Summarised audited consolidated annual financial statements
for the year ended 30 June 2019

AVENG
Providing a better life


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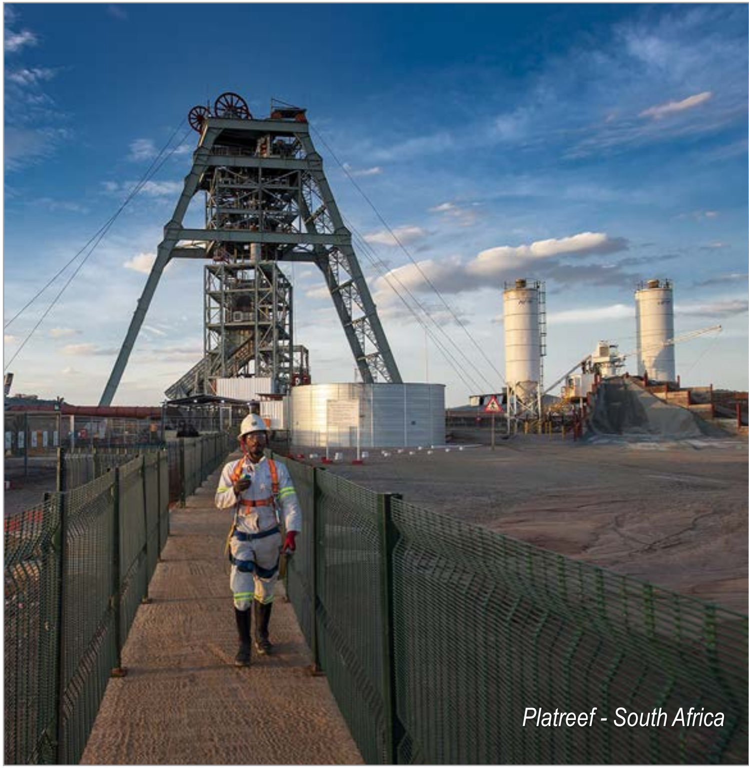
2019 FULL-YEAR RESULTS PRESENTATION
29 August 2019
Marina Bay Sands
- Singapore

Notes:



Platreef - South Africa

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AGENDA

01 OVERVIEW & STRATEGIC REVIEW
Eric Diack
Executive Chairman

02 FINANCIAL ANALYSIS
Adrian Macartney
Group Finance Director

03 OPERATIONAL REVIEW
Sean Flanagan
Group Chief Executive Officer

04 OUTLOOK
Sean Flanagan
Group Chief Executive Officer

Notes:

STRATEGIC JOURNEY

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THE PERFECT STORM

- Complexity of multiple business units
- High debt burden
- Operational and financial underperformance
- Unsustainable capital structure
- Weak share price – significantly below NAV
- Stagnant SA economy, limited infrastructure investment to stimulate growth

STABILITY

01 Capital restructure

02 Non-core asset disposal

03 Core operational performance

CONSISTENT PERFORMANCE

- Optimised capital structure
- Non-core disposal completed
- McConnell Dowell profitable, capitalising on market growth
- Moolmans profitable, restoring presence in Africa and beyond

SUSTAINABLE PROFITABILITY

- Core operations delivering long-term growth potential
- Aveng delivering acceptable returns

Notes:

RESPONSIBLE DISPOSAL PROCESS

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- Good progress despite challenging M&A environment

  Announced **R1 billion**

  Cash received **R520 million**

- Creates liquidity for Aveng
- Largely sold as going concerns and jobs preserved
- 100% empowered buyers and a management buy-out
- VRP obligation satisfied

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Notes:

EXECUTION OF STRATEGIC PLAN | Status

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01 CAPITAL RESTRUCTURE	Capital markets transaction: Rights offer	Green	• R493m of new capital raised in rights offer
	Capital markets transaction: Early bond redemption	Green	• Early redemption of R2bn convertible bond • R1,4bn new shares issued • New debt instrument of R460m
	Restructure of bank debt	Green	• Restructured bank funding and extended term to 2021 • Secured additional facilities of R400m • Repaid R300m bank debt

02 NON-CORE ASSET DISPOSAL	Announced	Green	• Reported R1bn
			  • Received R520m
			  • Announced R488m

	In progress	Amber	• Trident Steel, ACS and M&E progressing • Target completion March 2020
03 CORE OPERATIONAL PERFORMANCE	McCONNELL DOWELL CREATIVE CONSTRUCTION™	Amber	• Maintained positive EBIT • Cash of AUD104m at 30 June 2019 • Secured 77% of FY20 revenue
	Moolmans	Amber	• Poor performance due to Gamsberg contract (now renegotiated) • New leadership appointed • Secured 82% of FY20 revenue from contract extensions

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Notes:

EXECUTION OF STRATEGIC PLAN | Disposal update

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NON-CORE DISPOSAL PROCEEDS IN LINE WITH EXPECTATIONS

Deals completed

Achievements

- Despite challenging M&A environment, we have achieved:
  - Jet Park (Property)
  - Aveng Rail
  - Aveng Water
  - Other properties

Deals announced

Achievements

- Sales announced to market:
  - Infraset
  - DFC
  - Rand Roads
  - GEL
  - Duraset Alrode
  - Building and Civils

Deals in negotiation

Achievements

- Close to term sheet finalisation
  - GLTA – M&E
  - ACS
  - Steel

The disposal process materially reduces the risk profile of the Group, particularly in a weak South African construction market

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Notes:


Kolomela – South Africa
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FINANCIAL ANALYSIS

Notes:

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SALIENT FEATURES

Revenue R25,7 billion

Net operating loss R1,1 billion

- Non-core operations contributed significantly to loss
- McConnell Dowell profitable
- Moolmans underperformed

Good strategic progress

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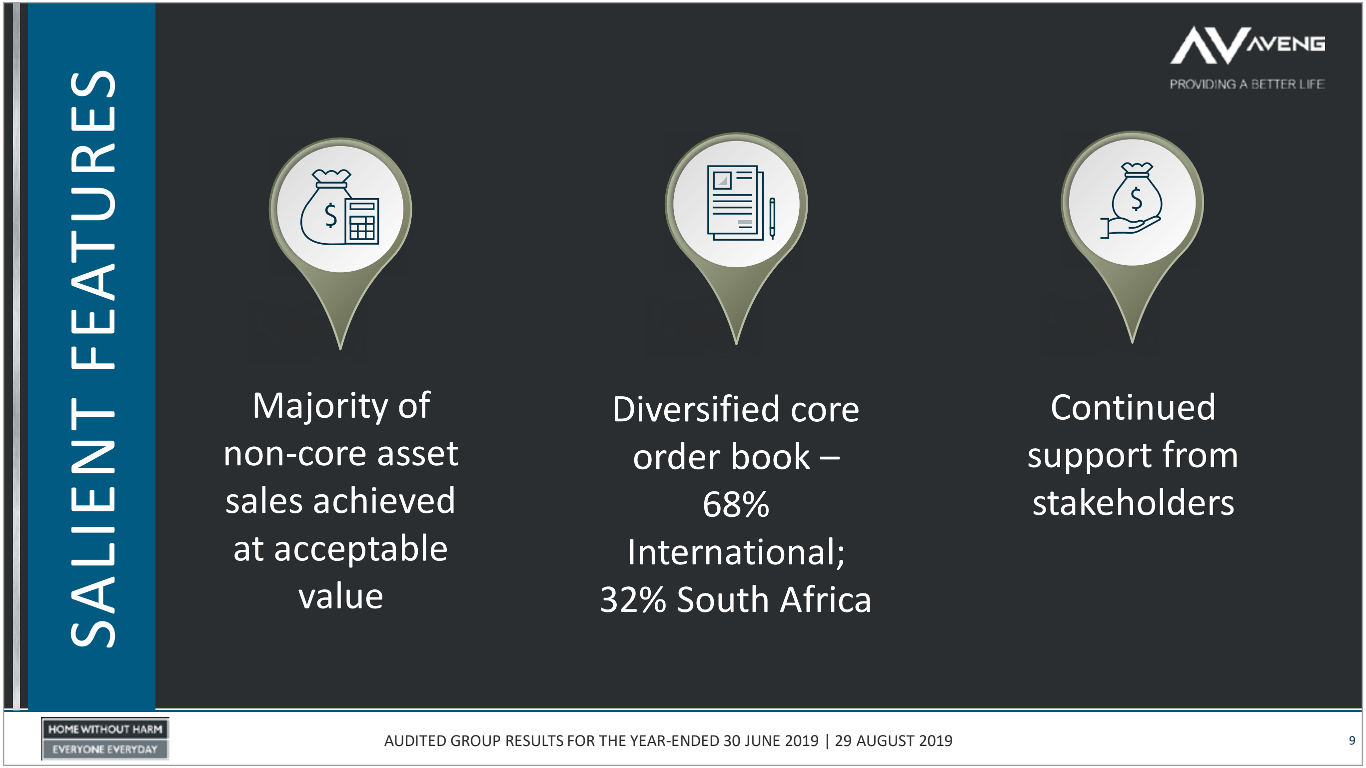
Notes:


SALIENT FEATURES
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Majority of non-core asset sales achieved at acceptable value
Diversified core order book – 68% International; 32% South Africa
Continued support from stakeholders
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AUDITED GROUP RESULTS FOR THE YEAR-ENDED 30 JUNE 2019 | 29 AUGUST 2019
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Notes:

FINANCIAL PERFORMANCE

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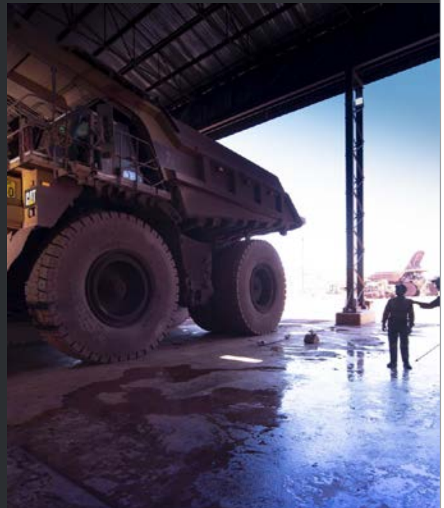
Results	FY 2019 Rm	FY 2018 Rm
Revenue	**25 676**	30 580
Gross margin %	**4,1**	5,9
Operating expenses	**(2,247)**	(2 292)
Net operating (loss)	**(1,119)**	(401)
Net interest	**(406)**	(439)
Impairment of PPE, intangibles and FV adjustment	**(292)**	(2 300)
Loss for the period	**(1,680)**	(3 519)
Headline loss per share(cents) *	**(9,7)**	(290,1)**

*Weighted average number of shares increased from restated 538 million in 2018 to 15 995 million in 2019
**Headline loss restated due to better reflect the asset component utilisation for Moolmans



Sishen – South Africa

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Notes:

SEGMENTAL RESULTS

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	REVENUE		NET OPERATING (LOSS) / EARNINGS		OPERATING FREE CASH FLOW	
	FY 2019 Rm	FY 2018 Rm	**FY 2019 Rm**	FY 2018 Rm	**FY 2019 Rm**	FY 2018 Rm
McConnell Dowell	**9 527**	11 716	**110**	103	**(362)**	202
Moolmans	**4 143**	4 713	**(372)**	11	**(201)**	(79)
Aveng Grinaker-LTA	**4 617**	6 622	**(401)**	(367)	**(488)**	27
Aveng Manufacturing	**2 027**	2 132	**(168)**	(196)	**(131)**	(107)
Aveng Steel	**5 484**	5 221	**39**	29	**(11)**	3
Other & eliminations	**(122)**	176	**(327)**	19	**190***	(80)
	25 676	30 580	**(1 119)**	(401)	**(1 003)**	(34)

* Includes R497 million received net of transaction cost on disposal of non-core assets

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Notes:

FINANCIAL POSITION

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	Jun'19 Rm	Jun'18 Rm
Assets	**12 282**	15 070
Goodwill and intangible assets	**139**	147
Property, plant and equipment	**2 814**	3 010
Investments	**187**	215
Deferred taxation	**622**	747
Other assets	**43**	42
Working capital	**3 029**	3 745
Assets Held for Sale	**3 843**	4 773
Cash and bank balances	**1 605**	2 391

	Jun'19 Rm	Jun'18 Rm
Liabilities & equity	**12 282**	15 070
Liabilities		
Borrowings and liabilities	**2 145**	3 287
Working capital	**3 496**	4 098
Deferred taxation	**86**	49
Other liabilities	**137**	146
Employee-related payables	**528**	501
Bank overdrafts	**-**	315
Liabilities Held for Sale	**3 436**	4 080
Equity	**2 454**	2 594
NAV PER SHARE (cents)*	**13**	14**
Net debt	**(540)**	(1 211)
Market capitalisation	**582**	58

*NAV impacted by increase in the number of shares issued to 19 billion as a result of rights issue and early redemption of convertible bond
**NAV restated taking into account number of shares in issue (19 billion)

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Notes:

WORKING CAPITAL

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	Core Assets		Non-core Assets	
	Jun'19 Rm	Jun'18 Rm	**Jun'19 Rm**	Jun'18 Rm
Inventory	**214**	255	**1 658**	1 790
Trade and other receivables	**194**	180	**1 277**	1 400
Amounts due from contract customers	**2 621**	3 310	**401**	654
Current trade and other payables	**(2 683)**	(2 958)	**(2 194)**	(2 764)
Amounts due to contract customers	**(813)**	(1 140)	**(224)**	(349)
Net working capital	**(467)**	(353)	**918**	731

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Notes:

UNCERTIFIED REVENUE AND CLAIMS

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	Jun'19 * Rm	Jun'18 Rm
Uncertified claims and variations**	**1 316**	1 646
Contract contingencies	**(638)**	(490)
Contract and retention receivables	**2 347**	2 810
Provision for contract receivables	**(3)**	(2)
Amounts due from customers	**3 022**	3 964
Progress billings received	**(977)**	(1 404)
Amounts received in advance	**(60)**	(85)
Amounts due to customers	**(1 037)**	(1 489)
Net amounts due from contract customers	**1 985**	2 475
Foreign exchange impact	**34**	8

	FY2019 Rm *					
	C&E SA and ROA	C&E Australia and Asia	Mining	Manufacturing & Processing	Other & eliminations	**TOTAL**
Contract claims	23	800	-	-	-	823
Uncertified variations (timing)	257	176	56	4	-	493
Uncertified claims and variations	280	976	56	4	-	1 316

	FY2018 Rm *					
	C&E SA and ROA	C&E Australia and Asia	Mining	Manufacturing & Processing	Other & eliminations	**TOTAL**
Contract claims	31	1 191	75	-	(55)	1 242
Uncertified variations (timing)	206	170	28	-	-	404
Uncertified claims and variations	237	1 361	103	-	(55)	1 646

*Reflects uncertified revenue and claims before Held for Sale adjustments
**Impacted by adoption of IFRS 15. Total transition adjustment R267m

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Notes:

MOVEMENT IN NET DEBT

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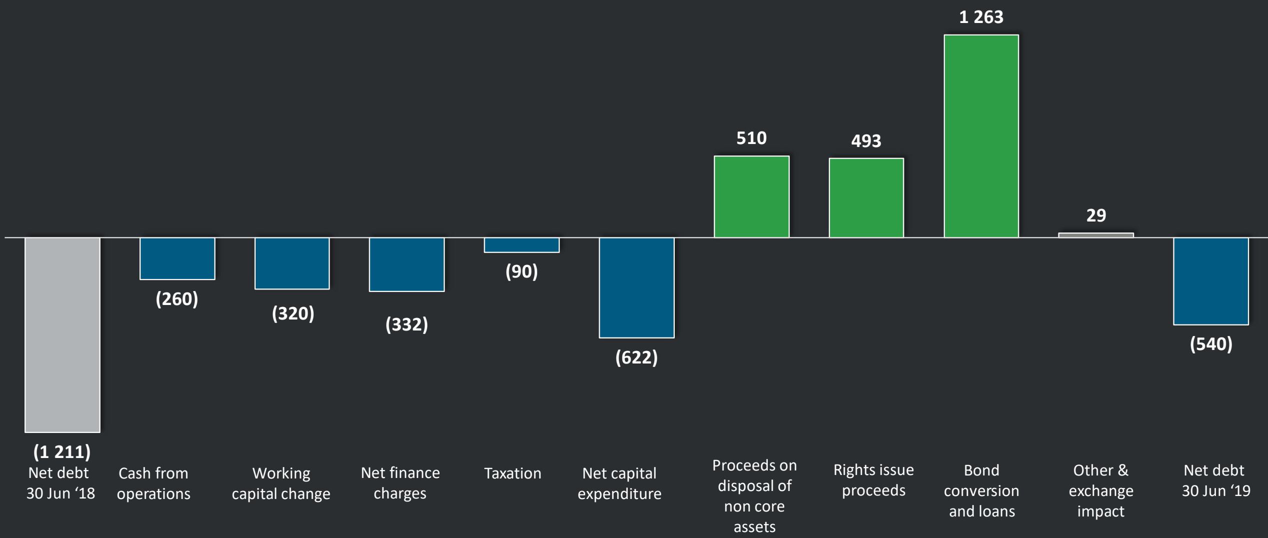

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AUDITED GROUP RESULTS FOR THE YEAR-ENDED 30 JUNE 2019 | 29 AUGUST 2019

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Notes:

LIQUIDITY

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	Jun'19 Rm	Jun'18 Rm
Net Cash	**1 605**	2 076
South African operations	**581**	633
McConnell Dowell	**1 024**	1 443
Borrowings	**2 145**	3 287
Convertible bond	**-**	1 929
South African operations	**1 967**	1 154
McConnell Dowell	**178**	204
Net (debt)	**(540)***	(1 211)

*Unutilised facilities of R302 million Jun'19

Gamsberg – South Africa

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Notes:


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OPERATIONAL REVIEW
WPA – Melbourne, Australia

Notes:

SAFETY, HEALTH & ENVIRONMENT

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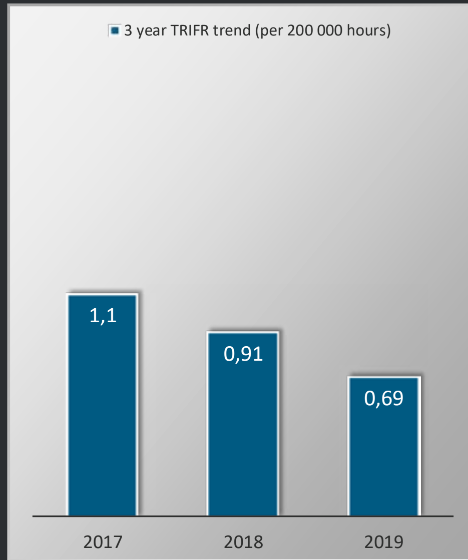
- Two fatalities
  - Mr Daniel Mathule fatally injured at N1 Ventersburg road project
  - Mr Ousseni Sore fatally injured at Tarpako site in Burkina Faso
- TRIFR improved to 0.69 and ahead of target
- Enhanced focus on employee health and road safety
- Areas of exceptional safety performance reported
- No major environmental incidents



Notes:

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

FAST FACTS

- Customer: Petronas
- EPCC
- Joint Venture with SYS
- 1300m trestle
- Onshore Civil Works with a container stacking yard, truck and trailer parks
- 30 month construction period

Notes:

MARKET CONDITIONS

PROVIDING A BETTER LIFE

01 Australia

- Strength across key MCD focus sectors
- Infrastructure activity underpinned by government-led investment
- Increased competition in sub $500m projects – ratifies strategy

02 New Zealand and Pacific Islands

- Construction market remains buoyant
- Growth opportunities driven by migration-led demand
- Capacity constraints may hamper core sector growth

03 South East Asia

- Rapid population growth increasing pace of urbanisation
- Region gaining prominence - currently 12% of Asia's GDP
- Highly competitive market in non-specialised segments

04 Built Environs

Australia & New Zealand

- Infrastructure activity underpinned by government and private sector investment plans

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McCONNELL DOWELL
CREATIVE CONSTRUCTION

Notes:

MCCONNELL DOWELL | Specialist capabilities

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Rail


Civils


Marine


Pipelines


Tunnel & Underground


Mechanical


Building

Notes:

MCCONNELL DOWELL | Strategy

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RESET

- Fundamentally restructured under new leadership to deliver sustainable future growth

DELIVER

- Stabilise operations
- Reset balance sheet
- Modest financial performance
- Loss-making projects derisked
- Claims settlement underway

GROW

- Strong performance across current footprint
- Increased activity in specialist areas
- Built Environs expansion
- Increased repeat work for major clients
- Strong brand recognition

EXTENDED GROWTH

- Recognised and respected leader in all selected regions
- Present and delivering projects in new areas within current footprint
- Consistent earnings growth

Progress to date

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AUDITED GROUP RESULTS FOR THE YEAR-ENDED 30 JUNE 2019 | 29 AUGUST 2019

McCONNELL DOWELL
CREATIVE CONSTRUCTION

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Notes:

MCCONNELL DOWELL | Overview

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- Profitable with improved margin
  - Revenue levels impacted by lower order book
  - New Zealand and Pacific Islands returned to profitability
  - Underperformance in Southeast Asia addressed
- Cash flow impacted by lower awards in H2
- Order book remains a key focus
  - AUD1,2 billion near orders

Mangere BNR plant– New Zealand

Notes:

MCCONNELL DOWELL | Outlook

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- All core market sectors offer growth opportunities
  - 77% of FY20 order book secured
  - Acceleration in tender activity
  - Improved risk and opportunity management
- Pursuing negotiated settlements for Gold Coast, Wheatstone and Perth Airport
- Stronger cash flow in line with order book growth

Army Bay Ocean Outfall– New Zealand

Notes:

MCCONNELL DOWELL | Order book

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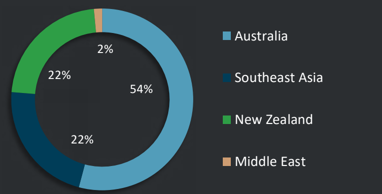
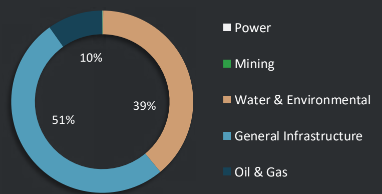
FY2019 REVENUE BY GEOGRAPHY



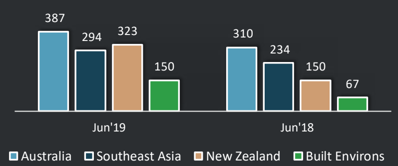
FY2019 REVENUE BY SECTOR



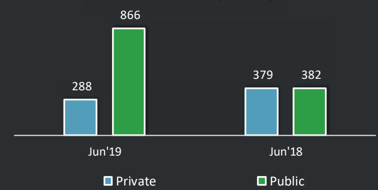
TWO-YEAR ORDER BOOK

	FY2019 AUDm	FY2018 AUDm	% change
Australia	**387**	310	25
New Zealand	**323**	150	115
Southeast Asia	**294**	234	26
Built Environs	**150**	67	124
TOTAL	**1 154**	761	52

TWO-YEAR ORDER BOOK BY GEOGRAPHY (AUDM)



TWO-YEAR ORDER BOOK BY PUBLIC & PRIVATE SECTOR (AUDM)



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AUDITED GROUP RESULTS FOR THE YEAR-ENDED 30 JUNE 2019 | 29 AUGUST 2019

McCONNELL DOWELL
CREATIVE CONSTRUCTION

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Notes:

Moolmans

FAST FACTS

- Customer: Gamsberg Zinc Mine – Northern Cape
- 51m BCMs of waste and ore mined at North Pit (44-month contract)
- Scope of work increased to include crusher fee and ore handling
- 9.1m BCMs of waste and ore mined at South Pit (20-month contract)
- Scope of work includes drilling, blasting, loading and hauling
- Contract rates renegotiated to mitigate mining challenges
- Mining in steady state at 30 June 2019

Gamsberg – South Africa

Notes:

MARKET CONDITIONS | Commodities

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01

Metal Price increases from 2019

- Supply shortfalls and declining inventories

02

Metal prices expected to continue recovery to 2020

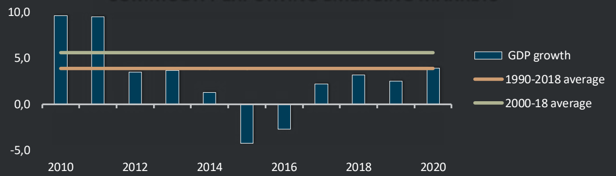
03

African ore production increasing since 2014

04

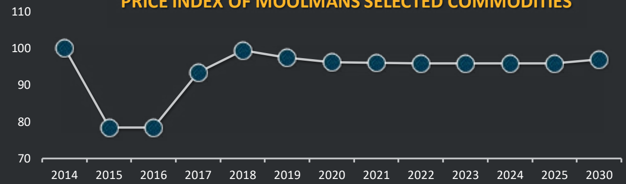
Emerging market exporters showing positive GDP growth

COMMODITY EXPORTING EMERGING MARKETS



Data Source : World Bank

PRICE INDEX OF MOOLMANS SELECTED COMMODITIES



Data Source : World Bank

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AUDITED GROUP RESULTS FOR THE YEAR-ENDED 30 JUNE 2019 | 29 AUGUST 2019

Moolmans

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Notes:

Moolmans | Capabilities

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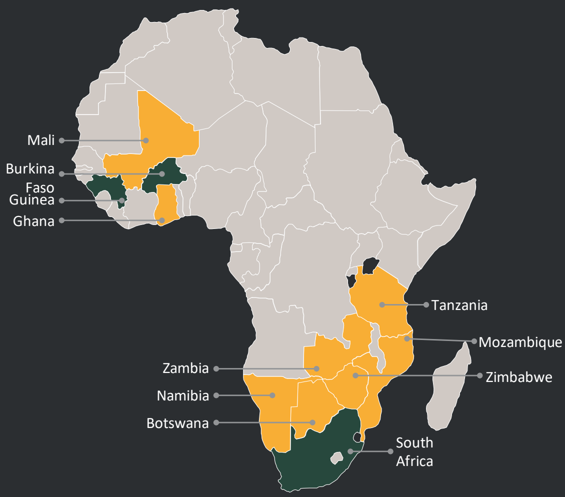
FOOTPRINT



CAPABILITY

Excavators / Face Shovels
Mass range : 170 – 700 tonnes

Dump Trucks
Mass range : 100 – 200 tonnes

Drill Rigs

Support Equipment

Underground Equipment

MARKET SECTORS


Open Cut Mining


Shaft Sinking


Underground Mining

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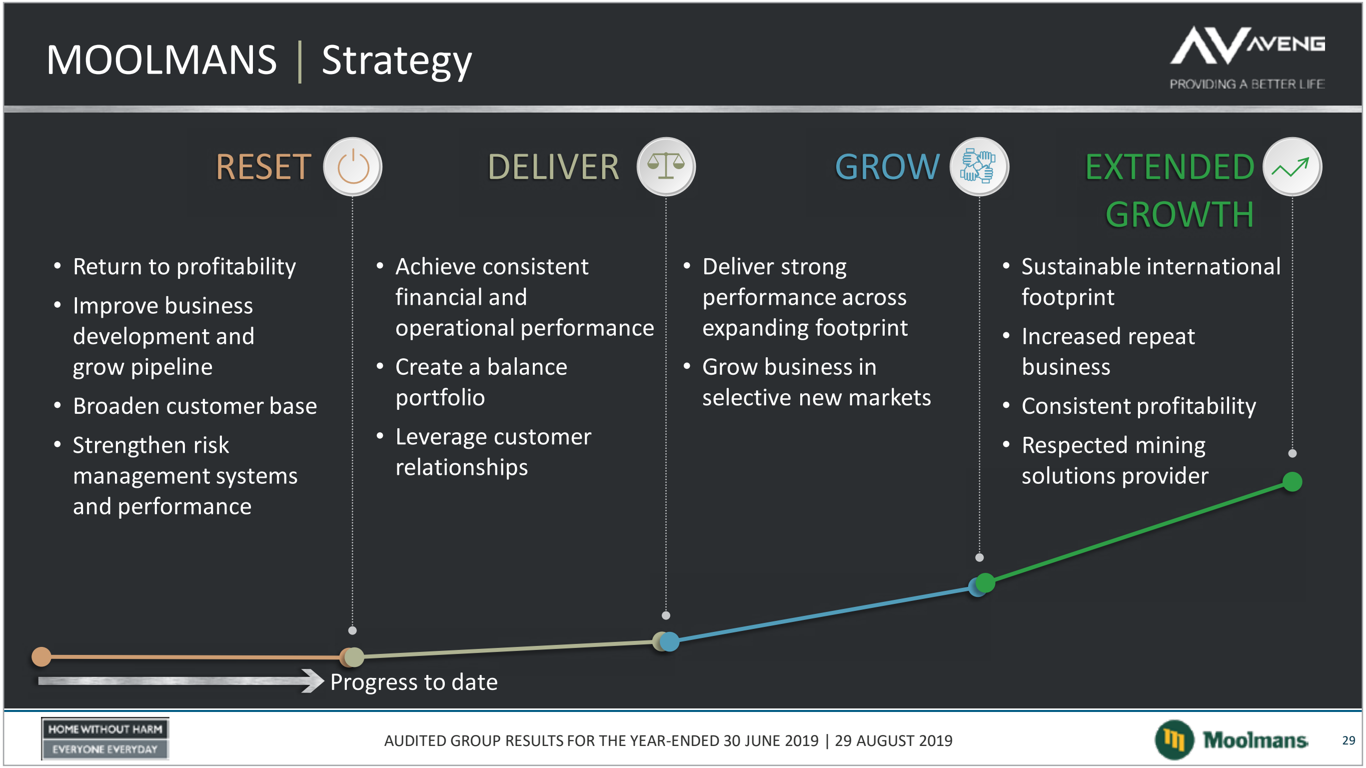
MOOLMANS | Strategy
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RESET
DELIVER
GROW
EXTENDED GROWTH
• Return to profitability
• Improve business development and grow pipeline
• Broaden customer base
• Strengthen risk management systems and performance
• Achieve consistent financial and operational performance
• Create a balance portfolio
• Leverage customer relationships
• Deliver strong performance across expanding footprint
• Grow business in selective new markets
• Sustainable international footprint
• Increased repeat business
• Consistent profitability
• Respected mining solutions provider
Progress to date
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AUDITED GROUP RESULTS FOR THE YEAR-ENDED 30 JUNE 2019 | 29 AUGUST 2019
Moolmans
29

Notes:

MOOLMANS | Overview

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- Unacceptable financial performance
  - Karowe and Khutala close-out costs
  - Gamsberg underperformance
- Group-led intervention plan
  - Gamsberg contract renegotiated
  - Jerome Govender appointed MD
  - Performance monitoring improved
  - Five contract extensions obtained
- Fleet investment R584 million

Nkomati – South Africa

Notes:

OUTLOOK AND PROSPECTS

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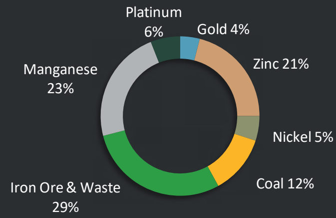
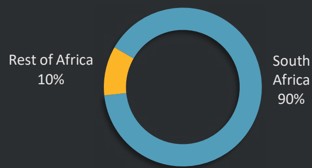
- Return to profitability
  - Increased contract scopes and rates
  - 50% order book growth from Dec 18
  - 82% of FY20 revenue secured
- Decision on Nkomati's future to be mitigated
  - Opportunities exist to redeploy fleet
- Key focus on building project pipeline
- Maintaining asset health

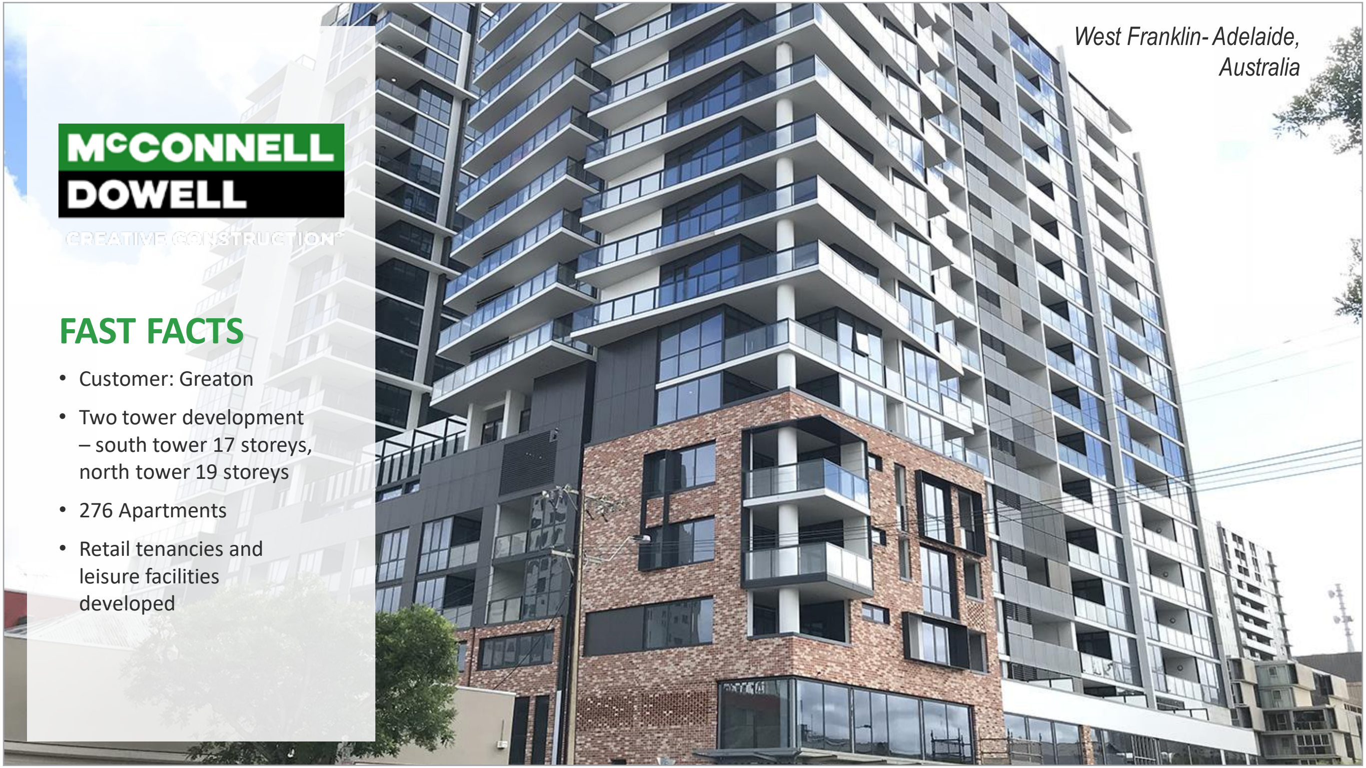
TWO-YEAR ORDER BOOK






Khutala – South Africa

Notes:



West Franklin- Adelaide, Australia

McCONNELL DOWELL

CREATIVE CONSTRUCTION

FAST FACTS

- Customer: Greaton
- Two tower development – south tower 17 storeys, north tower 19 storeys
- 276 Apartments
- Retail tenancies and leisure facilities developed

Notes: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OUTLOOK
Tuas Bridges
- Singapore

Notes:

TWO-YEAR ORDER BOOK | Core

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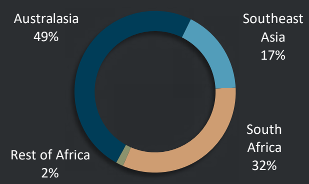
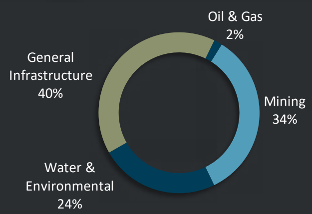
TWO-YEAR ORDER BOOK BY GEOGRAPHY



TWO-YEAR ORDER BOOK BY SECTOR



TWO-YEAR ORDER BOOK

	FY 2019 Rm	FY 2018 Rm
McConnell Dowell	**11 686**	7 704
Moolmans	**5 980**	5 273
TOTAL	**17 666**	12 977

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Notes:

LONG-TERM STRATEGY GOALS

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01 CAPITAL RESTRUCTURE

- Sustainable capital structure with lower debt
  - Disposal proceeds
  - Cash generative core businesses

02 NON-CORE ASSET DISPOSAL

- All disposals completed
- Group derisked

03 CORE OPERATIONAL PERFORMANCE

McCONNELL DOWELL — CREATIVE CONSTRUCTION™

- Consistent profitability in growing markets
- Historic claims settled
- Order book growth

Moolmans

- Return to profitability
- Order book growth

04 SHAREHOLDER RETURNS

- Both core operations achieving strategic objectives
- Improve equity value for shareholders

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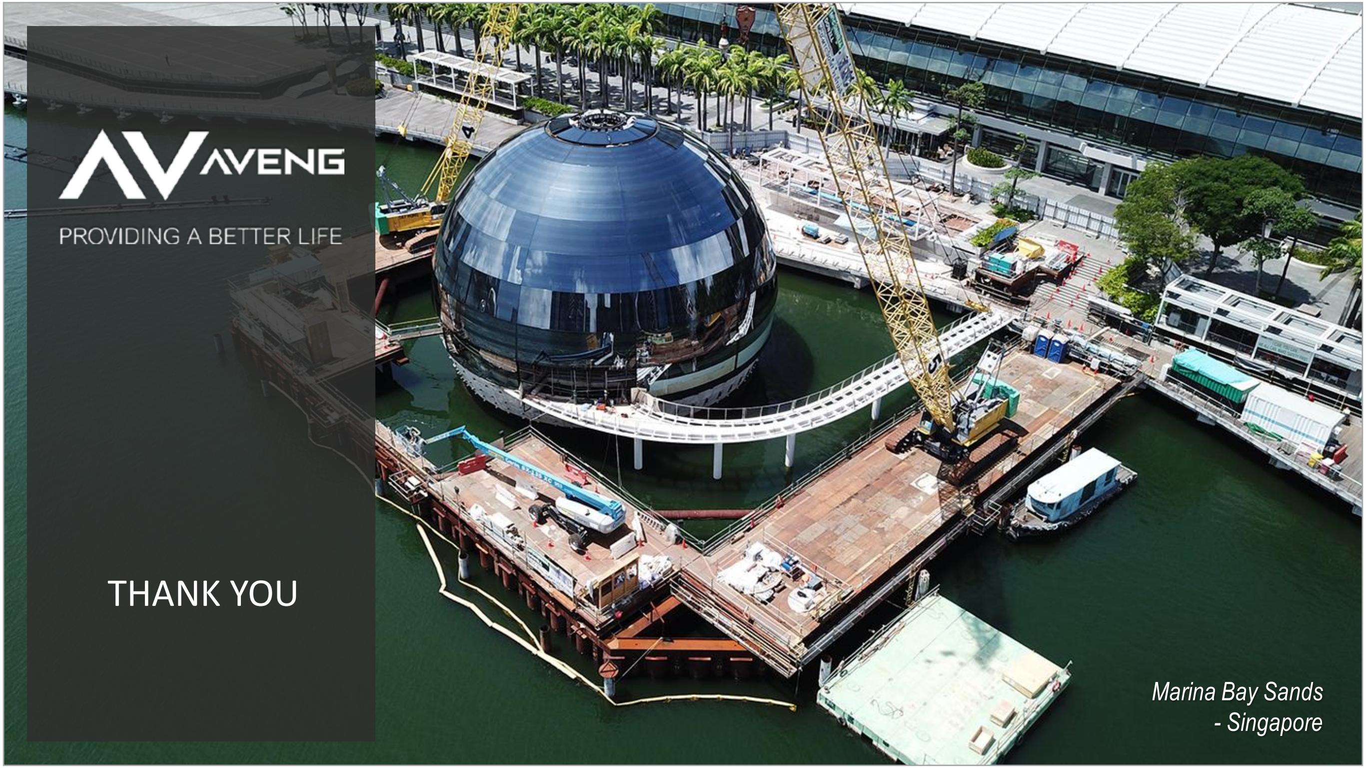
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THANK YOU
Marina Bay Sands - Singapore

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Summarised audited consolidated annual financial statements
for the year ended 30 June 2019

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Salient features – financial performance

for the year ended 30 June 2019

Revenue

R25,7 billion

Decrease from R30,6 billion

Gain on disposal of non-core assets

R244 million

Operating loss

R1,1 billion

Increase from R401 million loss at June 2018

Loss per share

10,5 cents

Movement from 653,9 cents loss per share at June 2018

Headline loss

R1,54 billion

Improvement from R1,56 billion loss (restated) at June 2018

Headline loss per share

9,7 cents

Movement from 290,1 cents loss (restated) per share at June 2018

Operating free cash flow

R1 billion

outflow

June 2018: R34 million cash outflow

Core two-year order book

R17,7 billion

Increase from R13 billion June 2018

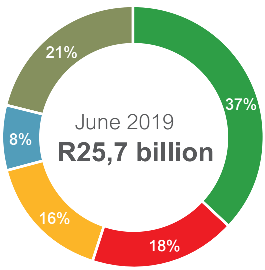
Salient features – segmental analysis

for the year ended 30 June 2019

Net operating loss – segmental analysis

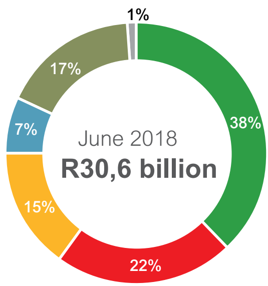
	FY2019 Rm	FY2018 Rm	Change %
South Africa and rest of Africa	**(401)**	(367)	9
Aveng Grinaker-LTA	**(400)**	(350)	14
Aveng Capital Partners	**(1)**	(17)	>100
Australasia and Asia	**110**	103	7
Total Construction and Engineering	**(291)**	(264)	10
Mining	**(372)**	11	>(100)
Manufacturing and Processing	**(129)**	(167)	23
Aveng Steel	**39**	29	34
Aveng Manufacturing	**(168)**	(196)	14
Other and Eliminations	**(327)**	19	>(100)
Net operating loss	**(1 119)**	(401)	>(100)
Loss attributable to equity-holders of the parent	**(1 681)**	(3 523)	52
Headline loss	**(1 545)**	(1 563)*	1

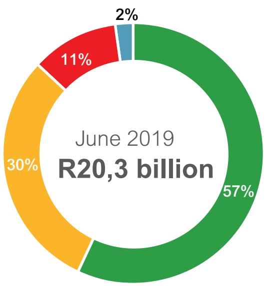
** 30 June 2018 restatement due to a loss on derecognition of components resulting from costs being disaggregated within the already recorded cost of sales to better reflect the asset component utilisation.*



Revenue per operating group

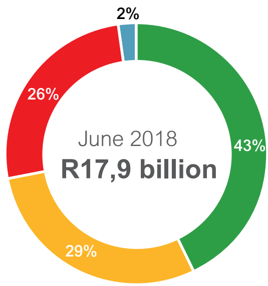
- McConnell Dowell
- Aveng Grinaker-LTA
- Moolmans
- Aveng Manufacturing
- Aveng Steel
- Other and Eliminations





Two-year order book per operating group

- McConnell Dowell
- Aveng Grinaker-LTA
- Moolmans
- Aveng Manufacturing



Summarised statement of financial position

as at 30 June 2019

	Notes	2019 Rm	2018 Rm
ASSETS			
Non-current assets			
Goodwill arising on consolidation		**100**	100
Intangible assets		**39**	47
Property, plant and equipment		**2 814**	3 010
Equity-accounted investments		**45**	73
Infrastructure investments		**142**	142
Deferred taxation	10	**622**	747
Amounts due from contract customers	11	**462**	661
		4 224	4 780
Current assets			
Inventories		**214**	255
Derivative instruments		**–**	3
Amounts due from contract customers	11	**2 159**	2 649
Trade and other receivables		**194**	180
Taxation receivable		**43**	39
Cash and bank balances		**1 605**	2 391
		4 215	5 517
Assets Held for Sale	12	**3 843**	4 773
TOTAL ASSETS		**12 282**	15 070
EQUITY AND LIABILITIES			
Equity			
Stated capital	13	**3 874**	2 009
Other reserves		**781**	1 118
Accumulated losses		**(2 208)**	(542)
Equity attributable to equity-holders of parent		**2 447**	2 585
Non-controlling interest		**7**	9
TOTAL EQUITY		**2 454**	2 594
Liabilities			
Non-current liabilities			
Deferred taxation	10	**86**	49
Borrowings and other liabilities	14	**1 450**	2 688
Payables other than contract-related		**115**	125
Employee-related payables		**245**	248
		1 896	3 110
Current liabilities			
Amounts due to contract customers	11	**813**	1 140
Borrowings and other liabilities	14	**695**	599
Payables other than contract-related		**21**	21
Employee-related payables		**283**	253
Derivative instruments		**1**	–
Trade and other payables		**2 683**	2 958
Bank overdrafts		**–**	315
		4 496	5 286
Liabilities Held for Sale	12	**3 436**	4 080
TOTAL LIABILITIES		**9 828**	12 476
TOTAL EQUITY AND LIABILITIES		**12 282**	15 070

Summarised statement of comprehensive earnings

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Revenue	15	**25 676**	30 580
Cost of sales		**(24 628)**	(28 782)
Gross earnings		**1 048**	1 798
Other earnings		**110**	106
Operating expenses		**(2 247)**	(2 292)
Loss from equity-accounted investments		**(30)**	(13)
Operating loss		**(1 119)**	(401)
Impairment loss on goodwill, intangible assets and property, plant and equipment		**(241)**	(1 298)
Impairment on equity-accounted investments		**–**	(195)
Gain on redemption of convertible bonds		**102**	–
Gain on disposal of assets Held for Sale		**203**	–
Gain on disposal of subsidiary		**41**	–
Gain on disposal of property, plant and equipment		**36**	47
Fair value adjustment on properties and disposal groups classified as Held for Sale	12	**(51)**	(807)
Loss before financing transactions		**(1 029)**	(2 654)
Interest earned on bank balances***		**181**	246
Interest on convertible bonds		**(63)**	(251)
Other finance expenses		**(524)**	(434)
Loss before taxation		**(1 435)**	(3 093)
Taxation	16	**(245)**	(426)
Loss for the period		**(1 680)**	(3 519)
Loss from continuing operations		**(927)**	(1 050)
Loss from discontinued operations	6	**(753)**	(2 469)

	2019 Rm	2018 Rm
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	**(73)**	48
Convertible bond reserve movement	**20**	–
Other comprehensive (loss) / earnings for the period, net of taxation	**(53)**	48
Total comprehensive loss for the period	**(1 733)**	(3 471)
Total comprehensive loss for the period attributable to:		
Equity-holders of the parent	**(1 731)**	(3 473)
Non-controlling interest	**(2)**	2
	(1 733)	(3 471)
Loss for the period attributable to:		
Equity-holders of the parent	**(1 681)**	(3 523)
Non-controlling interest	**1**	4
	(1 680)	(3 519)
Other comprehensive (loss) / earnings for the period, net of taxation		
Equity-holders of the parent	**(50)**	50
Non-controlling interest	**(3)**	(2)
	(53)	48
Results per share (cents)		
From continuing and discontinued operations**		
Loss – basic	**(10,5)**	(653,9)
Loss – diluted	**(10,5)**	(642,9)
From continuing operations		
Loss – basic	**(5,8)**	(195,6)
Loss – diluted	**(5,8)**	(192,4)
From discontinued operations		
Loss – basic	**(4,7)**	(458,3)
Loss – diluted	**(4,7)**	(450,6)
Number of shares (millions)*		
In issue	**19 394,5**	416,7
Weighted average	**15 995,5**	538,8
Diluted weighted average	**15 995,5**	548,0

The continued and discontinued operations loss before interest, depreciation and amortisation for the Group, being net operating loss before interest, tax, depreciation and amortisation is R369 million. The earnings before interest, tax, depreciation and amortisation for the Group in June 2018 was R293 million.

* *The Group undertook a rights offer on 4 July 2018, whereby the total number of rights offer shares subscribed for and excess allocations applied for was 4 931 854 395 rights offer shares. Further to this, the Group redeemed an existing convertible bond on 25 September 2018 through a specific issue of ordinary shares amounting to 14 045 972 894 shares.*

** *The profit / (loss) – basic and profit / (loss) – diluted amounts for 30 June 2018 have been retrospectively adjusted as per* IAS 33 Earnings per Share, *paragraph 26, due to the rights offer share issue.*

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

Summarised statement of changes in equity

for the year ended 30 June 2019

	Stated capital*** Rm	Foreign currency translation reserve Rm	Equity settled share-based payment reserve Rm
Balance at 1 July 2017	2 009	761	31
(Loss) / earnings for the period	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	50	–
Total comprehensive loss for the period	–	50	–
Equity-settled share-based payment charge	–	–	8
Dividends paid	–	–	–
Total contribution and distributions recognised	–	–	8
Balance at 1 July 2018 as previously reported	2 009	811	39
Adoption of IFRS 9 accounting standard*	–	–	–
Adoption of IFRS 15 accounting standard**	–	–	–
Balance at 1 July 2018	**2 009**	**811**	**39**
(Loss) / earnings for the period	–	**–**	**–**
Other comprehensive loss for the period (net of taxation)	**–**	**(70)**	**–**
Total comprehensive loss for the period	**–**	**(70)**	**–**
Equity-settled share-based payment charge	–	**–**	**1**
Redemption of convertible bond	**–**	**–**	**–**
Share issue – rights to qualifying shareholders (4 July 2018)	**461**	**–**	**–**
Share issue – early redemption convertible bond (25 September 2018)	**1 404**	**–**	**–**
Total contributions and distributions recognised	**1 865**	**–**	**1**
Balance at 30 June 2019	**3 874**	**741**	**40**
Note	13		

* *The adoption of the expected credit loss model under IFRS 9 has impacted the accumulated losses opening balance by R6 million. Prior year balances have not been amended as detailed in note 2: Basis of preparation and changes to the Group accounting policies.*

** *The adoption of IFRS 15 has impacted the accumulated losses opening balance by R267 million. Refer to the effect on disclosure in note 2.3: Impact of adopting new standards on the statement of financial position.*

*** *In the prior year, stated capital was disclosed as share capital and share premium. This has been aggregated into a single amount in the current year as it provides a more accurate reflection of the nature of this account. There was no impact on the summarised audited consolidated annual financial statements by combining these columns.*

Convertible bond equity reserve Rm	Total other reserves Rm	Retained earnings / (accumulated losses) Rm	Total attributable to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
268	1 060	2 981	6 050	8	6 058
–	–	(3 523)	(3 523)	4	(3 519)
–	50	–	50	(2)	48
–	50	(3 523)	(3 473)	2	(3 471)
–	8	–	8	–	8
–	–	–	–	(1)	(1)
–	8	–	8	(1)	7
268	1 118	(542)	2 585	9	2 594
–	–	(6)	(6)	–	(6)
–	–	(267)	(267)	–	(267)
268	**1 118**	**(815)**	**2 312**	**9**	**2 321**
–	**–**	**(1 681)**	**(1 681)**	**1**	**(1 680)**
20	**(50)**	**–**	**(50)**	**(3)**	**(53)**
20	**(50)**	**(1 681)**	**(1 731)**	**(2)**	**(1 733)**
–	**1**	**–**	**1**	**–**	**1**
(288)	**(288)**	**288**	**–**	**–**	**–**
–	**–**	**–**	**461**	**–**	**461**
–	**–**	**–**	**1 404**	**–**	**1 404**
(288)	**(287)**	**288**	**1 866**	**–**	**1 866**
–	**781**	**(2 208)**	**2 447**	**7**	**2 454**

Summarised statement of cash flows

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Operating activities			
Cash utilised from operations		**(1 002)**	(2 648)
Non-cash and other movements	17	**(8)**	2 177
Cash utilised from operations		**(1 010)**	(471)
Depreciation		**742**	666
Amortisation		**8**	28
Cash (utilised) / generated by operations		**(260)**	223
Changes in working capital:			
Decrease in inventories		**41**	1 847
Decrease in amounts due from contract customers		**420**	1 158
(Increase) / decrease in trade and other receivables		**(18)**	1 660
Decrease in amounts due to contract customers		**(327)**	(211)
Decrease in trade and other payables		**(274)**	(2 959)
Decrease in derivative instruments		**(4)**	(18)
Decrease in payables other than contract-related		**(21)**	(21)
Increase / (decrease) in employee-related payables		**24**	(340)
Decrease in working capital Held for Sale		**(161)**	(526)
Total changes in working capital		**(320)**	590
Cash (utilised) / generated by operating activities		**(580)**	813
Finance expenses paid		**(513)**	(532)
Finance earnings received		**181**	244
Taxation paid		**(90)**	(95)
Cash (outflow) / inflow from operating activities		**(1 002)**	430
Acquisition of property, plant and equipment – expansion		**(47)**	(138)
Acquisition of property, plant and equipment – replacement		**(674)**	(625)
Proceeds on disposal of property, plant and equipment		**97**	291
Proceeds on disposal of assets Held for Sale		**449**	–
Proceeds on disposal of subsidiary		**61**	–
Acquisition of intangible assets – replacement		**–**	(23)
Investments in Associate and Joint Ventures		**2**	
Capital expenditure net of proceeds on disposal		**(112)**	(495)

	Notes	2019 Rm	2018 Rm
Loans repaid by equity-accounted investments net of dividends received		**6**	18
Loans repaid by infrastructure investment companies		**–**	6
Dividends received		**3**	7
Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale		**102**	–
Cash outflow from investing activities		**(1)**	(464)
Operating free cash outflow		**(1 003)**	(34)
Financing activities with equity-holders			
Proceeds from shares issued		**1 866**	–
Dividends paid		**–**	(1)
Financing activities with debt-holders			
Early redemption of convertible bond		**(2 031)**	–
Net proceeds from borrowings		**786**	134
Movements in borrowings classified as Held for Sale		**(8)**	
Cash inflow from financing activities		**613**	133
Net (decrease) / increase in cash and bank balances before foreign exchange movements		**(390)**	99
Foreign exchange movements on cash and bank balances		**(81)**	(19)
Cash and bank balances at the beginning of the period		**2 076**	1 996
Total cash and bank balances at the end of the period		**1 605**	2 076
Borrowings excluding bank overdrafts		**2 145**	3 287
Net debt position		**(540)**	(1 211)

Notes to the summarised consolidated annual financial statements

for the year ended 30 June 2019

1. CORPORATE INFORMATION

The summarised audited consolidated annual financial statements (results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the period ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 28 August 2019.

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

Ms Edinah Mandizha was appointed as Group company secretary effective 13 September 2018.

Ms Kholeka Mzondeki resigned as the Group lead independent non-executive director effective 24 December 2018.

Ms May Hermanus was appointed as lead independent non-executive director effective from 24 December 2018, and was appointed to the audit and risk committee effective 20 February 2019.

Mr Mike Kilbride was appointed as chairman of the remuneration committee effective 24 December 2018, and was appointed as a member of the social, ethics and transformation committee effective 22 February 2019.

Mr Sean Flanagan was appointed as the chief executive officer (CEO) with effect from 1 February 2019

Mr Philip Hourquebie was appointed to the safety, health and environment committee effective 22 February 2019.

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

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

Basis of preparation

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

The summarised audited consolidated annual financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest million (Rm) except when otherwise indicated. The accounting policies adopted are consistent with those of the previous year as well as the Group's interim results as at 31 December 2018, except as disclosed in *note 4: New Accounting Standards not yet effective* of the Group's summarised audited consolidated annual financial statements.

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

Basis of preparation continued

The summarised audited consolidated annual financial results do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's audited consolidated annual financial statements as at 30 June 2019 that are available on the Company's website, www.aveng.co.za.

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

The summarised audited consolidated annual financial statements have been audited by Ernst & Young Inc. 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 summarised results

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

Changes to Group accounting policies

The Group adopted *IFRS 15 Revenue from Contracts with Customers (IFRS 15)* (see 2.1) and *IFRS 9 Financial Instruments* (IFRS 9) (see 2.2) with effect from 1 July 2018. A number of new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

2.1 *IFRS 15 Revenue from Contracts with Customers*

The Group has adopted *IFRS 15* using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 30 June 2018 has not been restated – i.e. it is presented, as previously reported under *IAS 18 Revenue (IAS 18), IAS 11 Construction Contracts (IAS 11)* and related interpretations.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces *IAS 18, IAS 11* and related interpretations.

The Group has elected to use the optional transitional practical expedient relating to contract modifications. Under this practical expedient, the Group reflected the aggregate effect of all modifications that occurred before the date of initial application of *IFRS 15* when identifying the satisfied and unsatisfied performance obligation, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations for the modified contract at transition.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

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

2.1 *IFRS 15 Revenue from Contracts with Customers* continued

The details and quantitative impact of the changes in the accounting policy are disclosed in *note 2.3 Impact of adopting the new standards on the statement of financial position.*

Timing of revenue from exported goods

The Group sells certain products to the export market in Africa. Revenue is recognised when the customer obtains control of the goods. Determining the timing of transfer of control requires judgement. Where control is transferred on a later date, revenue on the transaction will only be recorded when control has transferred and will result in a delay in revenue recognition.

Claims impact on transaction price

Claims are subject to a high level of uncertainty. Various claims are submitted by the Group to their customers. Under *IFRS 15* revenue from claims is required to be accounted for as variable consideration and claims are included in revenue only when it is highly probable that revenue will not be reversed in the future. In terms of *IAS 11*, claims were recognised when the probable criteria was met. Revenue will only be recognised when the highly probable threshold was met, which is later than previous revenue recognition under *IAS 11*.

2.2 *IFRS 9 Financial Instruments*

IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; hedge accounting; and impairment of financial assets.

Classification and measurement

The Group had early adopted the *IFRS 9* classification and measurement of the financial instruments, and there are no changes in classification and measurement in the current financial year.

Hedge accounting

The Group does not have any significant hedge accounting arrangements which are impacted by the adoption of *IFRS 9*.

Impairment of financial assets

The Group has adopted the impairment component of *IFRS 9* using the modified retrospective method with the cumulative effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented in the 30 June 2018 financial statements has not been restated – i.e. it is presented, as previously reported under *IAS 39*.

The effect of adopting the measurement section of *IFRS 9* on the carrying amount of financial instruments as at 1 July 2018 relates solely to the new impairment requirements, as detailed in further below. For assets in the scope of *IFRS 9* impairment model, impairment losses have increased, however not significantly, and have become more volatile.

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

2.2 *IFRS 9 Financial Instruments* continued

Impairment of financial assets continued

IFRS 9 replaces the incurred loss model in *IAS 39* with a forward-looking expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments at fair value through other comprehensive earnings, but not to investments in equity instruments. Under *IFRS 9*, credit losses are recognised earlier than *IAS 39*.

Under *IFRS 9*, ECLs are recognised in either of the following stages:
- 12-month ECLs: those are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: those are ECLs that result from all possible default events over the expected life of the instrument.

The Group has elected to measure the loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs subsequent to initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and an analysis, based on the Group's historical experience and information, including credit assessment and forward looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the entity in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate of the financial asset).

Credit-impaired financial assets

At each reporting date, the Group has assessed whether financial assets within the scope of *IFRS 9* impairment requirements are credit-impaired.

Debt instruments not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of credit-impairment. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

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

2.3 Impact of adopting new standards on the statement of financial position

In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application of *IFRS 9* and *IFRS 15*:

Impact on assets and liabilities at 1 July 2018	As reported previously at 30 June 2018 Rm	*IFRS 15* transition adjustments* Rm	*IFRS 9* expected credit loss transition adjustments** Rm	**Opening balance Rm**
Non-current assets				
Deferred taxation asset	747	–***	–***	**747**
Amounts due from contract customers	661	(190)	–	**471**
Current assets				
Amounts due from contract customers	2 649	(77)	(2)	**2 570**
Trade and other receivables	180	–	(4)	**176**
Total assets impact		(267)	(6)	
Accumulated losses	(542)	(267)	(6)	**(815)**
Total equity impact		(267)	(6)	

* *The adoption of* IFRS 15 *has impacted the amounts due from contract customers by R190 million, and the trade and other receivables by R77 million. At the end of the prior reporting period, contract claims previously recognised under* IAS 11 Construction Contracts *could not be recognised under* IFRS 15*, as the transaction price could not be ascertained, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised would not occur when the uncertainty associated with the variable consideration is subsequently resolved.*

** *The adoption of the expected credit loss model under* IFRS 9 *has impacted the amounts due from contract customers by R2 million, and the trade and other receivables by R4 million. Prior year balances have not been amended.*

*** *There will be no deferred tax impact as at 1 July 2018 due to the fact that the Group is in an assessed loss position as at this date.*

The Group has determined that the effect of the ECL on the loss per share at 30 June 2019 is immaterial.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

3.1 Judgements and estimation assumptions

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

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

3.1.1 Deferred taxation

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

Refer to *note 10: Deferred taxation* for further detail.

3.1.2 Amounts due from / (to) contract customers

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

Refer to *note 11: Amounts due from / (to) contract customers* for further detail.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.3 Loss-making and onerous contracts

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

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

3.1.4 Trade and other receivables and contract receivables

Allowance for doubtful debts

The Group estimates the level of allowance required for doubtful debts on an ongoing basis based on historical experience as well as other specific relevant factors.

Provision for expected credit losses

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

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

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

Due to the short-term nature of the trade receivables portfolio (less than one year), the Group assumes that the exposure-at-default (EAD) will equal the amount outstanding at reporting date. The Group assumes that the period of exposure would amount to the payment term plus the number of days defined as default. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers this period to be the number of days defined as default as it is the maximum contractual period over which the Group is exposed to risk.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.4 Trade and other receivables and contract receivables continued

Provision for expected credit losses continued

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

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

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

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

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

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

3.1.6 Revenue recognition

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

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

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.6 Revenue recognition continued

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

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

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

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

Standards and interpretations	Description	Effective date: Periods beginning on or after
IFRS 16 Leases (New standard)	*IFRS 16 Leases* replaces existing leases guidance, including *IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives* and *SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply *IFRS 15* at or before the date of initial application of *IFRS 16*. *IFRS 16* introduces a single, on-balance sheet lease accounting model for lessees, similar to the accounting for finance leases under *IAS 17*. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.	1 January 2019

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE continued

Standards and interpretations	Description	Effective date: Periods beginning on or after
IFRS 16 Leases (New standard) continued	The Group leases multiple assets such as buildings and motor vehicles, for example, as well as certain low value assets and short-term leases and currently accounts for these as operating leases and also leases multiple assets such as mining equipment, for example, and currently accounts for these as finance leases. Management is in the process of performing a detailed assessment of the impact of the standard on lessee accounting in the consolidated financial statements from a lessee perspective. On application, the current operating lease assets will be capitalised and reflected as lease assets (right-of-use assets) and lease liabilities on the statement of financial position. The previous straight-lining effect associated with *IAS 17 Leases* accounting will be reversed, resulting in further accounting impacts on the consolidated financial statements. On application, the existing finance lease assets and liabilities will be remeasured in line with the requirements of the standard, and reclassified and reflected as lease assets (right-of-use assets) and lease liabilities on the consolidated statement of financial position. The consolidated statement of cash flows will be affected with payments to be split between repayments of the principal and interest amounts. The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with *IFRS 16 Leases*, requirements including the implication of adoption of the various transition options.	1 January 2019

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE continued

Standards and interpretations	Description	Effective date: Periods beginning on or after
IFRS 16 Leases (New standard) continued	Based on the outcomes of the detailed assessments referred to above, the Group will determine which transition option to apply. The largest impact to the Group under this standard is expected to relate to the sale and operating leaseback of properties implemented in previous years, mining equipment at Aveng Moolmans, as well as a number of operating leases for equipment and vehicles. Assets and liabilities would increase while the expense related to these properties would be shown as depreciation and added back for EBITDA. Finance expense relating to the liabilities is expected to initially increase and subsequently decrease with the unwinding of the liability profile. At the reporting date, the Group has non-cancellable operating lease commitments of R1 971 million. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under *IFRS 16* is substantially unchanged from today's accounting under *IAS 17*. Lessors will continue to classify all leases using the same classification principle as in *IAS 17* and distinguish between two types of leases: operating and finance leases. No significant impact is expected for the Group's finance leases. The Group is in the process of identifying and assessing all operating leases, in conjunction with the process for the two standards detailed above from a lessor's perspective.	1 January 2019

5. GOING CONCERN AND LIQUIDITY

As detailed in note 2: *Basis of preparation and changes to Group accounting policies* and note 19: *Events after the reporting period* to the financial statements, in determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group can continue in operational existence for the foreseeable future.

Management has prepared a budget and business plan for the 2020 financial year and the following two years, as well as cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared with the assistance of several independent external consultants and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

These forecasts and plans, being implemented by management, indicate that the Group will have sufficient cash resources for the foreseeable future. In approving the operational liquidity forecasts, the Board has considered the following information up to the date of approval of these financial statements.

Achieved during the period

- Raising R493 million of new capital in a rights issue in July 2018;
- Redeeming the R2 billion convertible bonds in September 2018, 10 months before they matured, funded by a new R460 million debt instrument and the specific issue of Aveng shares;
- Securing an additional R400 million in bank debt from a consortium of lenders on extended funding terms;
- Repaying R300 million by June 2019;
- Renegotiating the repayment terms of the remaining R100 million;
- Renegotiating the debt repayment terms and extending the Term and Revolving Credit Facilities term date; and
- Improved cash flow forecasting to allow for more efficient planning and cash management.

Execution of plans

- R1 billion progression on the non-core asset disposal plan, including:
  - the receipt of disposals of R520 million - Aveng Rail of R133 million, Aveng Water of R85 million, Jet Park property of R215 million and other properties and investments of R87 million;
  - the announced disposal of R488 million:
    - Aveng Infraset for R180 million;
    - Aveng Duraset Alrode business for R50 million
    - Aveng DFC for R114 million;
    - Aveng Rand Roads for R37 million;
    - Aveng Ground Engineering for R7,5 million; and
    - Aveng Civil Engineering and Buildings for R100 million with a deferred payment mechanism. (refer to note 19. *Events after the reporting period*).
  - Other disposals are at varying stages of execution.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

5. GOING CONCERN AND LIQUIDITY continued

Execution of plans continued

- Updated budget and business plans for post year end period up to 30 June 2021 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved once non-core businesses have been disposed;
- Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the South African lending banks, Australian banks or other financing agreements within the individual liquidity pools; and
- The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations.

In the 2019 financial year, the Group reported a loss after tax of R1 680 million, inclusive of R241 million of impairments. As a result of these losses and continued difficult trading conditions in the domestic market, the Group's available cash resources were negatively impacted. The Group continues to focus on improving operational performance, reducing overhead and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded, implemented or are in progress.

The Group has cash (net of bank overdraft facilities) of R1,6 billion (2018: R2.1 billion) at year end, of which R624 million (2018: R568 million) is held in joint arrangements. Unutilised facilities amounted to R302 million (2018: R536 million).

The directors have considered all of the above, including detailed consideration of the current position of all core and non-core businesses, all business plans and forecasts, including all available information, outcome of the Aveng Australia Holdings Group and Aveng Africa Group going concern reviews and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements, and that sufficient liquidity will be available to support the ongoing operations of the Group.

Refer to note 19: *Events after the reporting period*, information included in the detailed commentary, note 15: *Revenue*, and note 7: *Segmental report* which forms an integral part of the Going concern assessment.

6. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

During the previous financial year, management embarked on an extensive strategic review to ensure the Group's sustainable future. The review was completed in February 2018 following a thorough and robust interrogation of all parts of the business. The review included the identification of businesses and assets that are core to the Group and which support the overall long-term strategy, determining the most appropriate operating structure, as well as recommending a sustainable future capital and funding model.

A comprehensive plan was developed and is being implemented by management to execute on the critical findings of the strategic review. Some of the critical findings included the reshaping of the Group's operating structure to a smaller and more focused group. The newly envisaged Group structure comprises McConnell Dowell and Aveng Moolmans forming the core businesses of the Group with Aveng Grinaker-LTA, Aveng Manufacturing and Aveng Trident Steel being deemed the non-core operating groups. As at 30 June 2019, management remained committed to a robust plan to exit and dispose of the identified non-core operating groups.

Aveng Grinaker-LTA, forming part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment (refer to *note 7: Segmental report*) and Aveng Manufacturing and Aveng Trident Steel, both forming part of the *Manufacturing and Processing* reportable segment (refer to *note 7: Segmental report*), have met the requirements in terms of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* and have been presented as discontinued operations in the Group's statement of comprehensive earnings.

The Group's intention to dispose of the non-core operating groups triggered an initial impairment assessment on the underlying assets at 30 June 2018, and impairment was allocated to the identified cash-generating units of the operating groups (refer to *note 9: Impairment*).

The underlying assets and liabilities of the non-core operating groups were classified as Held for Sale per the requirements of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in separately identifiable disposal groups (refer to *note 12: Assets and Liabilities classified as Held for Sale*).

Further to this, the Group remeasured the non-core operating groups by calculating the subsequent fair value less costs to sell as at 30 June 2019. The subsequent fair value measurement is detailed on the following page.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

6. DISCONTINUED OPERATIONS continued

Identification and classification of discontinued operations continued

The loss from discontinued operations is analysed as follows:

	2019 Rm	2018 Rm
Revenue	**12 128**	13 975
Cost of sales	**(11 864)**	(13 659)
Gross earnings	**264**	316
Other earnings	**118**	113
Operating expenses	**(916)**	(966)
Earnings from equity-accounted investments	**4**	3
Operating loss	**(530)**	(534)
Impairment loss on goodwill, intangible assets and property, plant and equipment	**(78)**	(1 132)
Impairment loss on equity-accounted investments	**–**	(7)
Gain on disposal of property, plant and equipment	**36**	12
Fair value adjustments on properties and disposal groups classified as Held for Sale	**(51)**	(734)
Loss before financing transactions	**(623)**	(2 395)
Net finance expenses	**(34)**	(89)
Loss before taxation	**(657)**	(2 484)
Taxation	**(96)**	15
Loss for the period	**(753)**	(2 469)
Attributable to:		
Equity-holders of the parent	**(753)**	(2 469)
Items by nature		
Capital expenditure	**113**	138
Depreciation	**–**	(132)
Amortisation	**–**	(8)
Loss before interest,taxation,depreciation and amortisation (EBITDA)	**(530)**	(394)
Results per share (cents)		
Loss – basic	**(4,7)**	(458,3)
Loss – diluted	**(4,7)**	(450,6)
Net cash flows in relation to discontinued operations:		
Cash outflow from operating activities	**(843)**	(4)
Cash inflow / (outflow) from investing activities	**102**	(93)
Cash (outflow) / inflow from financing activities	**(8)**	17

7. SEGMENTAL REPORT

The reportable segments of the Group are components:

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

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

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

In line with the findings of the strategic review and as discussed in *note 12: Assets and liabilities classified as Held for Sale*, the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* reportable segments are presented and disclosed as discontinued operations. The *Construction and Engineering: Australasia and Asia*, *Mining* and *Other and Eliminations* reporting segments are presented as continuing operations.

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

7. SEGMENTAL REPORT continued

Details on the reportable segments are as follows:

7.1 Continuing operations

7.1.1 Construction and Engineering: Australasia and Asia (continued operations)

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

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.

7.1.2 Mining

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

7.1.3 Other and Eliminations

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

Included in the segment are several properties that are classified as Held for sale – refer to *note 12: Assets and liabilities classified as Held for Sale*. As these properties are separately identifiable assets, the segment remains a continuing operation.

7. SEGMENTAL REPORT continued

7.2 Discontinued operations

7.2.1 Construction and Engineering: South Africa and rest of Africa

This segment includes: Aveng Grinaker-LTA and Aveng Capital Partners (ACP). Aveng Grinaker-LTA is divided into the following business units: Aveng Grinaker-LTA Building and Coastal, Aveng Grinaker-LTA Civil Engineering (including Rand Roads and GEL), Aveng Grinaker-LTA Mechanical & Electrical and Aveng Water.

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

7.2.2 Manufacturing and processing

This segment comprises Aveng Manufacturing and Aveng Steel.

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

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

Aveng Trident Steel is the only business unit in Aveng Steel.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

7. SEGMENTAL REPORT continued

	CONTINUING OPERATIONS			
	Construction and Engineering: Australasia and Asia		Mining	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Assets				
Goodwill arising on consolidation	**100**	100	**–**	–
Intangible assets	**–**	–	**20**	24
Property, plant and equipment	**510**	409	**2 250**	2 598
Equity-accounted investments	**2**	31	**3**	1
Infrastructure investments	**–**	–	**–**	–
Deferred taxation	**618**	644	**–**	14
Derivative instruments	**–**	–	**–**	3
Amounts due from contract customers	**2 213**	2 838	**614**	518
Inventories	**40**	20	**174**	235
Trade and other receivables	**117**	58	**50**	66
Taxation receivable	**33**	20	**(15)**	7
Cash and bank balances	**1 024**	1 443	**72**	286
Assets Held for Sale	**–**	99	**–**	–
Total assets	**4 657**	5 662	**3 168**	3 752
Liabilities				
Deferred taxation	**73**	90	**236**	264
Borrowings and other liabilities	**178**	204	**178**	200
Payables other than contract-related	**–**	–	**–**	–
Employee-related payables	**309**	320	**141**	116
Trade and other payables	**1 657**	1 999	**529**	638
Derivative instruments	**–**	–	**1**	–
Amounts due to contract customers	**645**	1 098	**169**	42
Bank overdraft	**–**	–	**–**	–
Liabilities Held for Sale	**–**	–	**–**	–
Total liabilities	**2 862**	3 711	**1 254**	1 260

Other and Eliminations		Total		DISCONTINUED OPERATIONS Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Total	
2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
–	–	**100**	100	**–**	–	**–**	–	**–**	–
19	23	**39**	47	**–**	–	**–**	–	**–**	–
54	3	**2 814**	3 010	**–**	–	**–**	–	**–**	–
12	16	**17**	48	**28**	25	**–**	–	**28**	25
142	142	**142**	142	**–**	–	**–**	–	**–**	–
4	8	**622**	666	**–**	78	**–**	3	**–**	81
–	–	**–**	3	**–**	–	**–**	–	**–**	–
(206)	(46)	**2 621**	3 310	**–**	–	**–**	–	**–**	–
–	–	**214**	255	**–**	–	**–**	–	**–**	–
27	56	**194**	180	**–**	–	**–**	–	**–**	–
14	2	**32**	29	**17**	1	**(6)**	9	**11**	10
(121)	(336)	**975**	1 393	**259**	474	**371**	524	**630**	998
–	224	**–**	323	**921**	1 201	**2 922**	3 249	**3 843**	4 450
(55)	92	**7 770**	9 506	**1 225**	1 779	**3 287**	3 785	**4 512**	5 564
(300)	(382)	**9**	(28)	**36**	13	**41**	64	**77**	77
1 789	2 883	**2 145**	3 287	**–**	–	**–**	–	**–**	–
136	146	**136**	146	**–**	–	**–**	–	**–**	–
78	65	**528**	501	**–**	–	**–**	–	**–**	–
469	296	**2 655**	2 933	**28**	25	**–**	–	**28**	25
–	–	**1**	–	**–**	–	**–**	–	**–**	–
(1)	–	**813**	1 140	**–**	–	**–**	–	**–**	–
–	315	**–**	315	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**1 064**	1 605	**2 372**	2 475	**3 436**	4 080
2 171	3 323	**6 287**	8 294	**1 128**	1 643	**2 413**	2 539	**3 541**	4 182

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

7. SEGMENTAL REPORT continued

	CONTINUING OPERATIONS			
	Construction and Engineering: Australasia and Asia		Mining	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Revenue	**9 527**	11 716	**4 143**	4 713
Construction contract revenue	**9 527**	11 716	**4 120**	4 691
Sale of goods	**–**	–	**11**	7
Other revenue	**–**	–	**12**	15
Transport revenue	**–**	–	**–**	–
Cost of sales	**(8 537)**	(10 788)	**(4 325)**	(4 452)
Gross earnings / (loss)	**990**	928	**(182)**	261
Other earnings / (loss)	**3**	7	**(8)**	(23)
Operating expenses	**(846)**	(827)	**(181)**	(227)
(Loss) / earnings from equity-accounted investments	**(37)**	(5)	**(1)**	–
Net operating earnings / (loss)	**110**	103	**(372)**	11
Impairment loss on goodwill, intangible assets and property, plant and equipment	**–**	–	**(163)**	(55)
Gain on redemption of convertible bond	**–**	–	**–**	–
Gain on disposal of assets Held for Sale	**–**	–	**–**	–
Gain on disposal of subsidiary	**–**	–	**–**	–
Impairment loss on equity-accounted investments	**–**	–	**–**	–
Gain on sale of property, plant and equipment	**–**	32	**–**	–
Fair value adjustments on properties and disposal groups classified as Held for Sale	**–**	–	**–**	–
Earnings / (loss) before financing transactions	**110**	135	**(535)**	(44)
Net finance income / (expenses)	**(15)**	(220)	**(12)**	(63)
Earnings / (loss) before taxation	**95**	(85)	**(547)**	(107)
Taxation	**(16)**	(36)	**(40)**	(116)
Earnings / (loss) for the period	**79**	(121)	**(587)**	(223)
Capital expenditure	**137**	136	**584**	507
Depreciation	**(127)**	(132)	**(612)**	(394)
Amortisation	**–**		**(4)**	(4)
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	**237**	235	**244**	409

					DISCONTINUED OPERATIONS					
	Other and Eliminations		Total		Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Total	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
	(122)	176	13 548	16 605	4 617	6 622	7 511	7 353	12 128	13 975
	(71)	224	13 576	16 631	4 614	6 600	153	165	4 767	6 765
	(52)	(50)	(41)	(43)	–	–	7 282	7 079	7 282	7 079
	1	2	13	17	3	22	–	21	3	43
	–	–	–	–	–	–	76	88	76	88
	98	117	(12 764)	(15 123)	(4 704)	(6 660)	(7 160)	(6 999)	(11 864)	(13 659)
	(24)	293	784	1 482	(87)	(38)	351	354	264	316
	(3)	9	(8)	(7)	12	21	106	92	118	113
	(304)	(272)	(1 331)	(1 326)	(330)	(353)	(586)	(613)	(916)	(966)
	4	(11)	(34)	(16)	4	3	–	–	4	3
	(327)	19	(589)	133	(401)	(367)	(129)	(167)	(530)	(534)
	–	(111)	(163)	(166)	(6)	(82)	(72)	(1 050)	(78)	(1 132)
	102	–	102	–	–	–	–	–	–	–
	203	–	203	–	–	–	–	–	–	–
	41	–	41	–	–	–	–	–	–	–
	–	(188)	–	(188)	–	(7)	–	–	–	(7)
	–	3	–	35	21	11	15	1	36	12
	–	(73)	–	(73)	–	–	(51)	(734)	(51)	(734)
	19	(350)	(406)	(259)	(386)	(445)	(237)	(1 950)	(623)	(2 395)
	(345)	(67)	(372)	(350)	13	(12)	(47)	(77)	(34)	(89)
	(326)	(417)	(778)	(609)	(373)	(457)	(284)	(2 027)	(657)	(2 484)
	(93)	(289)	(149)	(441)	(94)	(37)	(2)	52	(96)	15
	(419)	(706)	(927)	(1 050)	(467)	(494)	(286)	(1 975)	(753)	(2 469)
	–	5	721	648	31	49	82	89	113	138
	(3)	(8)	(742)	(534)	–	(62)	–	(70)	–	(132)
	(4)	(16)	(8)	(20)	–	–	–	(8)	–	(8)
	(320)	43	161	687	(401)	(305)	(129)	(89)	(530)	(394)

Notes to the summarised consolidated annual financial statements continued

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7. SEGMENTAL REPORT continued

The Group operates in six principal geographical areas:

	2019 Revenue Rm	2018 Revenue Rm	2019 Segment assets Rm	2018 Segment assets Rm	2019 Capital expenditure Rm	2018 Capital expenditure Rm
South Africa	**15 033**	16 754	**5 019**	9 349	**697**	554
Rest of Africa including Mauritius	**944**	1 910	**2 540**	1 071	**–**	95
Australia	**5 181**	6 817	**1 499**	2 148	**76**	59
New Zealand	**2 116**	1 734	**1 031**	469	**44**	25
Southeast Asia	**2 105**	2 602	**2 128**	1 833	**17**	52
Middle East and other regions	**297**	763	**65**	200	**–**	1
	25 676	30 580	**12 282**	15 070	**834**	786

8. HEADLINE LOSS

	2019		2018 (restated)	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline loss				
Loss for the period attributable to equity holders of parent		**(1 681)**		(3 523)
Impairment of goodwill	**–**	**–**	242	242
Impairment of property, plant and equipment	**163**	**163**	888	661
Impairment of property, plant and equipment – Held for Sale	**44**	**44**		
Gain on disposal of assets Held for Sale	**(203)**	**(203)**	–	–
Gain on disposal of subsidiary	**(41)**	**(41)**	–	–
Impairment of intangible assets	**34**	**34**	168	168
Loss on derecognition of components	**124**	**124**	116	116
Gain on disposal of property, plant and equipment	**(36)**	**(36)**	(47)	(34)
Fair value adjustment on properties and disposal groups classified as Held for Sale	**51**	**51**	807	807
Headline loss		**(1 545)**		(1 563)*
Diluted headline loss		**(1 545)**		(1 563)
HEPS from continuing and discontinued operations				
Headline loss per share – basic (cents)		**(9,7)**		(290,1)
Headline loss per share – diluted (cents)		**(9,7)**		(285,2)
Issued shares		**19 394,5**		416,7
Weighted average shares		**15 995,5**		538,8
Diluted shares		**15 995,5**		548,0

** Following an extensive assessment of asset health within Moolmans carried out at the end of the prior year and beginning of the current year, certain costs were disaggregated within already recorded cost of sales to better reflect how the asset components are utilised. These costs have been reflected as loss on derecognition of components and added back in determining headline loss in the prior year, resulting in a restatement of headline loss.*

9. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2019. The test involves the assessment of internal and external qualitative factors for each CGU that may constitute an indicator of impairment. The test may be extended to individual assets in instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of the assets. For Held for Sale CGUs, the Group performed a subsequent impairment assessment whereby the carrying values of the CGUs were remeasured at the fair value less costs of disposal in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).*

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

Initial classification as Held for Sale

As detailed in the *note 6: Discontinued Operations*, the Board made the decision in the prior year that the operating groups of the following reportable segments no longer form part of the overall long-term strategy of the Group:

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

The intention of the Board to discontinue the operations of these reportable segments and the subsequent classification of the underlying assets and liabilities as Held for Sale are indicators of impairment – refer to *note 12: Assets and liabilities classified as Held for Sale*.

The following business units were deemed to be individual CGUs for which individual impairment assessments were performed in terms of *IFRS 5* at 30 June 2019:

Construction and Engineering: South Africa and rest of Africa

- Aveng Grinaker-LTA Building;
- Aveng Grinaker-LTA Coastal;
- Aveng Grinaker-LTA Civil Engineering;
- Aveng Grinaker-LTA GEL;
- Aveng Grinaker-LTA Mechanical and Electrical; and
- Aveng Grinaker-LTA Rand Roads.

Manufacturing and Processing

- Aveng Trident Steel;
- Aveng Automation and Control Solutions (ACS)
- Aveng Dynamic Fluid Control (DFC);
- Aveng Duraset; and
- Aveng Infraset.

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

As at 30 June 2019, management determined the recoverable amounts of the CGUs within the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* segments to be fair value less cost of disposal. The Group does not expect that the fair value less costs of disposal of the following CGUs differ materially from the value determined at 30 June 2018.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

9. IMPAIRMENT continued

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

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

Except for the CGUs identified below, it has been determined that the fair value less costs of disposal of all other CGUs exceed the carrying amount, and no fair value adjustment is required for any of these CGUs.

As at 30 June 2019, the Group had entered into a binding sales agreement for the sale of Aveng Infraset. In addition, as detailed in *note 19: Events after the reporting period*, the Group has received binding offers for the following CGUs:

Construction and Engineering: South Africa and rest of Africa

- Aveng Grinaker-LTA Rand Roads;
- Aveng Grinaker-LTA GEL;
- Aveng Grinaker-LTA Building; and
- Aveng Grinaker-LTA Civil Engineering

Manufacturing and Processing

- Aveng Dynamic Fluid Control; and
- Aveng Duraset Alrode business.

The Group used these binding offers to sell to determine the fair value less cost of disposal amount for each of the CGUs at 30 June 2019. Based on these binding offers to sell, it has been determined that the carrying amount exceeds the fair value less costs to dispose, and additional impairment is required for these CGUs.

The CGU fair values were all categorised as level 3 per the *IFRS 13 Fair Value Measurement* hierarchy based on the inputs used in the valuation techniques.

10. DEFERRED TAXATION

	2019 Rm	2018 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	**747**	1 290
Recognised in earnings or loss – current year	**(27)**	(373)
Recognised in earnings or loss – adjustment for prior year	**–**	9
Effect of change in foreign tax rates	**–**	(2)
Foreign currency translation movement and other	**(185)**	3
Reallocation from deferred taxation liability*	**87**	(180)
	622	747
Reconciliation of deferred taxation liability		
At the beginning of the year	**(49)**	(319)
Recognised in earnings or loss – current year	**(103)**	89
Reallocation to deferred taxation asset*	**(87)**	180
Foreign currency translation movement and other	**153**	1
	(86)	(49)
Deferred taxation asset balance at the year end comprises		
Accelerated capital allowances	**(125)**	(205)
Provisions	**193**	136
Contracts	**161**	136
Other	**(158)**	(227)
Assessed losses carried forward	**551**	907
	622	747
Deferred taxation liability balance at the year end comprises		
Accelerated capital allowances	**(36)**	(10)
Provisions	**(1)**	–
Contracts	**(85)**	–
Other	**36**	(8)
Convertible bond	**–**	(32)
Assessed losses carried forward	**–**	1
	(86)	(49)

** The reclassifications of deferred tax liabilities to deferred tax assets are as a result of the changes in deferred tax positions of the underlying assets and liabilities.*

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

10. DEFERRED TAXATION continued

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

As at June 2019 the Group had unused taxation losses of R14 097 million (2018: R12 830 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R1 967 million (2018: R3 107 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R12 130 million (2018: R9 724 million) due to the uncertainty of future taxable profits in the related legal entities.

Unused tax losses

The Group performed a three-year forecast for the financial years 2020 to 2022, which is the key evidence that supports the recognition of deferred taxation assets. The forecast specifically focused on Aveng Africa Proprietary Limited and Aveng Australia Holdings Proprietary Limited.

In addition, in terms of the strategic review, 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.

11. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	2019 Rm	2018 Rm
Uncertified claims and variations (underclaims)*/**[1]	**1 031**	1 646
Contract contingencies*	**(361)**	(490)
Progress billings received (including overclaims)*[2]	**(771)**	(1 404)
Uncertified claims and variations less progress billings received	**(101)**	(248)
Contract receivables*[3]	**1 916**	2 602
Provision for contract receivables*	**–**	(2)
Provision for expected credit loss*	**(1)**	–
Retention receivables*[4]	**36**	208
	1 850	2 560
Amounts received in advance*[5]	**(42)**	(85)
	1 808	2 475
Classified as Held for Sale – transferred out (net)	**–**	(305)
Net amounts due from contract customers	**1 808**	2 170
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations*/**[1]	**1 031**	1 646
Contract contingencies*	**(361)**	(490)
Contract and retention receivables*	**1 952**	2 810
Provision for contract receivables	**–**	(2)
Provision for expected credit losses*	**(1)**	–
Classified as Held for Sale – transferred out *	**–**	(654)
Amounts due from contract customers	**2 621**	3 310
Progress billings received*	**(771)**	(1 404)
Amounts received in advance*	**(42)**	(85)
Classified as Held for Sale – transferred out	**–**	349
Amounts due to contract customers	**(813)**	(1 140)
Net amounts due from contract customers	**1 808**	2 170

* *Amounts due from / (to) contract customers previously classified under these categories have been classified as Held for Sale in terms of* IFRS 5 *in the prior year. As such, the balances for 2019, reflected above represent only the continued operations. No additional amounts due from / (to) contract customers were transferred to / from the Held for Sale disposal groups in the current year. Refer to* note 12: Assets and Liabilities classified as Held for Sale *for disclosure of the disposal groups Amounts due from / (to) contract customers classified as Held for Sale.'*

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

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

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

[3] *Amounts invoiced still due from customers.*

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

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

The net amounts due from contract customers includes R760 million (2018: R942 million) which is subject to protracted legal proceedings.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

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

Expected credit losses

Amounts due from contract customers

As at 30 June 2019, the Group has amounts due from contract customers of R1 808 million (2018: R2 170 million) which is net of the provision for expected credit loss of R1 million (2018: Rnil).

Trade receivables

As at 30 June 2019, the Group has trade receivables of R3 million (2018: R1 272 million). The provision for expected credit loss relating to trade receivables is less than R1 million (2018: Rnil).

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

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

	2019 Rm	2018 Rm
Opening balance	**–**	–
Provision for expected credit losses – initial adoption of *IFRS 9* ECL impairment model (1 July 2018)	**6**	–
Movement in the current year	*****	–
Attributed to Held for Sale – transferred out	**(5)**	–
Closing balance	**1**	–
Attributable to:		
Amounts due from contract customers	**1**	–
Closing balance	**1**	–

** Amount less than R1 million.*

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As disclosed in *note 6: Discontinued operations*, the outcome of the strategic review lead to the Board's decision to exclude the following reportable segments from the Group's long-term strategy:

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

These non-core reporting segments are presented as separately identifiable disposal groups and are disclosed as discontinued operations in the Group's statement of comprehensive earnings (refer to *note 7: Segmental report* and *note 6: Discontinued Operations*).

Initial recognition

At initial recognition, the disposals were expected to occur within the succeeding 12 months; the assets and liabilities were classified as Held for Sale. The assets and liabilities of the disposal groups were allocated to their cash-generating units (CGUs) in the prior year and were subject to an impairment assessment prior to classification as Held for Sale. The recoverable amounts of all CGUs were assessed as the fair value less cost of disposal (refer to *note 9: Impairment*). On initial recognition, the proceeds from the sale were expected to equal the net carrying amounts. As noted in *note 9: Impairments*, impairment was required for both reporting segments at 30 June 2018. The carrying amounts of some of the assets in relation to the *Construction and Engineering: South Africa and the rest of Africa* and *Manufacturing and Processing* disposal group, exceed their fair value less cost of disposal after being classified as Held for Sale. An adjustment was recognised to present these assets at their fair value less costs of disposal in the prior year.

Sales finalised in the current year

Manufacturing and Processing Segment

In October 2018 the sale of Aveng Rail was announced. The sale was concluded in May 2019, whereby the CGU was sold to 100% black-owned Mathupha Capital for R133 million. The sale of Aveng Infraset was announced in February 2019 to the Colossal Africa Consortium, a 100% black-owned investment special purpose vehicle for R180 million. The deal is expected to be concluded soon after year end.

Construction and Engineering: South Africa and the rest of Africa

Aveng Water was disposed of in the current year to Infinity Partners a 100% black-owned company for R85 million.

Properties

Individual properties accounted for under the *Other and Eliminations* reportable segment were classified as Held for Sale during the prior year. The carrying amounts of some of the properties exceeded their fair values less cost of disposal prior to being classified as Held for Sale leading to the recognition of impairment losses in the prior year (refer to *note 9: Impairments*.) No additional adjustment was required in the current year.

Notes to the summarised consolidated annual financial statements continued

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12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Sales finalised in the current year continued

Properties continued

The disposal of the Jet Park and Vanderbijlpark properties were concluded in the current year for an amount of R258 million. The Group entered into a sale of the Jet Park properties located in Boksburg to Equites Property Fund. The Group entered into a triple net lease on the property for a maximum of 24 months, but with the ability for the Group to terminate the lease with three months' notice and market-related monthly rental of R1,1 million, subject to an annual escalation of 8%. The Group entered into a sale of the Vanderbijlpark property to Stodasat Proprietary Limited following the completion of an auction process. The fair value of the properties was assessed as level 3 per the IFRS 13 *Fair Value Measurement* hierarchy.

Assets transferred out of Assets Held for Sale

Construction and Engineering: Australasia and Asia – Marine Barge

The asset classified as Held for Sale amounting to R99 million, no longer met the classification requirements to be Held for Sale. This asset was transferred from non-current assets Held for Sale back to property, plant and equipment.

Kathu Property

The Kathu property – which had a carrying value of R50 million was classified under the *Properties – Other* disposal group at 30 June 2018. Other properties, amounting to R3 million were included in this segment. At the end of the current year, the properties no longer met the requirements to be classified as Held for Sale. These assets were transferred out of non-current assets Held for Sale back to property, plant and equipment as the Group did not receive reasonable offers to purchase the asset in the current year. Even though the Kathu Property does not meet the *IFRS 5* subsequent measurement criteria for an asset to be classified as Held for Sale, management remains committed to dispose of these assets per the strategy announced in the prior year.

Subsequent measurement

The extension of the classification of the remaining assets within non-core operating segments as Held for Sale beyond twelve months is supported by the commitment by the Board to actively sell the assets in line with the strategic review. In the preceding twelve months, the Group did not receive reasonable offers to purchase all of the remaining assets, and the delay in the finalisation of sales were due to events and circumstances beyond the control of management. In response, management continued to actively market the remaining assets at prices that are reasonable based on valuations performed.

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Subsequent measurement continued

Subsequent to initial classification as Held for Sale, the Group remeasured the assets at their fair value less costs of disposal. In the case where the carrying amount exceeded the fair value less costs of disposal, an adjustment was recognised to present these assets at the lower value. In the case where a binding offer had been received by 30 June 2019 for the sale of an asset, the fair value less costs of disposal is determined based on the value of the offer received, less costs required to dispose of the assets. The carrying amounts of some of the assets which have binding offers in relation to the *Manufacturing and Processing* and *Construction and Engineering: South Africa and rest of Africa* disposal groups, exceed their fair value less costs of disposal. An adjustment was recognised to present these assets at their updated fair values less costs of disposals (refer to *note 9: Impairments*).

In the case where the fair value less costs of disposal exceed the carrying amount, an adjustment could be recognised. The adjustment is subject to a limit on the amount of any gain that can be recognised as a result of an increase in fair value less costs to sell before disposal. The maximum increase (and therefore gain) that can be recognised is the cumulative amount of impairment losses recognised in accordance with *IFRS 5* and previously in accordance with *IAS 36*. No adjustment to adjust the carrying amount were recognised on any assets Held for Sale.

Of relevance to this note is the information in *note 19: Events after the reporting period* relating to the sale of Aveng DFC, Aveng Grinaker-LTA Rand Roads, Aveng Grinaker-LTA GEL and Aveng Grinaker-LTA Buildings and Aveng Grinaker-LTA Civil Engineering, which were announced after year end.

	2019 Rm	2018 Rm
Assets Held for Sale	**3 843**	4 773
Liabilities Held for Sale	**(3 436)**	(4 080)
	407	693
Movement during the year		
Opening balance	**693**	122
Movements in:		
Non-current assets	**(20)**	874
Current assets	**(416)**	3 850
Non-current liabilities	**19**	(65)
Current liabilities	**558**	(3 281)
Sale of assets Held for Sale	**(224)**	–
Transfer of assets classified as Held for Sale to property, plant and equipment	**(152)**	–
Adjustment to fair value less cost of disposal*	**(51)**	(807)
Net assets Held for Sale	**407**	693

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

Notes to the summarised consolidated annual financial statements continued

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12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2019, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

30 June 2019	Construction and Engineering: South Africa and the rest of Africa – Disposal group Rm	Manufacturing and Processing Disposal group Rm	Total Rm
ASSETS			
Non-current assets			
Intangible assets	–	22	22
Property, plant and equipment	265	69	334
Equity-accounted investments*	32	–	32
Infrastructure investments	119	–	119
	416	91	507
Current assets			
Inventories**	12	1 646	1 658
Amounts due from contract customers	397	4	401
Trade and other receivables	96	1 181	1 277
	505	2 831	3 336
TOTAL ASSETS	921	2 922	3 843
LIABILITIES			
Non-current liabilities			
Borrowings and other liabilities	–	1	1
Employee-related payables	34	7	41
	34	8	42
Current liabilities			
Amounts due to contract customers	218	6	224
Borrowings and other liabilities	–	1	1
Employee-related payables	112	77	189
Trade and other payables	700	1 494	2 194
Financial liabilities	–	1	1
Provision for unallocated fair value adjustments	–	785	785
	1 030	2 364	3 394
TOTAL LIABILITIES	1 064	2 372	3 436
Net assets Held for Sale	(143)	550	407

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2018, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

30 June 2018	Construction and Engineering: South Africa and the rest of Africa – Disposal group Rm	Manufacturing and Processing – Disposal group Rm	Properties – Vanderbijlpark Rm	Properties – Jet Park Rm	Properties – Other Rm	Construction and Engineering: Australasia and Asia– Marine vessel Held for Sale Rm	Total Rm
ASSETS							
Non-current assets							
Intangible assets	–	51	–	–	–	–	51
Property, plant and equipment	282	110	43	128	53	99	715
Equity-accounted investments*	32	–	–	–	–	–	32
Infrastructure investments	125	–	–	–	–	–	125
	439	161	43	128	53	99	923
Current assets							
Inventories	44	1 746	–	–	–	–	1 790
Derivative instruments	–	6	–	–	–	–	6
Amounts due from contract customers	618	36	–	–	–	–	654
Trade and other receivables	100	1 300	–	–	–	–	1 400
	762	3 088	–	–	–	–	3 850
TOTAL ASSETS	1 201	3 249	43	128	53	99	4 773
LIABILITIES							
Non-current liabilities							
Borrowings and other liabilities	–	12	–	–	–	–	12
Employee-related payables	46	7	–	–	–	–	53
	46	19	–	–	–	–	65
Current liabilities							
Amounts due to contract customers	347	2	–	–	–	–	349
Borrowings and other liabilities	–	10	–	–	–	–	10
Employee-related payables	100	59	–	–	–	–	159
Trade and other payables	1 112	1 651	–	–	–	–	2 763
Provision for unallocated fair value adjustments	–	734	–	–	–	–	734
	1 559	2 456	–	–	–	–	4 015
TOTAL LIABILITIES	1 605	2 475	–	–	–	–	4 080
Net assets held-for-sale	(404)	774	43	128	53	99	693

* *The investment in Oakleaf Investment Holdings 86 Proprietary Limited classified as Held for Sale is disclosed and presented under the Construction and Engineering: South Africa and the rest of Africa reporting segment disposal group as it forms part of Aveng Capital Partners investment portfolio.*

** *Subsequent to year end, the Group concluded a bulk sale in the ordinary course of business of particular lines of steel inventory. (Refer to paragraph 19.1.5 Sale of inventory of Aveng Trident Steel's Roodekop plant and* note 19: Events after the reporting period.*)*

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13. STATED CAPITAL

	2019 Rm	2018 Rm
Authorised		
180 882 034 263 ordinary shares (2018: 180 882 034 263 ordinary shares)	**9 044**	9 044
Issued		
Stated capital (19 394 498 220 ordinary shares) (2018: 396 817 098 ordinary shares)	**3 874**	2 009
Stated capital	**3 874**	2 009
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Number of shares	**6 018 386**	6 018 386
– Market value (Rm)	*	1
Shares held by the Aveng Management Company Proprietary Limited		
– Number of shares	**788 684**	788 684
– Market value (Rm)	*	*
Shares held in terms of equity-settled share-based payment plan		
– Number of shares	**18 046 763**	13 046 763
– Market value (Rm)	*	2

Reconciliation of number of shares issued	**Number of shares**	Number of shares
Opening balance	**416 670 931**	416 670 931
Share issue – rights to qualifying shareholders (4 July 2018)	**4 931 854 395**	–
Share issue – early redemption of convertible bond (25 September 2018)	**14 045 972 894**	–
Closing balance	**19 394 498 220**	416 670 931
Less: Treasury shares	**(24 853 833)**	(19 853 833)
Number of shares in issue less treasury shares	**19 369 644 387**	396 817 098

* *Amounts less than R1 million*

13. STATED CAPITAL continued

Rights offer to qualifying shareholders

The Group undertook a renounceable rights offer to raise up to R500 million, to qualifying shareholders. The rights offer consisted of 5 000 000 000 rights offer shares in the ratio of 1 199.98772 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on 15 June 2018 and at a price of R0,10 per rights offer share. The total number of rights offer shares subscribed for and excess allocations applied for was 4 931 854 395 rights offer shares, representing 98,6% of the rights offer. An aggregate amount of R493 million was raised.

The rights offer shares subscribed for were issued on 2 July 2018, with excess allocation shares issued on 4 July 2018.

Early redemption of the convertible bond

In terms of the strategic review, the debt levels within the Group were considered to be unsustainable, in particular the convertible bonds which created significant constraints on the Group's liquidity position. The Group redeemed the existing convertible bond on 25 September 2018 through the execution of the following:

- On 4 July 2018, the bondholders agreed to the capitalisation of interest on the bonds and voted to accept the terms of the early bond redemption on 30 August 2018;
- On 10 September 2018, the Group's shareholders passed the required resolutions giving effect to the specific issue of shares at R0,10 per share, equivalent to the rights offer price, to settle the convertible bonds;
- On 17 September 2018, a specific buyback of R690 million of the existing convertible bonds at 70% of the principal amount (a 30% discount) was completed; and
- The remaining R1,4 billion bonds were settled through the specific issue of ordinary shares at R0,10 per share on 25 September 2018.

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14. BORROWINGS AND OTHER LIABILITIES

	2019 Rm	2018 Rm
Borrowings held at amortised cost comprises:		
Total borrowings as at year end	**2 145**	3 309
Classified as Held for Sale – transferred out	**–**	(22)
	2 145	3 287
Interest-bearing borrowings comprise:		
Payment profile		
– within one year	**695**	599
– between two and five years	**1 450**	2 688
	2 145	3 287
Interest rate structure		
Fixed and variable (interest rates)		
Fixed – long term	**414**	1 946
Fixed – short term	**129**	305
Variable – long term	**1 036**	742
Variable – short term	**566**	294
	2 145	3 287

14.1 Borrowings held at amortised cost

Description	Terms	Rate of interest	2019 Rm	2018 Rm
Credit and term facilities				
Revolving credit facility***	Repayable September 2021	1m JIBAR + 4,89%	**550**	
Revolving credit facility***	Repayable September 2021	Fixed rate of 13,986% from 1 October 2020 1m JIBAR + 4,89%	**281**	
Term facility***	Repayable June 2021	1m JIBAR + 5,02%	**858**	
Super senior liquidity facility#2***	Repayable October 2019	1m JIBAR + 4,21%	**100**	
Working capital credit facility****	Repaid monthly as on a revolving facility basis	BBSY plus 2,5%	**49**	
Term loan facility denominated in ZAR***	Monthly instalments ending April 2021	Fixed interest rate of 10,58%	**32**	48
Revolving credit facility***	Refer to N1	JIBAR plus 3.00% to 5,75%	**–**	700
Super senior liquidity facility***	Refer to N1	South African prime plus 2,50% to 5,50%	**–**	255
Short-term facility of AUD6 million	Settled July 2018	Fixed interest rate of 4,63%	**–**	62

14. BORROWINGS AND OTHER LIABILITIES continued

14.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	2019 Rm	2018 Rm
Convertible bonds				
Convertible bonds of R2 billion*****	Early redemption September 2018	Coupon of 7,25%	**–**	1 929
Finance lease facilities				
Finance lease facility of AUD12 million*	Monthly instalments ending November 2020	Fixed interest rate of 4,50%	**70**	118
Finance lease facility of AUD6 million*	Monthly instalments ending May 2021	Fixed interest rate of 1,35% to 7,00%	**59**	–
Finance lease facilities denominated in ZAR*	Monthly instalments ending in August 2022	South African prime	**9**	19
Finance lease facility denominated in ZAR*	Monthly instalments ending in August 2022	South African prime	**4**	2
Hire purchase agreement denominated in ZAR*	Monthly instalments ending September 2019	Fixed interest rate of 14%	**5**	–
Hire purchase agreement denominated in ZAR*	Monthly instalments ending December 2019	Fixed interest rate of 12,50%	**10**	–
Hire purchase agreement denominated in ZAR*	Monthly instalments ending November 2019	South African prime less 1,70%	**14**	29
Hire purchase agreement denominated in ZAR*	Monthly instalments ending August 2020	South African prime plus 3,00%	**18**	32
Hire purchase facility denominated in USD*	Monthly instalments ending August 2021	Fixed interest rate of 6,68%	**86**	63
Hire purchase agreement denominated in ZAR*	Settled September 2018	South African prime plus 0,50%	**–**	18
Hire purchase agreement denominated in ZAR*	Settled July 2018	Fixed interest rate of 12,50%	**–**	5
Hire purchase agreements amounting to AUD2 million*	Settled September 2018	Fixed interest rate of 1,35% to 7%	**–**	24
Interest-bearing borrowings			**2 145**	3 304
Interest outstanding on interest-bearing borrowings**			**–**	5
Classified as Held for Sale – transferred out			**–**	(22)
Total interest-bearing borrowings			**2 145**	3 287

* *These borrowings and other liabilities are finance leases.*

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

*** *These loans are in terms of the second amended and restated common terms of agreement (CTA) and the signed amendment letter on 27 August 2019 with the different commercial banks.*

**** *Australian Bank Bill Swap Bid Rate.*

***** *Early redemption of convertible bond.*

N1 – All rights and obligations of the existing facilities agreements were ceded and delegated to Aveng (Africa) Proprietary Limited through a flow of funds and implementation agreement with effect from the bank restructure date, on or about 25 September 2018. The transfer and redesignation of the facilities not in place on a cashless basis and recorded as amounts owing to subsidiaries.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

14. BORROWINGS AND OTHER LIABILITIES continued

14.1 Borrowings held at amortised cost continued

Unutilised borrowing facilities

At 30 June 2019, the Group had available R302 million (2018: R706 million) of unutilised borrowing facilities.

14.2 Finance lease liabilities

	2019 Rm	2018 Rm
Finance lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	**203**	149
– in two to five years	**125**	191
Less: Future finance charges	**(21)**	(25)
Present value of minimum lease payments	**307**	315

The *Construction and Engineering: Australasia and Asia* operating segment enters into asset-based finance arrangements to fund the acquisition of various items of plant and machinery.

The total asset-based finance facilities amounted to AUD13 million (2018: AUD 21 million). The amount outstanding on these facilities at year end was AUD13 million (2018: AUD14 million) and is equivalent to R129 million (2018: R142 million). These asset-based arrangements were secured by plant and equipment with a net carrying amount of R69 million (2018: R75 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 August 2022. The total amount outstanding on these facilities amounted to R178 million (2018: R133 million). Equipment with a net carrying amount of R321 million (2018: R231 million) has been pledged as security for the facility.

The *Mining* and *Manufacturing and Processing* operating segments entered into various vehicle lease arrangements.

The *Manufacturing and Processing* operating segment asset lease arrangements were early settled as part of the relevant disposals.

15. REVENUE

The Group's revenue is derived from contracts with customers. Revenue can be classified into the following categories: construction contracts, sale of goods and transport services. The nature and effect of initially applying *IFRS 15* on the Group's financial statements is disclosed in *note 2: Basis of preparation and changes to the group accounting policies*.

	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS		
Year ended 30 June 2019 Rm	Construction and Engineering: Australasia and Asia	Mining	Other and Eliminations	Construction and Engineering: South Africa and rest of Africa	Manufacturing and Processing	Total
Revenue						
Construction Contract revenue	9 527	4 120	(71)	4 614	153	18 343
Sale of goods	–	11	(52)	–	7 282	7 241
Other revenue	–	12	1	3	–	16
Transport revenue	–	–	–	–	76	76
	9 527	4 143	(122)	4 617	7 511	25 676

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

15. REVENUE continued

	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS		
Year ended 30 June 2018* Rm	Construction and Engineering: Australasia and Asia	Mining	Other and Eliminations	Construction and Engineering: South Africa and rest of Africa	Manufacturing and Processing	Total
Revenue						
Construction Contract revenue	11 716	4 691	224	6 600	165	23 396
Sale of goods	–	7	(50)	–	7 079	7 036
Other revenue	–	15	2	22	21	60
Transport revenue	–	–	–	–	88	88
	11 716	4 713	176	6 622	7 353	30 580

* *Subsequent to the approval of the Aveng Group Annual Financial Statements (AFS) for the year ended 30 June 2018, it came to the attention of the Group that the composition of the two disclosures included within* note 15: Revenue *was incorrectly presented. The unintentional presentation matter (UPM) resulted in Construction contract revenue being understated by R1 172 million, with the corresponding Other Revenue being overstated by the same amount.*

The incorrect presentation is limited to the composition of the note only and is an unintentional presentation misstatement in classification between types of revenue. The total of the note remains unchanged, and there is no impact on any other financial information.

The table disclosed above shows the correct revenue after the correction of the UPM.

16. TAXATION

	2019 Rm	2018 Rm
Major components of the taxation expense		
Current taxation		
Local income taxation – current period	**56**	1
Local income taxation – recognised in the current taxation for prior periods	**(1)**	(1)
Foreign income taxation or withholding taxation – current period	**36**	141
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	**23**	9
	114	150
Deferred taxation		
Deferred taxation – current period	**130**	283
Deferred taxation – arising from prior period adjustments	**–**	(9)
Deferred taxation – foreign tax rate change	**1**	2
	131	276
	245	426

	%	%
Reconciliation of the taxation expense		
Effective taxation rate on earnings	**(17,1)**	(13,8)
Exempt income and capital profits	**(4,4)**	(0,80)
Deferred taxation asset not recognised	**41,6**	25,10
Disallowable charges	**3,4**	17,80
Other	**4,5**	(0,30)
	28,0	28,00

South African income taxation is calculated at 28% (2018: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

17. NON-CASH AND OTHER MOVEMENTS

	2019 Rm	2018 Rm
Impairment loss on goodwill, property, plant and equipment and intangible assets	**241**	1 298
Impairment loss on equity-accounted investments	**–**	195
Gain on redemption of convertible bond	**(102)**	–
Gain on sale of assets Held for Sale	**(203)**	–
Gain on sale of subsidiaries	**(41)**	–
Gain on sale of property, plant and equipment	**(36)**	(129)
Fair value adjustment on properties and disposal groups classified as Held for Sale	**51**	807
Unrealised foreign exchange losses on borrowings and other liabilities	**1**	3
Movements in foreign currency translation	**(44)**	(11)
Movement in equity-settled share-based payment reserve	**1**	8
Derecognition of components included in property, plant and equipment	**124**	–
Other non-cash items	**–**	6
	(8)	2 177

18. CONTINGENT LIABILITIES AND ASSETS

	2019 Rm	2018 Rm
Contingent liabilities at the reporting date, not otherwise provided for in interim results, arise from performance bonds and guarantees issued in:		
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**1 491**	2 155
Parent company guarantees (ZARm)	**30**	509
	1 521	2 664
Australasia and Asia		
Guarantees and bonds (AUDm)	**270**	287
Parent company guarantees (AUDm)	**44**	337
	314	624

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 position 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 probable.

19. EVENTS AFTER THE REPORTING PERIOD

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

19.1 Sale of non-core businesses and assets

The strategic review identified the non-core assets to be sold to strengthen the financial position of the Group, through the repayment of debt and improved liquidity.

19.1.1 Sale of Aveng Dynamic Fluid Control (DFC)

The Group announced on 5 July 2019 that it had entered into a binding term sheet for the sale of DFC to Copaflo Proprietary Limited. The proposed transaction is R165 million, comprising the sale of business for R129 million payable to Aveng and the sale of property for R36 million payable to Dimopoint. The net cash proceeds to Aveng will be R114 million, R129 million purchase price less R11 million via a subordinated loan advanced by Aveng to Copaflo less R4 million lease termination costs payable by Aveng to Dimopoint. The sale is subject to conditions precedent normal for a transaction of this nature.

19.1.2 Sale of Aveng Grinaker-LTA – Rand Roads and GEL businesses

Aveng announced on 12 July 2019 that it entered into a fully funded binding sale of business agreement with Ultra Asphalt for the sale of Rand Roads, a business unit of Aveng Grinaker-LTA, subject to certain conditions. Rand Roads is a specialist division within Aveng Grinaker-LTA. The proposed transaction consideration is R30 million plus the value of inventory as at the effective date estimated at R7,5 million. The sale is subject to conditions precedent normal for a transaction of this nature.

Aveng has also entered a binding sale of business agreement with a newly formed investment special purpose vehicle (NewCo) for the sale of the Aveng Grinaker-LTA Ground Engineering business unit as a going concern for R7,5 million.

19.1.3 Sale of Aveng Duraset – Alrode business

The Group announced on 7 August 2019 that it had entered into a fully funded, binding sale of business agreement with Videx Wire Products Proprietary Limited for the sale of the Aveng Duraset Alrode business as a going concern subject to certain conditions precedent. The proposed transaction is limited to the sale of the Duraset Alrode operation and product portfolio to Videx which includes all assets and liabilities of Duraset Alrode. The proposed transaction consideration is R50 million in cash and is subject to a target sales and net working capital adjustment. The minimum consideration payable is R30 million.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

19. EVENTS AFTER THE REPORTING PERIOD continued

19.1 Sale of non-core businesses and assets continued

19.1.4 Disposal of Aveng Grinaker-LTA Building and Civil Engineering business

Aveng announced on 8 August 2019 that it had, acting through its wholly owned subsidiary, Grinaker LTA Proprietary Limited, entered into a binding sale of business agreement with the Laula Consortium for the sale of the Aveng Grinaker-LTA Building and Civil Engineering business as a going concern, subject to certain conditions precedent.

The sale comprises the following businesses: Aveng Grinaker-LTA Buildings Inland, Aveng Grinaker-LTA Buildings South, Aveng Grinaker-LTA Buildings KZN, Aveng Grinaker-LTA Civil Engineering, Aveng Grinaker-LTA Plant and Yard, and Aveng Grinaker-LTA Training School. Contracts nearing completion will remain with Aveng.

The proposed transaction consideration is R100 million in cash which will be subject to a net working capital adjustment with a deferred payment mechanism.

19.1.5 Sale of inventory of Aveng Trident Steel's Roodekop plant

Subsequent to year end, the Group concluded a bulk sale in the ordinary course of business of particular lines of steel inventory in its Roodekop plant to a single buyer for R150 million. This sale has allowed Aveng to monetise a significant part of its stock and significantly reduce its working capital. The cash will be used to reduce debt and strengthen the financial position of Aveng.

19.2 Liquidity, solvency, ongoing funding and the going concern assertion

As included in the directors' report, and further detailed below, in determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group can continue in operational existence for the foreseeable future. The directors have considered the agreements reached, the transactions executed post the year end, the actions taken by the Group, the financial plans and forecasts, including all available information, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements. In forming the conclusion, the directors have considered the following:

Funding from South African lending banks

Following the year end, the Group agreed certain amendments to its financing arrangements with the South African Banking Group and the iNguza noteholders. The effect thereof is to amend the debt repayment terms, covenants and extend the term of facilities to 30 September 2021. All other terms remain consistent. Details thereof are set out in *note 14: Borrowings and other liabilities* to these financial statements.

Commentary

SALIENT FEATURES

- Revenue of **R25,7 billion**
- Net operating loss of **R1,1 billion**
- **McConnell Dowell delivers** consistent profit
- Group-led **intervention** addresses Moolmans underperformance
- **36% growth** in core order book to **R17,7 billion**
- **68%** international, **32%** South Africa
- **R1 billion** non-core asset sales announced
- **R300 million** debt repaid

Aveng Limited

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

Results for the year ended 30 June 2019

Implementing the strategic action plan

In 2017, Aveng faced a perfect storm. The lower than expected QCLNG award necessitated a material write-down of uncertified revenue, renegotiation of bank debt and a strategic review. This position was compounded by difficult domestic operating conditions which restricted cash generation in our local operations.

A strategic action plan implemented in 2018 enabled Aveng to address these material short-term risks while embarking on a new strategy to be an international infrastructure and resource and mining group, operating in selected fast-growing markets and capitalising on the expertise and experience of its core operations.

Aveng continues to implement the strategic action plan systematically with the objective of creating a robust and sustainable organisation capable of achieving its long-term strategic objectives. The Group has made the following progress to date:

Ensuring a sustainable long-term capital structure

The most urgent priority was to reduce the Group's unsustainable debt of R3,3 billion (including R1,3 billion bank debt and R2 billion convertible bonds) at 30 June 2018. With the support of

Commentary continued

shareholders, bondholders and bankers the balance sheet was strengthened by:

- raising R493 million of new capital in a rights issue in July 2018;
- redeeming the R2 billion convertible bonds in September 2018, 10 months before they matured, funded by a new R460 million debt instrument and the specific issue of Aveng shares;
- securing an additional R400 million in bank debt from a consortium of lenders on extended funding terms;
- repaying R300 million by June 2019;
- renegotiating the repayment terms of the remaining R100 million;
- renegotiating the debt repayment terms and extending the term and revolving credit facilities term date; and
- improving cash flow forecasting to allow for more efficient planning and cash management.

The Group's debt:equity ratio improved from 127% to 87% at 30 June 2019. The early redemption of the bond and cash realised through the disposal of non-core assets strengthened the balance sheet. The ongoing support of Aveng's South African Banks and the renegotiated extended funding terms to 2021 provide certainty to the availability of ongoing facilities. Management continues to focus on progressive improvement in the quality of the Group's balance sheet with the objective of achieving a sustainable long-term capital structure.

Creating liquidity by selling non-core assets

Disposal of non-core businesses and other assets is a key component of the strategic action plan. Disposals amounting to R1 008 million have been reported. Proceeds of R520 million have been received and the following disposals amounting to R488 million have been announced:

- February 2019 – Aveng Infraset to a 100% black-owned Colossal Africa Consortium, for R180 million
- July 2019 – Dynamic Fluid Control (DFC) to 100% black-owned Copaflo Fluid Control, for R114 million
- July 2019 – Rand Roads to Ultra Asphalt for R37,5 million
- July 2019 – Ground Engineering (GEL) to GEL's management and another shareholder for R7,5 million
- August 2019 – Duraset Alrode to Videx for R50 million
- August 2019 – Building and Civil Engineering to the 100% black-owned Laula Consortium for R100 million

These disposals are subject to conditions precedent normally associated with transactions of this nature and are at various stages of conclusion.

The non-core disposals have been concluded at acceptable value and in a responsible manner that will create liquidity for the Group while contributing to the transformation and sustainability of the sectors in which the businesses operate. Most were acquired by 100% empowered businesses, some in consortium with management. A notable example is the sale of Aveng Water to Infinity Partners, a company owned by E-Squared Investments and Suzie Nkambule, the previous Aveng Water CEO. The Building and Civils transaction will satisfy the Group's outstanding Voluntary Rebuild Programme commitment to government.

The process to dispose of the balance of the businesses, namely Trident Steel, ACS and Mechanical & Electrical remains underway and the Group continues its drive to improve the performance of these businesses to ensure a sustainable future for their employees, customers and suppliers. The disposal process is expected to be completed during 2020.

Improving performance of core businesses

McConnell Dowell

McConnell Dowell was consistently profitable as it focused on smaller specialised projects and continued to improve operational performance. While McConnell Dowell's two-year order book grew from a low base to AUD1,15 billion, which supports 77% of budgeted revenue for 2020, the business requires larger scale to achieve its longer-term growth objectives. The value of outstanding tenders is currently AUD2,5 billion, including AUD1,2 billion of preferred status projects. McConnell Dowell remains focused on pursuing opportunities in the areas of specialisation in which it has a proven track record of success. McConnell Dowell has increased its selective bidding activity in growing markets in line with its strategy. The business is negotiating repeat work with major clients in Australia on the strength of sound performances on projects such as the long-term Western Program Alliance and Swanson Dock in Melbourne in order to increase its growth momentum.

Moolmans

Moolmans' disappointing financial performance was attributable largely to underperformance on the Gamsberg and Khutala contracts and the previously reported additional closure costs incurred with the early termination of the Karowe contract in Botswana. The Group-led intervention at Moolmans focused on operational performance, asset health, contract renegotiations and extensions, and timely and improved reporting and monitoring. Following the review, Moolmans renegotiated the costs and conditions of the Gamsberg contract. The Khutala contract will end in September 2019. Moolmans secured five contract extensions, including rate and scope increases. These contributed to the current R6 billion order book, representing 50% growth from 31 December 2018. As a result, Moolmans has secured 82% of budgeted 2020 revenue. Pending a decision on the future of the Nkomati mine, Moolmans has negotiated a three-month extension of the contract to end of September 2019. Opportunities are being explored to redeploy the equipment used on the Nkomati project to existing or new project opportunities within South Africa. The asset health review led to a focus on asset availability and related component replacement. This resulted in continued investment in the fleet of R584 million.

Market review

Investment in infrastructure across Australia, New Zealand and Southeast Asia remains on an upward trajectory, largely in line with annual growth forecasts for the next three years. Strong opportunities in the building and infrastructure sectors are driven mainly by population growth and urbanisation.

McConnell Dowell's core sectors continue to grow, with major road and rail programmes underpinned by government investment plans. Challenges experienced by other contractors on mega projects in Australia have validated McConnell Dowell's strategy of pursuing smaller specialised projects, but this has increased competition for projects below AUD500 million.

New Zealand's construction industry remains buoyant, with the pace of growth accelerating in line with increased demand. The key growth drivers are government

Commentary continued

plans to develop transport networks and reliable electricity infrastructure for New Zealand's growing population.

The emerging markets of Southeast Asia continue to grow as rapid urbanisation and growing populations drive investment in privately backed infrastructure projects. The regional economy is gaining prominence as its contribution of Asia's total GDP grows to 12%.

The global mining industry remains cautiously optimistic, with mining companies looking to increase output and make new investments in assets. In South Africa, improving commodity prices bode well for Moolmans.

Financial performance

Aveng reported a headline loss of R1,54 billion (2018: R1,56 billion, restated) and a net loss of R1,68 billion (2018: R3,52 billion).

Basic loss per share was 10,5 cents compared to a 653,9 cents loss per share in the comparative period and **headline loss per share** was 9,7 cents (2018: 290,1 cents loss per share, restated). The significant reduction in the basic loss and headline loss per share was due to an increase in the weighted average number of shares in issue as a result of the rights issue on 4 July 2018 and the specific share issue relating to the early redemption of the convertible bond. The prior year headline earnings is restated following an extensive asset health assessment carried out within Moolmans at the end of the prior year and beginning of the current year. This resulted in certain costs being disaggregated within already recorded cost of sales to better reflect how the asset components are utilised. Consequently, these costs have been reflected as a loss on derecognition of components following early component failure.

Statement of comprehensive earnings

Revenue decreased by 16% to R25,7 billion (2018: R30,6 billion). The decrease was primarily attributable to implementation of the strategic plan.

Net operating loss increased from R401 million in June 2018 to R1 119 million, due to:

- Moolmans' R372 million operating loss is mainly attributable to the abrasive mining conditions at Gamsberg, underperformance of the Khutala project and additional closure costs incurred with the early termination of the Karowe contract;
- Aveng Manufacturing margins were negatively impacted as weak market conditions persisted in most of the sectors served by the manufacturing business units; and
- Grinaker-LTA's results were impacted by sustained weakness in the construction market, continued underperformance on a certain building and road contract, resulting in a loss of R401 million.

These were partially offset by:

- stable operational performance at McConnell Dowell, supported by more consistent project execution which resulted in a net operating profit of R110 million (2018: R103 million); and
- continued strong performance at Trident Steel, due to favourable selling prices per tonne coupled with stringent cost saving measures.

A R241 million **impairment charge** comprised R163 million following the asset health review at Moolmans, R78 million additional impairment recognised against the measurement of intangible assets and property, plant and equipment assets held for sale. Fair value adjustments on assets transferred to Held for Sale amounted to R51 million.

Net finance charges amounted to R406 million (2018: R439 million). Excluding the R118 million interest portion of the Genrec claim received in the comparative period, the net finance charges reduced due to the capitalisation of a portion of the interest on the convertible bond, partially offset by increased rates of interest and transaction expenses incurred due to the debt restructuring.

Statement of financial position

The Group incurred **Capital expenditure** of R834 million (2018: R786 million), applying R730 million (2018: R648 million) to replace and R104 million (2018: R138 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- R137 million at McConnell Dowell, relating to specific projects across the various businesses
- R584 million at Moolmans, primarily as a result of investment in existing fleet
- R80 million at Aveng Manufacturing and Processing.

Assets Held for Sale decreased by R930 million to R3,8 billion (June 2018: R4,8 billion) due to the movement in the working capital associated with the non-core assets and sales of Aveng Rail, Aveng Water and certain properties.

Liabilities Held for Sale decreased by R644 million to R3,4 billion (June 2018: R4,1 billion) due to the movement in the working capital associated with the non-core assets and sales of Aveng Rail, Aveng Water and certain properties.

Amounts due from contract customers (non-current and current) improved to R3,0 billion before Held for Sale (June 2018: R4,0 billion) due to the unwinding of contracts and the transition adjustment of R267 million, reflected in the opening balance of retained earnings on the adoption of *IFRS 15 Revenue from Contracts with Customers*. There was also an increase in contract contingencies, specifically in Grinaker-LTA for civil and building projects nearing or at completion.

Stated capital increased to R3,9 billion (June 2018: R2,0 billion) as a result of the successful rights offer which raised R493 million of new capital and the early redemption of the convertible bond which was settled through the specific issue of shares of R1,4 billion.

Operating free cash flow for the period amounted to an outflow of R1 billion and included:

- cash outflow of R362 million in McConnell Dowell due to utilisation of advance payments received in June 2018;
- cash outflow of R488 million at Grinaker-LTA;
- cash outflow of R201 million at Moolmans;
- cash outflow at Aveng Manufacturing of R131 million;
- net capital expenditure of R622 million;
- R520 million of proceeds on disposal of non-core assets;
- net finance charges of R332 million; and taxation of R90 million.

Cash and bank balances (net of bank overdrafts) decreased to R1,6 billion (June 2018: R2,1 billion) and the net debt position reduced to R540 million (June 2018: R1,2 billion).

Operating review

Safety

Safety is a core value for Aveng and is integral to the way its operations conduct their business. Aveng prioritises the wellbeing of its people, clients, communities and the environment in which

Commentary continued

it operates. The Group remains committed to its safety vision of "Home Without Harm Everyone Everyday".

Regrettably, two employees lost their lives at work during 2019:

- Mr Daniel Mathule, a short-term contract worker at Grinaker-LTA's N1 Ventersburg road project in the Free State was fatally injured while crossing the N1 highway on 23 November 2018.
- Mr Ousseni Sore, a dump truck operator at Moolmans' Taparko site in Burkina Faso was fatally injured during operations at the site on 28 March 2019.

Aveng extends its sincere condolences and sympathy to the families and colleagues of the deceased. The Group will continue with its unwavering commitment to safety and actions within its control to avert such tragedies in future.

The total recordable injury frequency rate (TRIFR) was 0,69 (2018: 0,91), which was better than the Group's target of 0,82. This indicator is in line with industry standards and includes fatalities, lost-time injuries, restricted workday cases and medical treatment cases. The TRIFR is calculated using 200 000 man-hours as the baseline for its frequency rate. The TRIFR demonstrates a continued improvement trend over the past three years from 1,1 to 0,69.

Core businesses

Construction & Engineering: Australasia and Asia

McConnell Dowell

The business comprises four business units – Australia, New Zealand and Pacific, Southeast Asia and Built Environs.

Revenue decreased by 20% to AUD939 million (2018: AUD1,2 million) due to a lower order book at the start of the financial year. Considerable effort to address the order book resulted in contract awards amounting to AUD1,35 billion for the year, across all selected markets. This represents an increase of 52% in work in hand compared to June 2018. Strong operational performances from most projects improved the operating margin, mitigating the decline in revenue.

Australia

Revenue decreased by 25% to AUD443 million (2018: AUD587 million) due to a lower order book and completion of several large projects. Net operating earnings were maintained, as a result of strong project performance on the award winning Amrun Export Facility Jetty in Queensland, Northern Gas Pipeline in the Northern Territory, the Murray Basin Rail Upgrade, the Swanson Dock East rehabilitation works and the Abbotts Road level crossing removal in Victoria. Challenges experienced on the Regional Bridges project in South Australia and the Dryandra Road project have been addressed.

Southeast Asia

Revenue decreased by 20% to AUD211 million (2018: AUD263 million) as several key projects were completed including the Tuas Road Bridges and Marina Bay Sands retail facility in Singapore and the Rapid Solid Product Jetty in Malaysia. Operating earnings were impacted by costly delays in the logistics services provided by the client on Tangguh LNG export jetty project. Renegotiation of the contract in June 2019 mitigated this risk.

Southeast Asia secured work on the Tuas Water Reclamation project during the first half of the year following the successful completion of the Tuas Road Bridges, but continues to experience challenges securing additional work in a highly competitive market. Tom Dockray has been appointed from within McConnell Dowell to restore focus on opportunities in specialist capabilities across Singapore, Malaysia, Thailand, Indonesia and the Philippines.

New Zealand and Pacific Islands

Revenue increased by 22% to AUD212 million (2018: AUD174 million) as new projects awards, including the Pukekohe Wastewater Treatment Plant and the Wynyard Edge alliance project to construct infrastructure for the 2021 Americas Cup in Auckland, contributed to a solid baseload of work. The business unit secured repeat work for Watercare following the successful completion of the client's Mangere BNR project. Targeting growth opportunities in areas where McConnell Dowell has a record of successful project execution enabled the business unit to return to profitability and secure budgeted revenue for 2020.

Built Environs

Revenue decreased by 19% to AUD73 million (2017: AUD90 million) as the business completed the West Franklin apartments in Adelaide ahead of schedule and successfully secured new work in New Zealand following the strategy to expand its geographic footprint. New awards include a building contract for Auckland City Mission, a wharf extension in Port Nelson and a preferred status contract, in partnership with McConnell Dowell's New Zealand operation, for the Puhinui Station Interchange in Auckland.

Moolmans

Moolmans reported a 12% decline in revenue to R4,1 billion (2018: R4,7 billion) and an operating loss of R372 million (2018: R11 million profit). Moolmans' disappointing performance was largely attributable to underperformance on the Gamsberg and Khutala contracts, as well as additional closure costs incurred during the early termination of the Karowe diamond mine contract in Botswana during the first half of the financial year. The Gamsberg loss-making project was addressed by renegotiating the contract rates and conditions. The Khutala contract terminates at the end of September 2019.

A Group-led intervention to restore sound operational performance resulted in:

- appointment of Jerome Govender as managing director and the strengthening of financial and operational management;
- renegotiation of the Gamsberg contract with effect from 1 April 2019;
- conclusion of five contract extensions, including rate and scope increase;
- improvement in performance monitoring for all Moolmans contracts;
- completion of the organisational design and cost structure review; and
- asset health review resulting in continued investment in fleet maintenance of R584 million and fleet impairment of R163 million.

Non-core businesses

Construction & Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA and Aveng Capital Partners

Aveng Grinaker-LTA

Revenue decreased by 30% to R4,6 billion as Aveng Grinaker-LTA continued to rightsize its business in line with sustained market weakness. A net operating loss of R401 million (2018: R367 million) was attributable to losses incurred on two road contracts, closure of the Mtentu Bridge project and underperformance on certain building contracts.

Commentary continued

Aveng Water completed the Emalahleni water treatment plant and its operations and maintenance contracts performed to expectation. Aveng Water was sold to Infinity Partners, a 100% black-owned company for R85 million effective on 1 June 2019 and its results were reported for 11 months.

Mechanical & Electrical was profitable but at a lower level than the prior year as its revenue and profits were impacted by the postponement of a refinery shutdown to 2020. The business unit is well positioned with a strong order book in the petrochemical market and growth opportunities in the mining and paper and pulp markets.

Building Inland completed the 129 Rivonia building in Sandton and Coral Point development in KwaZulu Natal and is scheduled to complete the Leonardo Towers building in Sandton during the first quarter of 2020. Industrial expansions and social infrastructure projects continue to provide the baseload of work for the **Building Coastal** operation.

The **Civil Engineering** business unit completed the loss-making N1 Ventersburg, R61 All Saints and Mtentu haul roads road projects and exited the road building and maintenance market. Redundant road building plant and assets were sold at fair value. The Aveng-Strabag joint venture terminated the Mtentu Bridge contract in February 2019 following the force majeure events that occurred at and around the site from October 2018.

The disposal of Building and Civil Engineering business units to the 100% black-owned Laula Consortium for R100 million was announced in August 2019. The Rand Roads and GEL business units were disposed of in July 2019.

Manufacturing and Processing

This operating segment comprises Trident Steel and Aveng Manufacturing.

Trident Steel

A pleasing result was achieved by a strong management team in difficult trading conditions. Revenue increased by 5% to R5,5 billion largely as a result of higher selling prices per tonne but margins were marginally lower than the previous year. Operating profit increased to R39 million (2018: R29 million). The achievement of operational cost savings and improved working capital management contributed to the good performance.

Subsequent to year end, the Group concluded a bulk sale in the ordinary course of business of particular lines of steel inventory in its Roodekop plant to a single buyer for R150 million. This sale has allowed Aveng to monetise a significant part of its stock and significantly reduce its working capital. The cash will be used to reduce debt and strengthen the financial position of Aveng.

Aveng Manufacturing

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

The disposals of Infraset and DFC were announced in July 2019 and the disposal of Duraset Alrode business was announced in August 2019. The businesses were reported on for the full year. Rail was disposed of with effect from 1 May 2019 and is reported on for 10 months.

Revenue declined to R2,0 billion (2018: R2,1 billion) and a net operating loss of R168 million (2018: R196 million loss) was reported as the operating group continued to experience low levels of activity in the infrastructure, mining and rail sectors.

Aveng ACS increased its revenue by 23% to R546 million and remained profitable despite the loss of a major contract when the client went into business rescue. ACS' performance was driven largely by activity in the oil and gas and industrial processing markets and the addition of the Pentair range of control valves in South Africa.

Aveng DFC reported a 4% reduction in revenue to R434 million (2018: R452 million) and an operating loss as low levels of investment in the water infrastructure and maintenance markets persisted and the business incurred higher levels of stock write-offs. Export performance and the opening of a sales office in Brazil had a marginally positive impact on performance.

Aveng Duraset reported a similar loss to the prior year on lower revenue of R364 million as it continued to be impacted by mine closures, strikes and competition for a reduced market in the mining industry.

Aveng Infraset reported an 18% decline in revenue to R530 million (2018: R645 million) and a significant loss due to weakness in demand for all of its building and infrastructure products. Demand for railway sleepers improved during the second half of the financial year although this remains significantly below historical demand.

Aveng Rail performed to budget, reporting a loss on a marginal increase in revenue still well below historical levels, primarily as a result of limited spend in the rail maintenance market.

Two-year core order book

The order book for the Group's core assets amounted to R17,7 billion at 30 June 2019, increasing by 36% since 30 June 2018.

Outlook

Aveng's strategy remains valid, and the Group is focused on completing the disposal of the non-core assets in 2020 and de-risking the Group, reducing debt, returning Moolmans to profitability, growing the McConnell Dowell order book profitably and improving equity value for shareholders.

Disclaimer

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

By order of the Board

EK Diack
Executive chairman

SJ Flanagan
Group chief executive officer

AH Macartney
Group finance director

Date of release: 29 August 2019

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