidenced in the completion of major Oil & Gas projects. The reduced investment environment was only partially offset by increases in government expenditure in transport, power and water infrastructure, leading to an overall construction market decline. The New Zealand construction market has remained steady, with road and water project opportunities. Urbanisation and population growth continued to underpin an improvement in the Southeast Asian infrastructure market. Stronger competition across all geographies and sectors continued to make winning work difficult and negatively impacted on margins. Despite this, McConnell Dowell has been successful in growing its order book by 22% and improving its embedded margin.

The manufacturing environment was impacted by weakness in traditional markets, slow demand from the construction and mining sectors, and reduced maintenance spend on rail. Aveng Manufacturing added new product lines and restructured to drive efficiency and optimisation within all operations.

The mining industry in South Africa and globally is under considerable pressure which has resulted in numerous mining contract cancellations, scope reductions and client requests for price discounts. This decline appears to have stabilised over the last quarter.

The South African domestic steel market was adversely impacted by lower priced imports from China, coupled with poor domestic demand and excess capacity in international markets. Volumes stabilised in the second half of the year and some recovery has been noted while an increase in domestic prices was announced during the second half of the financial year.

Financial performance

Statement of comprehensive earnings

Revenue decreased by 23% to R33,8 billion (2015: R43,9 billion). Revenue reduced in all segments in line with difficult market conditions, partially offset by some growth in activity levels in

Aveng Grinaker-LTA Building and Coastal, New Zealand and Pacific and certain lower margin manufacturing products. The full impact of contract cancellations on Aveng Mining's revenue was not yet apparent in the current year and will further reduce the operating group's revenue in the coming year. The **gross margin** for the Group improved to a credible 7,4% compared to 5,4% in the prior year with significantly more contracts meeting their tendered margins. This resulted in an improved operational performance at Aveng Grinaker-LTA, but was partially offset by pricing pressures from clients in Aveng Mining.

Net operating earnings improved to a R146 million profit, from a R288 million loss in 2015, as a result of:

- An improved financial performance from Aveng Grinaker-LTA on completion of loss-making and non-contributing contracts, an improvement in the ratio of contracts operating at tendered margins, strong performance in the Building business, the resolution of some major commercial claims and a further reduction in fixed operating expenses
- Realisation of cost savings initiatives previously implemented throughout the Group
- An improved financial performance from Aveng Steel in the second half of the year
- Fair value gains on the infrastructure investments

Though partially offset by:

- Restructuring expenses incurred to further right-size the Group's overhead structure in response to market conditions
- Underperformance on certain contracts in McConnell Dowell
- Additional expenses on a problematic water contract in Aveng Water
- Contract cancellations and volume reductions in Aveng Mining; and
- continued difficult trading conditions in most of the markets in which the Group operates.

EBITDA increased by 46% to R969 million from R662 million in 2015.

The gain on sale of property, plant and equipment of R592 million relates predominantly to the sale and leaseback of the Group's South African property portfolio.

An **impairment charge** of R295 million was recognised against underutilised niche assets in Aveng Steel. The remaining R38 million relates to abandoned contract assets in Aveng Mining.

Net **finance charges** of R341 million (2015: R306 million) increased by 11% compared to the preceding year due to lower convertible bond costs in the comparative period.

The **taxation expense** amounts to R129 million (2015: R80 million). The current year's expense includes withholding tax of R103 million payable on profit expatriated from Guinea following the completion of a project.

The **headline loss** improved to a loss of R299 million from R578 million in the comparative period. Items excluded from the calculation of headline earnings include impairment charges and the gain on the property transaction.

The **basic loss per share** of 25,4 cents (2015: 114,8 cents) improved by 78% and a **headline loss per share** of 75,2 cents was 48% lower than the 144,3 cents in the comparative year.

Statement of financial position

The Group reduced its **capital expenditure** to R510 million (2015: R876 million): applying R323 million (2015: R649 million) to replace and R187 million (2015: R175 million) to expand property, plant and equipment. Net capital expenditure for the year was R364 million (2015: R534 million). The majority of the amount was spent as follows:

- R150 million at McConnell Dowell, relating to specific projects in Australia and Southeast Asia;
- R126 million at Aveng Manufacturing to increase capacity and optimise efficiencies of its factories; and
- R151 million at Aveng Mining, mostly in Shafts & Underground relating to specific projects.

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

Equity-accounted investments decreased by 34% to R100 million (2015: R151 million). This was primarily due to penalties on the Gouda renewable energy project and underperformance in the McConnell Dowell Middle East business reducing the carrying values.

Infrastructure investments decreased by 77% to R177 million (2015: R778 million) compared to 30 June 2015, after reclassifying four of the investments as held-for-sale at year-end. Subsequent to year-end these investments were sold subject to conditions precedent.

Amounts due from contract customers (non-current and current) decreased by 8% to R9,5 billion (2015: R10,3 billion). There was an underlying decrease in this balance of R1,9 billion which was offset by a R1,1 billion foreign exchange translation increase. Operationally, the receivables at McConnell Dowell and Aveng Mining decreased in line with contracting revenue and settlements, while uncertified claims, variations and receivables decreased at Aveng Grinaker-LTA as a result of various settlements.

Amounts due to contract customers decreased by 48% to R1,3 billion (2015: R2,6 billion), as a result of the utilisation of advance payments at McConnell Dowell.

Inventories decreased by 12% to R2,2 billion (2015: R2,5 billion) as a result of inventory management to align to the current market demand predominantly at Aveng Steel.

Trade and other receivables of R2,1 billion decreased by 17%, from R2,4 billion, as a result of reduced activity levels throughout the Group.

Borrowings and other liabilities of R3,0 billion (2015: R2,5 billion) increased by R521 million against the comparative period due to a AUD60 million facility drawn down to repay the QCLNG advance.

Trade and other payables decreased by 26% to R5,9 billion (2015: R8,0 billion). Excluding the foreign exchange impact, the underlying reduction of R2,6 billion was primarily due to the repayment of the QCLNG advance payment of AUD112,5 million as well as lower activity levels throughout the Group.

Operating free cash flow for the period amounted to a R1,1 billion outflow after including:
- The repayment of the AUD112,5 million on the QCLNG contract
- Offset by R1,1 billion proceeds on the disposal of the properties portfolio
- Significant cash outflows for McConnell Dowell associated with the utilisation of advance payments, the completion of large projects and remedial work on the GCRT contract
- Strong cash generation in Aveng Steel, Aveng Mining and Aveng Grinaker-LTA
- Net capital expenditure of R364 million
- The third and last payment of R102 million relating to the Competition Commission settlement in June 2013.

Cash and bank balances decreased to R2,4 billion (2015: R2,9 billion), resulting in a net debt position of R534 million compared to R393 million net cash at 30 June 2015. Foreign currency translations impacted cash favourably by R315 million at year-end.

Operating review

Construction and Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA, Aveng Engineering and Aveng Capital Partners. Aveng Engineering was discontinued during the year while Aveng Water, including the associated operate & maintain operations, will now form part of Aveng Grinaker-LTA.

Revenue decreased by 12% to R7,3 billion (2015: R8,4 billion) primarily due to lower work volumes in the Civils, Engineering and Mechanical & Electrical businesses.

Net operating losses for Aveng Grinaker-LTA decreased significantly by 88% to R69 million (2015: R575 million). After adjusting for restructuring and holding costs incurred, Aveng Grinaker-LTA achieved a breakeven for the year.

Civil Engineering

Revenue decreased by 26% to R2,3 billion (2015: R3,1 billion) reflecting lower activity in the civil infrastructure market. The business made an operating profit of R16 million compared to the operating loss of R367 million in 2015.

Significant progress was made on delivering contract margins as tendered. The Majuba Rail contract is in the final stages of construction. Claims negotiations are ongoing on both the Mokolo Pipeline and Majuba Rail contracts.

Mechanical & Electrical

Revenue decreased by 17% to R1,5 billion (June 2015: R1,8 billion) due to lower activity in the various commodity and resource markets. Higher revenues were achieved on the power projects compared to 2015, as a result of acceleration measures taken in order to meet the power utility's revised milestone dates. The operating margin was negatively affected by losses incurred in closing out certain projects. The operating loss increased to R143 million (June 2015: R108 million).

Buildings & Coastal

Revenue increased by 15% to R3,1 billion (2015: R2,7 billion) with the net operating earnings reflecting a significant improvement to R83 million, from R24 million in the comparative year. The improvement in revenue is due to a growing order book, the successful completion of the Mall of the South project in September 2015 and peak production on the Sasol Corporate Head Office as it nears completion. A number of new high rise projects in Sandton and the Hilton Hotel in Swaziland were started.

The activity level in the Coastal operations is on target with major contracts, such as the Dr Pixley Ka Isaka Seme Memorial Hospital in KwaZulu-Natal and extensions to the Cape Town International Convention Centre, in progress.

Aveng Water (and remaining work of Aveng Engineering)

Revenue decreased by 56% to R309 million (2015: R705 million) largely due to the completion of the construction works on the water and power plants and the move to commissioning and operations. After encountering technical integration issues and unfavourable weather conditions, the Gouda Wind Farm has now been commissioned and handed over. During the early stages of commissioning, issues on the eMalahleni project were identified, arising out of work carried out by external sub-contractors who have since been declared insolvent. As a result, remedial work was required and a loss on this contract was recorded in the year. Additional costs on these two contracts impacted the operating earnings negatively, resulting in a net operating loss of R273 million.

The focus of this business is now on leveraging the significant advantage held within the Aveng Water business in acid mine drainage, water treatment processes and operational maintenance. The South African mining and municipal water sectors offer attractive opportunities for growth.

Aveng Capital Partners

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

Net operating earnings increased by 7% to R194 million, from R183 million in 2015, as a result of higher revaluation gains recognised compared to the prior year. Subsequent to year-end, four infrastructure investments were sold, at carrying value, subject to conditions precedent.

Construction and Engineering: Australasia and Asia

During the year this operating segment was restructured into four new business units: Australia, New Zealand and Pacific, Southeast Asia and Built Environs. The Middle East business remains a joint venture operated in partnership with Dutco. The comparatives have been restated.

Revenue decreased by 41% to AUD1,3 billion (2015: AUD2,2 billion) or R12,8 billion (2015: R20,9 billion), reflecting lower levels of investment in infrastructure development, combined with the completion of multi-year pipelines and infrastructure contracts. Net operating earnings decreased by 84% to AUD1,4 million (2015: AUD9,0 million) due to the weak Australian construction market, the underperformance on some Australian contracts, and restructuring and tendering expenses on tenders not awarded. New contracts were awarded in the transport, resources and Oil & Gas infrastructure sectors during the second half of the year.

Australia

The revenue of the Australian business unit declined by 57% to AUD525 million (2015: AUD1,2 billion). The Webb Dock, Melbourne Airport PUGs taxi lane reconstruction and Brisbane City Council Ferries and Boardwalk projects continued to produce results exceeding expectations. Operating earnings were adversely impacted by cost overruns on a number of projects and the impact of restructuring costs, legacy projects and high tendering costs.

Southeast Asia

Southeast Asian operations continued to perform strongly in all major regions, contributing a healthy profit and cash contribution which offset disappointing results in Australia. This result was despite a revenue decline of 34% to AUD371 million (2015: AUD560 million). The decline in revenue was mainly due to the successful completion of major projects in the prior year. Recent project awards in Singapore, Malaysia and Thailand have contributed to an improved order book.

New Zealand and Pacific

Revenue increased by 6% to AUD323 million (2015: AUD305 million).

The New Zealand & Pacific business experienced a mixed year. The New Zealand operations reported strong results from most projects, partially offset by losses on two underperforming contracts. The Waterview Tunnel contract is progressing well.

In the Pacific, the Tonga and Tuvalu runway projects were completed and a significant improvement was achieved in McConnell Dowell's position for the final outcome of the Kiribati project.

Built Environs

Revenue decreased by 65% to AUD45 million (2015: AUD132 million).

During the year, Built Environs secured and commenced work on two significant projects in South Australia, the Modbury Hospital Redevelopment and the Urbanest Student Accommodation project. Work was completed on Perth Airport Terminal 1 which is now operational.

Aveng Mining

This operating segment comprises the merged businesses of Aveng Moolmans and Aveng Shafts & Underground.

The segment reported a decrease in revenue to R5,0 billion (2015: R6,0 billion). Net operating earnings decreased by 33% to R276 million (2015: R413 million). The operating margin declined to 6% (2015: 7%) largely due to discounts awarded on various contracts and the unexpected cancellation of some contracts during the year as clients sought to reduce operating costs in mines that became increasingly marginal in a falling commodity cycle. Despite this, most contracts performed well operationally. Aveng Mining is working closely with clients to assist in reducing overall mining costs and to regain some of the margins lost due to discounts through various productivity improvement and efficiency initiatives.

Aveng Mining will pursue opportunities to add to the geographic and commodity mix in its client portfolio in order to strengthen its order book and improve shareholder returns. Given the project lead times, Aveng Mining does not expect a material change in the next 12 to 18 months.

Following the merger of both the open cut and underground mining businesses, there has been extensive restructuring of the overhead costs, the results of which will be realised in the next financial year.

Aveng Moolmans

The revenue of **Aveng Moolmans** decreased to R3,5 billion (2015: R4,6 billion). The pressures experienced by clients due to the downturn in the commodity cycle is evident in this year's results. The full effect of this decline will materialise in 2017. The percentage of idle fleet has increased during the year. However, this offers us opportunities for quick mobilisation in the future for new projects and capital replacement alternatives for existing contracts.

Contract extensions were granted at Klipbankfontein and Sadiola while contracts were awarded fairly late in the year with Norgold (Burkina Faso and Guinea). Subsequent to year-end, the Khutala project for South 32 in South Africa was awarded. These recent wins are in line with the operating group's strategy to diversify geographically as well as within commodities.

Aveng Shafts & Underground

The revenue of Aveng Shafts & Underground increased by 9% to R1,5 billion (2015: R1,4 billion) due to development work on the new Black Rock contract. Although the Styldrift and Eland contracts were cancelled, revenue was generated prior to these contract cancellations.

In comparison to the previous period, Aveng Shafts & Underground moved into a net operating profit position. This is attributable to cost saving initiatives as a result of the consolidation of the Aveng Mining business units and improved discipline in the commercial processes. The Chuquicamata contract has progressed well with claims being resolved and the shaft bottom being reached in mid-July 2016. The project is expected to be completed by October 2016. Despite rigorous efforts to improve productivity and labour relationships at Wesizwe's Bakubung Platinum Mine, the financial performance of this contract remained unsatisfactory and an additional loss has been recorded. Extensive commercial discussions continue with the client in parallel with the pursuit of contractual claims.

Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

Revenue decreased by 11% to R8,8 billion (2015: R9,9 billion). Net operating earnings decreased significantly to a loss of R70 million (2015: R54 million profit).

Aveng Manufacturing

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

Revenue decreased by 9% to R3,0 billion (2015: R3,3 billion). Net operating earnings decreased by 58% to R96 million (2015: R226 million), reflecting the impact from the slowdown in the mining and Oil & Gas sector and materially reduced rail maintenance activity in South Africa.

Aveng ACS performed well despite lower activity in the traditional Oil & Gas market. Revenue increased by 4% to R441 million (2015: R425 million), due to increased product sales and diversification into non-traditional sectors.

Aveng DFC revenue decreased by 3% to R469 million (2015: R485 million) following low demand in the local market, particularly from the mining sector. This was offset by growth in Europe and Australia.

Aveng Duraset revenue decreased by 9% to R487 million (2015: R535 million), driven by lower demand from the local mining sector.

Aveng Infraset revenue decreased by 31% to R851 million (2015: R1,2 billion) due to a reduction in sleeper sales in both the local and SADC markets. The decline in commodity prices has resulted in a slowdown in sleeper revenue and new rail construction projects. Building products continue to enjoy solid demand locally and are performing as expected with additional investment in capacity to be added in 2017.

Aveng Rail revenue increased by 14% to R770 million (2015: R676 million), mainly due to the Majuba, Rosmead and Black Rock rail construction projects. Net operating earnings decreased to R40 million from R58 million due to materially reduced rail maintenance-related revenue streams during the year.

Aveng Steel

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

Revenue decreased by 12% to R5,8 billion (2015: R6,7 billion) severely impacted by reduced international steel prices and lower domestic demand. A loss of R166 million was incurred, compared to a loss of R172 million in the previous year. The current year includes the impact of restructuring costs.

During the second half of the year, volumes stabilised, and higher selling prices were achieved. Post the restructuring, the focus is on achieving a positive result in difficult trading conditions. This resulted in an improved performance in the second half of the year.

The Vanderbijlpark site of the Aveng Steel Fabrication business was mothballed at the end of the financial year with the capabilities and resources transferred to the Roodekop site. Despite challenging trading conditions the operating group, contributed significant positive operating free cash flow.

Two-year order book

The Group's two-year order book amounted to R28,1 billion at 30 June 2016, remaining relatively unchanged from the R28,9 billion reported at 30 June 2015. This, however, includes a 42% (22% in dollars) or R4,9 billion increase in McConnell Dowells' book as a result of its increased success rate in the second half of this year and the weakening of the Rand. The Aveng Mining order book reduced by R3,0 billion in line with a weak commodities sector. Aveng Grinaker-LTA's order book reduced primarily due to lower available projects in the local market for civil and mechanical & electrical work. The focus remains on securing quality work at targeted margins.

The geographic split of the order book at 30 June 2016 was 59% Australasia and Asia (June 2015: 40%), 37% South Africa (June 2015: 56 %) and 4% other (June 2015: 4%).

Recent significant project awards include the 129 Rivonia Road, Shelley Beach Hospital and a Virgin Active (Windhoek) for Aveng Grinaker-LTA. A pipeline (Thailand), Rapid 12B Solid Project Jetty (SPJ) (Malaysia), the Christchurch Southern Motorway Stage 2 (New Zealand), Amrun (Australia), as well as the Tuas Bridges (Singapore) for McConnell Dowell.

Outlook and prospects

Challenging economic conditions are expected to continue in the short term, although with more positive medium term opportunities in Australia. Aveng is a more focused business and well positioned for improved performance. We expect the benefits of business optimisation to further contribute to this improved performance in the next financial year. This allows the business to position itself for profitable growth within the second phase of our strategy.

The claims settlement process on QCLNG is expected to be concluded in 2017 and on Gold Coast in 2018.

The Group continues to investigate and pursue transformational alternatives for Aveng Grinaker-LTA. The divestment of Aveng Trident Steel remains an objective; however, the achievement of acceptable value under current market conditions is likely to be challenging.

Directors

Mr Peter Ward retired from the Board on 30 June 2016 and Mr Angus Band retired from the Board on 19 August 2016. The Board extends its appreciation to Mr Band and Mr Ward for their contributions over the many years and wishes them well in their retirement.

Disclaimer

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

By order of the Board

M Seedat
Chairman

HJ Verster
Chief executive officer

Date of release: 23 August 2016

Corporate information

DIRECTORS

MI Seedat*# (Chairman), EK Diack*#, HJ Verster (Chief Executive Officer), PJ Erasmus*#, SJ Flanagan*#, MA Hermanus*#, PA Hourquebie*#, MJ Kilbride*#, AH Macartney (Group CFO), JJA Mashaba (Group Executive Director), TM Mokgosi-Mwantembe*#, KW Mzondeki*#
(*non-executive) (#independent)

COMPANY SECRETARY

Michelle Nana

BUSINESS ADDRESS AND REGISTERED OFFICE

Aveng Park
1 Jurgens Street, Jet Park
Boksburg, 1459
South Africa
Telephone +27 (0) 11 779 2800
Telefax +27 (0) 11 784 5030

COMPANY REGISTRATION NUMBER

1944/018119/06

SHARE CODES

JSE: AEG
ISIN: ZAE 000111829

WEBSITE

www.aveng.co.za

AUDITORS

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

PRINCIPAL BANKERS

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

CORPORATE LEGAL ADVISERS

Baker & McKenzie
Cliffe Dekker Hofmeyr
Norton Rose Fulbright
Webber Wentzel

SPONSOR

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

REGISTRARS

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

Business address and registered office

Aveng Park, 1 Jurgens Street,
Jetpark, Gauteng, 1459

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

Telephone: +27 (0) 11 779 2800
Telefax: +27 (0) 11 784 5030

www.aveng.co.za