Leaders in infrastructure

Unaudited interim condensed consolidated financial statements

for the six months ended 31 December 2014

Aveng has evolved
in character, capability and reach.

Vision

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

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

Mission

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

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

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

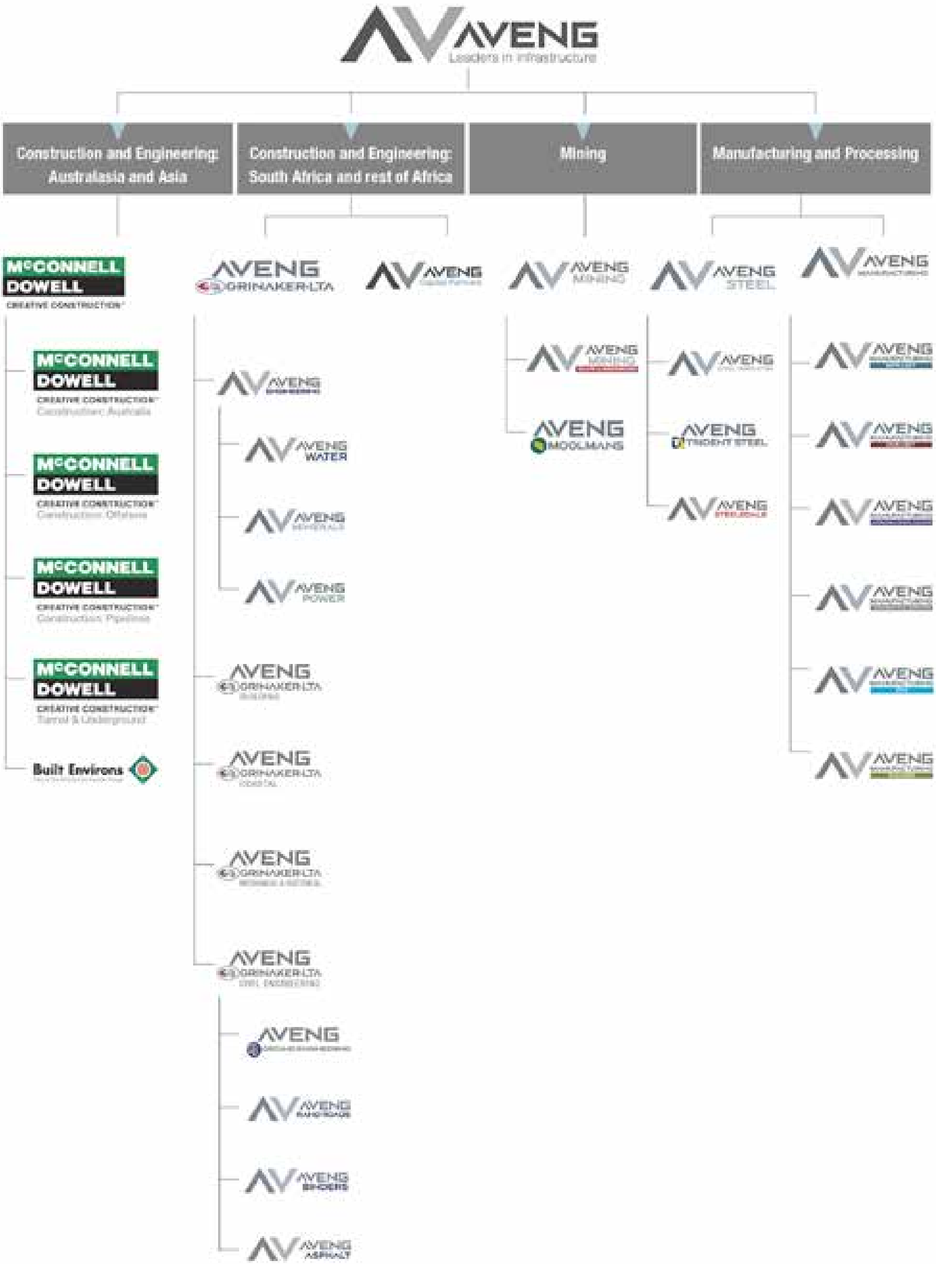
HOME WITHOUT HARM
EVERYONE EVERYDAY

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

Forward-looking statements

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

Group organogram



AVENG
Leaders in infrastructure

Unaudited Group results

For the six months ended December 2014

Notes:

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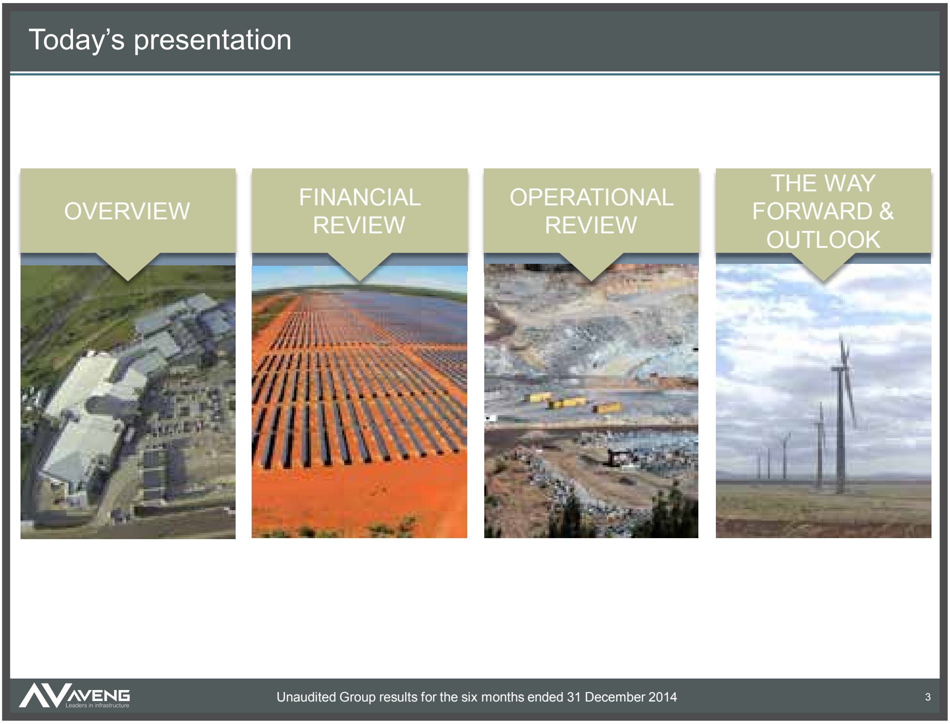
Today's presentation
OVERVIEW
FINANCIAL REVIEW
OPERATIONAL REVIEW
THE WAY FORWARD & OUTLOOK
AVENG
Leaders in infrastructure
Unaudited Group results for the six months ended 31 December 2014
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Notes:

Notes:

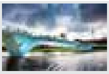
Operating environment

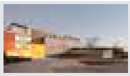
» Australasia and Asia

- Market conditions remain difficult with competitive pressures
- Lower commodity prices have resulted in declining resource-related opportunities
- Good opportunities in social and transport-related infrastructure projects
- Mixed activity levels in New Zealand and in South East Asia

» South Africa and rest of Africa

- SA market remains constrained due to the lack of investment in infrastructure
- Strong demand for concrete and rail products, as well as rail construction and maintenance services
- Competitive market conditions in the steel sector due to low levels of economic activity
- Limited new opportunities in the commodities sector, particularly in rest of Africa
- Energy and transport-related infrastructure opportunities in Africa





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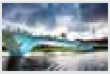
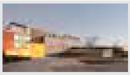
Notes:

Salient features

- » Revenue decreased by 14% to R23,9 billion (2013: R27,7 billion)
- » Net operating earnings declined by 19% to R413 million (2013: R510 million)
- » Headline earnings per share declined by 58% to 34,5 cents (2013: 82,1 cents)
- » Aveng Grinaker-LTA turnaround
- » QCLNG and Gold Coast claims resolution
- » Manufacturing and mining operations performed well in difficult markets
- » Sale of the Electrix business successfully completed
- » Two-year order book flat at R32,5 billion compared to December 2013, down 12% from R37,1 billion in June 2014
- » Net cash improved to R1,7 billion from R1,3 billion in June 2014





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Notes:

Safety performance

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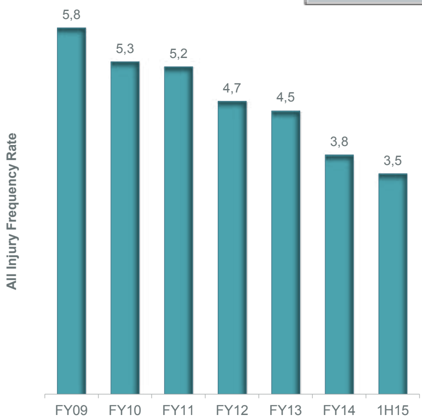
EVERYONE EVERYDAY

» Further improvement in the All Injury Frequency Rate (AIFR) to 3,5

» Regrettably, two fatalities occurred at group operations

» Safety achievements:

- M&E Sapref Durban - 7,1 million Lost Time Injury (LTI) free man-hours
- M&E Medupi – 2,3 million LTI free man-hours
- Sadiola (Mali) – 4,7 million LTI free man-hours
- Erongo Desalination Plant 4 years LTI free
- Chiquicamata (Chile) – Safety performance award for best underground contracting company



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Unaudited Group results for the six months ended 31 December 2014

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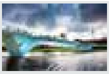
Notes:

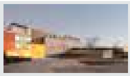
Notes:

Financial review

Statement of Comprehensive Earnings	**H1 2015 Rm**	H1 2014 Rm [1]	Change	H2 2014 Rm
Revenue	**23 864**	27 654	(14%)	25 305
Net operating earnings	**413**	510[1]	(19%)	289
Profit on sale of subsidiary / impairments	**240**	-	n/a	(831)
Net finance (expense) / earnings	**(166)**	(83)	(100%)	(100)
Taxation expense	**(125)**	(114)	(10%)	(47)
Earnings for the period	**362**	313	16%	(689)
Headline earnings	**138**	307	(55%)	114
Earnings / (loss) per share (cents)	**89,3**	83,9	6%	n/a
Headline earnings per share (cents)	**34,5**	82,1	(58%)	n/a

1. The prior year number has been adjusted by the fair value on the Goldfields Mall property (R7million).





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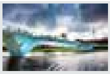
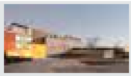
Notes:

Total revenue – Segmental analysis

	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
South Africa and rest of Africa[2]	**4 294**	4 284	0%	4 393
Australasia and Asia	**11 804**	14 933	(21%)	13 236
Total Construction and Engineering	**16 098**	19 217	(16%)	17 629
Mining	**2 974**	3 461	(14%)	3 121
Manufacturing and Processing	**5 253**	5 265	0%	5 347
Other and Eliminations[2]	**(461)**	(289)	(60%)	(792)
Total[1]	**23 864**	27 654	(14%)	25 305

1. Total revenue per segment includes internally generated revenue
2. Aveng Capital Partners is now included in Construction and Engineering: South Africa and rest of Africa.





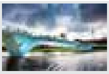
Unaudited Group results for the six months ended 31 December 2014 10

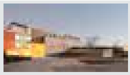
Notes:

Net operating earnings – Segmental analysis

	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
South Africa and rest of Africa[2]	**(229)**	(202)	(13%)	(232)
Australasia and Asia	**183**	191	(4%)	80
Total Construction and Engineering	**(46)**	(11)	(318%)	(152)
Mining	**241**	295	(18%)	234
Manufacturing and Processing	**79**	162	(51%)	202
Other and Eliminations[2]	**139**	64	117%	5
Total[1]	**413**	510	(19%)	289

1. Total revenue per segment includes internally generated revenue
2. Aveng Capital Partners is now included in Construction and Engineering: South Africa and rest of Africa.





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Unaudited Group results for the six months ended 31 December 2014

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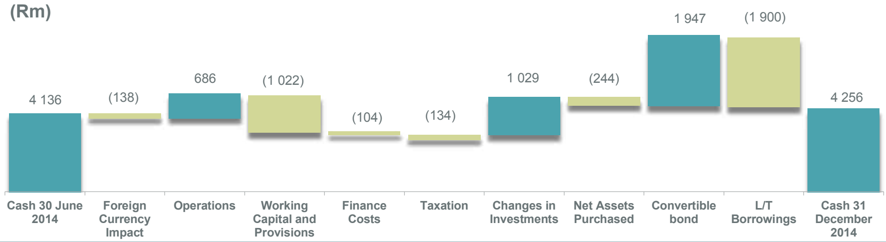
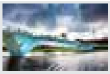
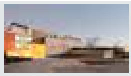
Notes:

Movement in cash and bank balances

		H1 2015 (Rbn)	H2 2014 (Rbn)	FY 2014 (Rbn)
Cash	South Africa	**1,3**	1,4	1,3
	Australia and other	**3,0**	3,5	2,8
	Total	**4,3**	4,9	4,1
Debt	South Africa	**2,3**	1,7	2,0
	Australia and other	**0,3**	0,9	0,8
Net cash		**1,7**	2,3	1,3
Operating free cash flow		**0,2**	(0,2)	(1,4)







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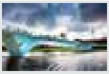
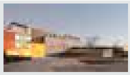
Notes:

Working capital

	H1 2015 Rm	H1 2014 Rm	Change	FY 2014 Rm	Change
Inventories	**3 056**	2 903	5%	2 793	9%
Receivables	**12 531**	12 252	2%	14 136	(11%)
Trade and other receivables	**2 433**	2 999	(19%)	2 785	(13%)
Amounts due from contract customers	**10 098**	9 253	9%	11 351	(11%)
Payables	**12 374**	13 389	(8%)	14 255	(13%)
Trade and other payables	**8 713**	9 402	(7%)	9 743	(11%)
Amounts due to contract customers	**2 353**	2 352	-	2 677	(12%)
Derivative instruments and Employee-related and other payables	**1 308**	1 635	(20%)	1 835	29%
Working capital	**3 213**	1 766	82%	2 674	20%

Programmes are being implemented throughout the Group to strengthen working capital management





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Unaudited Group results for the six months ended 31 December 2014

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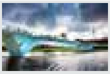
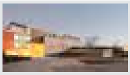
Notes:

Amounts due from / (to) contract customers

	H1 2015 Rm	H1 2014 Rm	Change	FY 2014 Rm	Change
Disclosed on the statement of financial position as follows:					
Uncertified claims and variations	**6 495**	5 535	17%	6 763	(4%)
Provision for amounts due from contract customers	**(964)**	(1 083)	11%	(1 102)	13%
Contract and retention receivables	**4 613**	4 852	(5%)	5 736	(20%)
Provision for contract receivables	**(46)**	(51)	10%	(46)	-
Amounts due from customers (current and non current assets)	**10 098**	9 253	9%	11 351	(11%)
Progress billings received	**(1 728)**	(1 852)	7%	(1 766)	2%
Amounts received in advance	**(625)**	(500)	(25%)	(911)	31%
Amounts due to customers (current liability)	**(2 353)**	(2 352)	-	(2 677)	12%
Net amounts due from contract customers	**7 745**	6 901	12%	8 674	(11%)





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Unaudited Group results for the six months ended 31 December 2014

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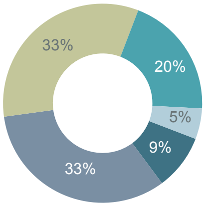
Notes:

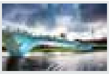
Capital expenditure

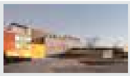
	H1 2015 Rm	H1 2014 Rm	Change
Replacement	**456**	320	43%
Expansion	**101**	271	(63%)
Property, plant and equipment	**557**	591	(6%)
Intangible assets	**26**	58	(55%)
Total capital expenditure	**583**	649	(10%)
Capital expenditure net of proceeds on disposal	**244**	505	(52%)
Depreciation and amortisation	**515**	584	(12%)
Multiple of depreciation spent	**1,1**	**1,1**	-



Capital expenditure per segment

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





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Notes:

Capital structure review

» Objectives:

- Diversification of funding sources
- Extension of debt maturity profile
- Reduction of the Group's overall debt levels
- Continue pursuing outstanding claims to a positive conclusion and to take advantage of growth opportunities

» Initiatives:

- Convertible bond
- Sale of Electrix
- Sale of South African properties

» Status:

- Convertible bond successfully issued and listed on the JSE
  - Authority was granted by the shareholders to equity-settle the bond conversion
- Disposal of Electrix business finalised in October 2014
- Properties disposal in advanced stages of completion and should be finalised in 2H15

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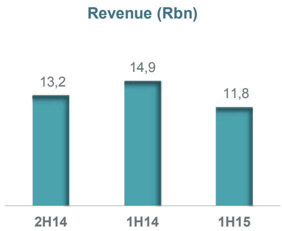
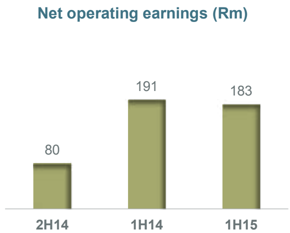
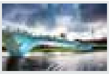
Notes:

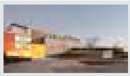
Construction & Engineering: Australasia and Asia

- Revenue decreased by 21% to R11.8 billion as several multi-year pipeline and building contracts were completed
- Improved revenue was achieved by the Australia Construction and Tunnelling business units
- Net operating earnings marginally lower but a substantial improvement on 2H14
- Profit of R777 million on the sale of Electrix (not included in Net operating earnings)
- Claims resolution on the QCLNG contract is progressing and remains within agreed timelines. Efforts to finalise and resolve claims on the Gold Coast contract have been intensified.









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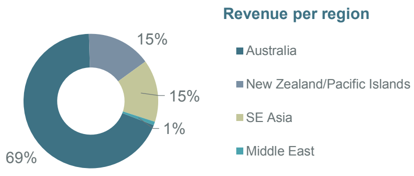
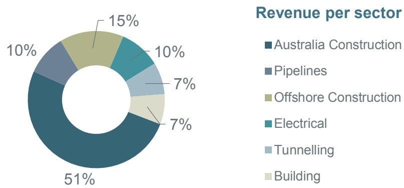
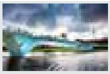
Notes:

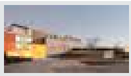
Construction & Engineering: Australasia and Asia – Revenue

Revenue	**H1 2015 Rm**	H1 2014 Rm	Change	H2 2014 Rm
Australia Construction	**6 028**	4 423	36%	4 997
Pipelines	**1 135**	4 983	(77%)	2 134
Offshore Construction	**1 791**	1 851	(3%)	1 758
Buildings	**842**	1 393	(40%)	1 251
Electrical	**1 155**	1 559	(26%)	1 829
Tunnelling	**891**	825	8%	1 001
Administration	**(38)**	(101)	63%	266
Total	**11 804**	14 933	(21%)	13 236









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Unaudited Group results for the six months ended 31 December 2014

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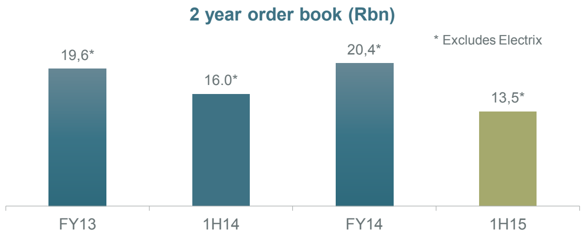
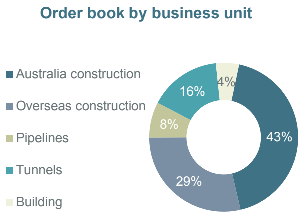
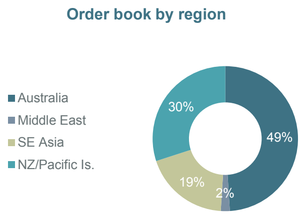
Notes:

Construction & Engineering: Australasia and Asia - Order book





» Decrease reflects difficulty in winning new work due to a decline in mining-related infrastructure, and the oil and gas market, as well as increased competition
» Increased Overseas Construction contribution in line with strategy
» Only 3% of the order book now relates to legacy contracts



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Notes:

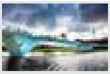
Construction & Engineering: Australasia and Asia - Key issues and report back

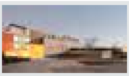
Key issues

- » Focus on problematic contracts and the resolution of outstanding claims
- » Diversify into non-commodity related infrastructure and increase contribution from outside Australia

Report back

- » Commercial process on QCLNG well advanced - ICC process progressing in line with agreed timelines
- » Gold Coast substantially completed – claims process ongoing
- » Various other claims favourably resolved
- » Increased percentage contribution to order book from Overseas Construction
- » Mining now represents 18% of the order book vs 22% in June 2014





AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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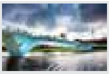
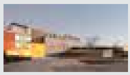
Notes:

Construction & Engineering: Australasia and Asia - Outlook

- » Revenue expected to decline following the completion of major projects and the generally subdued outlook in the region
- » Continued focus on growth in New Zealand and South East Asia
- » Pursuing attractive opportunities in non-traditional sectors, with a focus on transport (road, rail and ports), maintenance service contracts and commercial buildings
- » Claims recovery and cash flow generation remains a priority
- » Fixed cost base will continue to be aligned to revenue





AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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Notes:

CONSTRUCTION & ENGINEERING

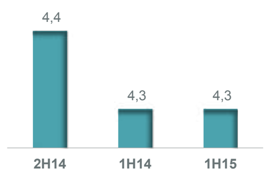
South Africa and rest of Africa

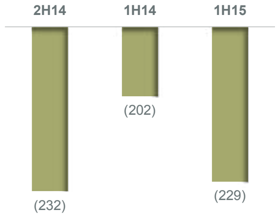
Notes:

Construction & Engineering: South Africa and rest of Africa

- Revenue flat at R4,3 billion due to on-going activity on renewable energy projects, new building contracts and ramp-up of a rail project
- Net operating loss of R229 million reflects an improved performance by Aveng Grinaker-LTA:
  - R298 million loss (R335 million loss in 1H14) from Aveng Grinaker-LTA
  - R28 million loss (R2 million profit in 1H14) from Aveng Engineering
  - R97 million profit (R131 million profit in 1H14) from Aveng Capital Partners*
- Reduced non-contributing projects in the order book
- Cost optimisation measures largely completed
- Management retention and stability improved

** Aveng Capital Partners now included. Comparatives adjusted accordingly.*





AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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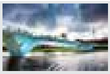
Notes:

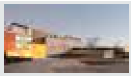
Construction & Engineering: South Africa and rest of Africa - Revenue

Revenue	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
Aveng Grinaker-LTA : Civil Engineering	**1 632**	1 348	21%	1 747
: Mechanical and Electrical	**954**	1 003	(5%)	662
: Building and Coastal	**1 223**	1 404	(13%)	1 352
Aveng Engineering	**477**	402	19%	625
Aveng Capital Partners*	**8**	127	(94%)	7
Total[1]	**4 294**	4 284	0%	4 393

1. Total revenue includes internally generated revenue

** Aveng Capital Partners now included. Comparatives adjusted accordingly.*





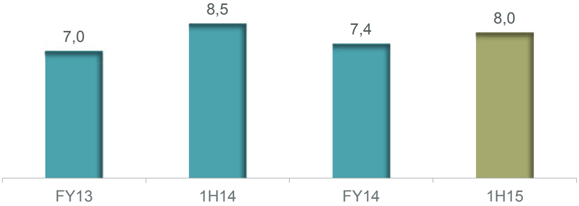
AVENG Leaders in infrastructure

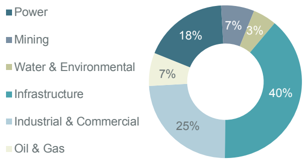
Unaudited Group results for the six months ended 31 December 2014

26

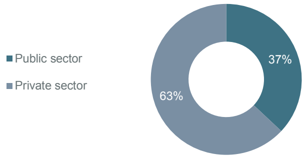
Notes:

Construction & Engineering: South Africa and rest of Africa - Order Book





- Increased by 8% after securing contracts for SANRAL and new building contracts (Dr Pixley Ka Isaka Seme Memorial hospital and Cape Town International Convention Centre)
- Increased contribution from Industrial & Commercial projects in the order book mix more than offset declines in Power and Oil and Gas
- Public sector work contribution increased from 20% to 37%
- Strong focus remains on diversifying into cross border markets
- 7% of the two-year order book relates to legacy contracts



AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

27

Notes:

Construction & Engineering: South Africa and rest of Africa – Key issues and report back

Key issues

» Improve management capacity and stability

» Stabilisation and positioning for profitability

» Operational and commercial challenges experienced by legacy contracts

» Continued focus on fixed cost optimisation

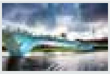
Report back

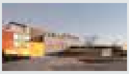
» Management quality and retention addressed

» Break-even position pushed out due to difficult operating conditions and losses on two contracts

» Non-contributing legacy contracts substantially complete

» Benefits of cost optimisation to be realised in FY15





AVENG Leaders in infrastructure   Unaudited Group results for the six months ended 31 December 2014   28

Notes:

Construction & Engineering: South Africa and rest of Africa - Outlook

» Despite slow infrastructure related investment, Aveng is pursuing attractive opportunities in the private and public sectors

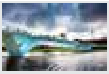
» Overcapacity will continue to suppress margins in South Africa

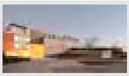
» Improved performance expected from Aveng Grinaker-LTA due to:

- continued execution of the turnaround and recovery plan
- realisation of cost optimisation initiatives
- project execution and operational excellence
- reduced contribution from low margin legacy contracts

» Continued focus on achieving commercial resolution of loss-making contracts

» Continue to pursue opportunities in the rest of Africa and drive the Aveng multi-disciplinary value chain





AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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Notes:

AVENG MINING

Notes:

Aveng Mining

» Revenue decreased by 14% to R3,0 billion mainly due to the continued downturn in the commodities market

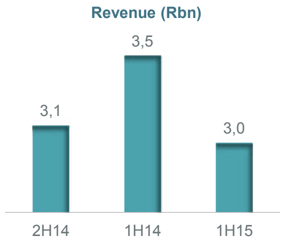
» Despite lower earnings, the mining operations continued to perform well in a tight market

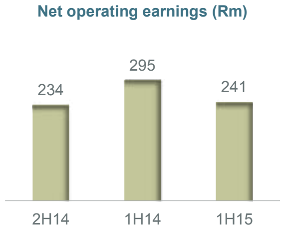
» Earnings declined by 18% due to:

- Lower activity levels
- Labour disruptions and margin slippage at Aveng Mining Shafts & Underground

» Aveng Moolmans continues to maintain margins in difficult trading conditions

» Ramp-up and commissioning of the Nkomati Nickel Mine contract progressing well





AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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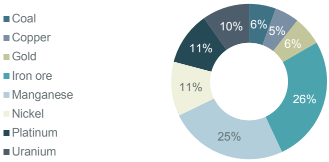
Notes:

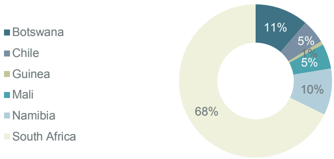
Aveng Mining - Revenue

Revenue	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
Aveng Mining : Moolmans	**2 245**	2 505	(10%)	2 216
: Shafts & Underground	**729**	956	(24%)	905
Total	**2 974**	3 461	(14%)	3 121

Revenue by commodity



Revenue by geography



AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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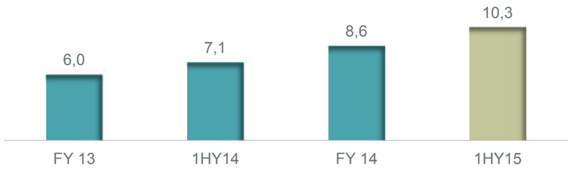
Notes:

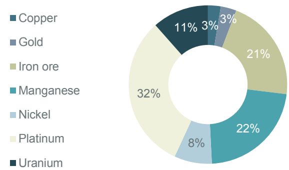
Aveng Mining - Order Book

2 year order book (Rbn)

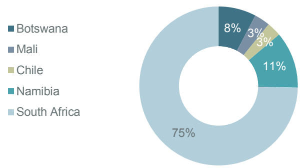


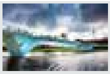
- Increased by 20% from June 2014, with South Africa gaining relative to rest of Africa
- Increase attributable to additional work secured on existing contracts and a horizontal tunneling development contract won by Aveng Mining Shafts & Underground
- Commodity concentration risk to gold has reduced, with Platinum, Iron Ore and Manganese gaining
- 22% of work is currently outside SA, down from 47% in December 2013 and 33% in June 2014

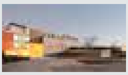
Order book by commodity



Order book by geography







Unaudited Group results for the six months ended 31 December 2014 33

Notes:

Aveng Mining - Key issues and report back

Key issues

» Order book replenishment in Aveng Moolmans

» Impact of industrial action on operations

» Operational and commercial challenges experienced on foreign contracts

Report back

» Order book replenishment despite a depressed market

» Aveng Moolmans unaffected by industrial action, but two contracts at Aveng Mining Shafts & Underground impacted

» Tax issues in Zambia resolved and progressing on the commercial resolution of the Chile contract

AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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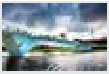
Notes:

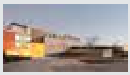
Aveng Mining - Outlook

» Flat revenue anticipated in FY15 with recent contract wins expected to fully contribute in FY16

» Pressure on mining companies to reduce mining costs, with projects being downscaled and delayed

» Focus remains on:
- Diversification of order book
- Cash flow returns
- Utilisation of idle fleet
- Resolving outstanding claims





AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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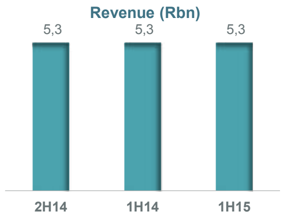
Notes:

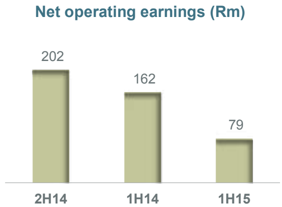
MANUFACTURING and PROCESSING

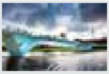
Notes:

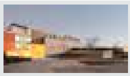
Manufacturing and Processing

- Revenue flat at R5,3 billion:
  - Strong demand for precast concrete products especially in Mozambique and Zambia
  - Aveng Infraset performed well as a result of sleeper and pipe sales
  - Strong demand for rail services
- Net operating earnings fell significantly due to:
  - Impact of labour disruptions
  - Lower demand and pricing pressures, especially for Aveng Steel and mining-related products at Aveng Manufacturing
  - Restructuring costs
- Integration initiatives continue to benefit Aveng Steel
- Aveng plant in Mozambique operating at full capacity and expansion of Zambian sleeper plant successfully completed









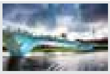
AVENG Leaders in infrastructure   Unaudited Group results for the six months ended 31 December 2014   37

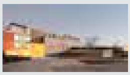
Notes:

Manufacturing and Processing - Revenue

Revenue	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
Aveng Steel	**3 440**	3 415	1%	3 743
Aveng Manufacturing	**1 813**	1 850	(2%)	1 604
Total Aveng Manufacturing and Processing[1]	**5 253**	5 265	0%	5 347

1. Total revenue includes internally generated revenue





Unaudited Group results for the six months ended 31 December 2014 38

Notes:

Manufacturing and Processing - Key issues and report back

Key issues

» Steel prices and demand

» Sector-wide labour disruptions

» Align fixed costs to business requirements

» Return to profitability of Aveng Steeledale and Aveng Steel Fabrication

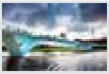
Report back

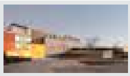
» Steel prices and demand continue to be subdued

» Duration and impact of labour disruptions in steel and mining sectors were greater than anticipated

» Significant fixed cost reduction completed across all Steel operations

» Aveng Steeledale profitable but Aveng Steel Fabrication still loss making





AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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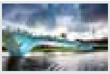
Notes:

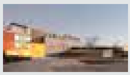
Manufacturing and Processing - Outlook

» Manufacturing
- Railway development remains a key growth market
- Better performance expected due to:
  - Rail-related projects for Aveng Manufacturing Lennings Rail Services
  - Sleeper sales by Aveng Manufacturing Infraset in Africa
  - Buoyant demand for concrete products and diversification outside South Africa

» Steel
- Industry expected to remain subdued over the medium-term
- Limited improvement in price and demand anticipated
- Realisation of first half restructuring initiatives

» Improved financial performance expected

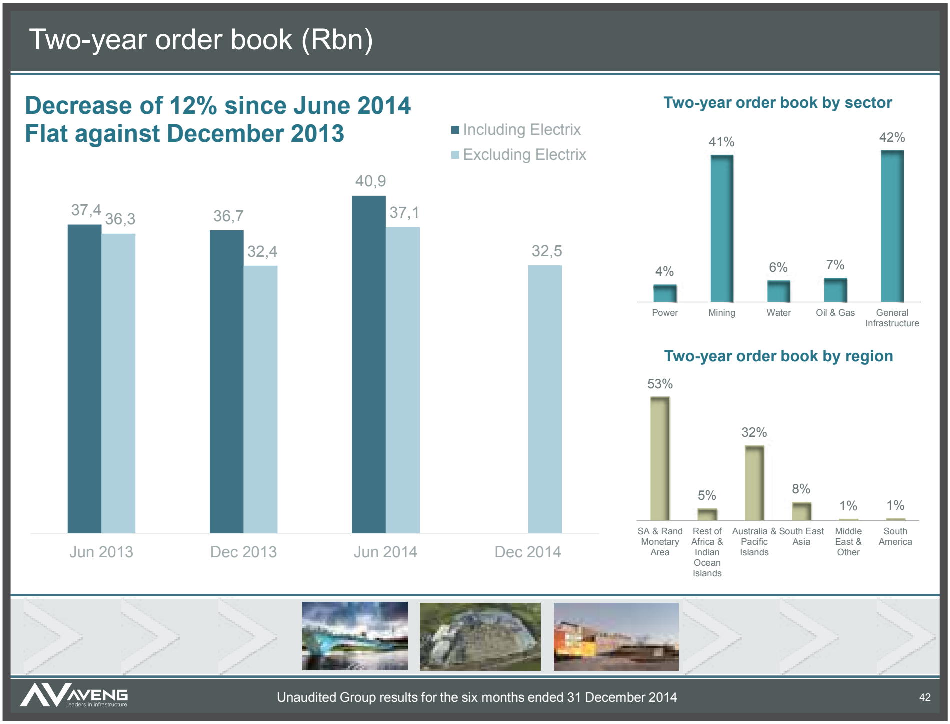




AVENG Leaders in infrastructure Unaudited Group results for the six months ended 31 December 2014 40

Notes:

Notes:

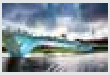

Two-year order book (Rbn)
Decrease of 12% since June 2014
Flat against December 2013
Including Electrix
Excluding Electrix
37,4
36,3
36,7
32,4
40,9
37,1
32,5
Jun 2013
Dec 2013
Jun 2014
Dec 2014
Two-year order book by sector
4%
41%
6%
7%
42%
Power
Mining
Water
Oil & Gas
General Infrastructure
Two-year order book by region
53%
5%
32%
8%
1%
1%
SA & Rand Monetary Area
Rest of Africa & Indian Ocean Islands
Australia & Pacific Islands
South East Asia
Middle East & Other
South America
AVENG Leaders in infrastructure
Unaudited Group results for the six months ended 31 December 2014
42

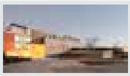
Notes:

Notes:

Outlook and Prospects

- » Improved performance expected from Aveng Grinaker-LTA
- » Commercial uncertainty around QCLNG and the Gold Coast projects remains
- » Positive outlook for Mining, and Manufacturing and Processing
- » McConnell Dowell performance dependant on order book replenishment
- » Realise benefits of cost saving initiatives





AVENG Leaders in infrastructure   Unaudited Group results for the six months ended 31 December 2014   44

Notes:


2015
QUESTIONS AND ANSWERS
AVENG
Leaders in infrastructure
Unaudited Group results
For the six months ended December 2014

Notes:

Notes:

Amounts due from / (to) contract customers

	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
Uncertified claims and variations (under-claims)[1]	**6 495**	5 535	17%	6 763
Provision for amounts due from contract customers	**(964)**	(1 083)	11%	(1 102)
Progress billings received (over-claims)[2]	**(1 728)**	(1 852)	(7%)	(1 766)
Uncertified claims and variations less progress billings received	**3 803**	2 600	46%	3 895
Contract receivables[3]	**4 420**	4 653	(5%)	5 527
Provision for contract receivables	**(46)**	(51)	10%	(46)
Retention receivables[4]	**193**	199	(3%)	209
	8 370	7 401	13%	9 585
Amounts received in advance[5]	**(625)**	(500)	25%	(911)
Net amounts due from contract customers	**7 745**	6 901	12%	8 674
Disclosed on the statement of financial position as follows:				
Uncertified claims and variations	**6 495**	5 535	17%	6 763
Provision for amounts due from contract customers	**(964)**	(1 083)	11%	(1 102)
Contract and retention receivables	**4 613**	4 852	(5%)	5 736
Provision for contract receivables	**(46)**	(51)	10%	(46)
Amounts due from customers (current and non-current)	**10 098**	9 253	9%	11 351
Progress billings received	**(1 728)**	(1 852)	(7%)	(1 766)
Amounts received in advance	**(625)**	(500)	25%	(911)
Amounts due to contract customers (current liability)	**(2 353)**	(2 352)	0%	(2 677)
Net amounts due from contract customers	**7 745**	6 901	12%	8 674

1. Revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations
2. Progress billings are amounts billed for work performed on a contract irrespective of payment from the customer
3. Certified revenue invoiced
4. Retentions are amounts of progress billings that are not paid until the payment conditions specified in the contract are fulfilled or until defects have been rectified
5. Advances are amounts received from the customer before the related work is performed

AVENG Leaders in infrastructure

Unaudited Group results for the six months ended 31 December 2014

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Notes:

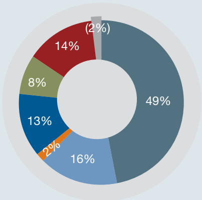
Unaudited interim condensed consolidated financial statements

for the six months ended 31 December 2014

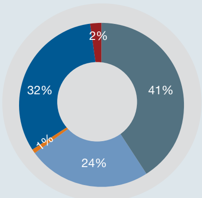
Salient features

Financial performance

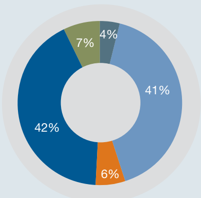
Revenue per operating group



Two-year order book per operating group



Two-year order book by sector



During the six months period ended 31 December 2014:

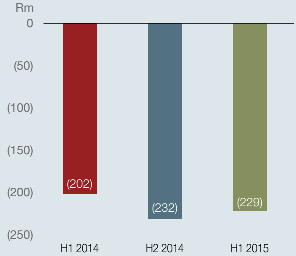
Revenue	**R23,9 billion** Decrease of 14% from R27,7 billion at December 2013
Net operating earnings	**R413 million** Decrease of 19% from R510 million at December 2013
Profit on sale of subsidiary	**R777 million**
Earnings for the period	**R362 million** Increase of 16% from R313 million at December 2013
Headline earnings	**R138 million** Decrease of 55% from R307 million at December 2013
Operating free cash flow	**R220 million inflow** December 2013: R178 million outflow
Earnings per share	**89,3 cents** Increase of 6% from 83,9 cents at December 2013
Headline earnings per share	**34,5 cents** Decrease of 58% from 82,1 cents at December 2013

Salient features *continued*

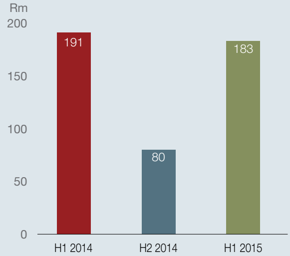
Net operating earnings – segmental analysis

	H1 2015 Rm	H1 2014 Rm	Change %	H2 2014 Rm	Change H1 2015 / H2 2014 %
South Africa and rest of Africa*	**(229)**	(202)	(13)	(232)	1
Australasia and Asia	**183**	191	(4)	80	>100
Total Construction and Engineering	**(46)**	(11)	(318)	(152)	70
Mining	**241**	295	(18)	234	3
Manufacturing and Processing	**79**	162	(51)	202	(61)
Other and Eliminations*	**139**	64	117	5	>100
Total	**413**	510	(19)	289	43

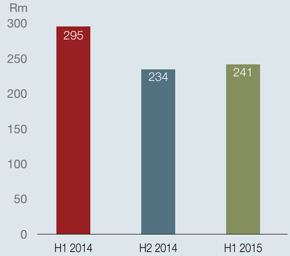
South Africa and rest of Africa*



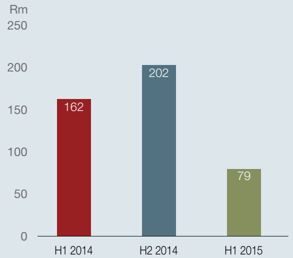
Australasia and Asia



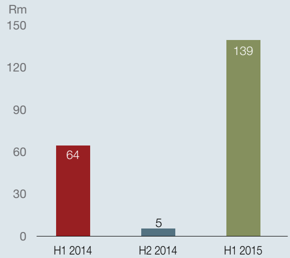
Mining



Manufacturing and Processing



Other and Eliminations*



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

Interim condensed consolidated statement of financial position

as at 31 December 2014

	Note	**31 December 2014 (Unaudited) Rm**	31 December 2013 (Unaudited) Rm	30 June 2014 (Audited) Rm
ASSETS				
Non-current assets				
Investment property*		**—**	78	86
Goodwill arising on consolidation	7	**351**	1 443	663
Intangible assets	7	**298**	222	321
Property, plant and equipment	7	**5 825**	6 864	6 346
Equity-accounted investments	8	**263**	219	306
Infrastructure investments	9	**633**	—	—
Available-for-sale investments		**—**	72	190
Deferred taxation		**1 383**	1 379	1 403
Derivative instruments*		**8**	—	**
Amounts due from contract customers*	10	**3 192**	3 431	2 946
		11 953	13 708	12 261
Current assets				
Inventories		**3 056**	2 903	2 793
Derivative instruments*		**46**	28	1
Amounts due from contract customers*	10	**6 906**	5 822	8 405
Trade and other receivables*		**2 433**	2 999	2 785
Cash and bank balances*		**4 256**	5 246	4 136
		16 697	16 998	18 120
Non-current assets held-for-sale	11	**607**	—	607
TOTAL ASSETS		**29 257**	30 706	30 988
EQUITY AND LIABILITIES				
EQUITY				
Share capital and share premium		**2 001**	1 388	2 008
Other reserves*		**1 279**	941	1 220
Retained earnings*		**10 515**	11 473	10 157
Equity attributable to equity-holders of parent		**13 795**	13 802	13 385
Non-controlling interest		**14**	10	11
TOTAL EQUITY		**13 809**	13 812	13 396

Interim condensed consolidated statement of financial position

as at 31 December 2014 *continued*

	Note	**31 December 2014 (Unaudited) Rm**	31 December 2013 (Unaudited) Rm	30 June 2014 (Audited) Rm
LIABILITIES				
Non-current liabilities				
Deferred taxation*		**234**	386	257
Borrowings and other liabilities	12	**2 158**	1 738	2 303
Payables other than contract-related*		**—**	87	102
Employee-related payables*		**126**	743	682
Derivative instruments*		**—**	—	3
Trade and other payables		**297**	—	—
		2 815	2 954	3 347
Current liabilities				
Amounts due to contract customers	10	**2 353**	2 352	2 677
Borrowings and other liabilities	12	**416**	830	564
Payables other than contract-related*		**98**	102	95
Employee-related payables*		**1 081**	703	893
Derivative instruments*		**3**	—	60
Trade and other payables*		**8 416**	9 402	9 743
Taxation payable		**266**	181	213
Bank overdrafts*		**—**	370	—
		12 633	13 940	14 245
TOTAL LIABILITIES		**15 448**	16 894	17 592
TOTAL EQUITY AND LIABILITIES		**29 257**	30 706	30 988

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

** *Amount less than R1 million.*

Interim condensed consolidated statement of comprehensive earnings

for the six months ended 31 December 2014

	Note	**Six months ended 31 December 2014 (Unaudited) Rm**	Six months ended 31 December 2013 (Unaudited) Rm	% change	Year ended 30 June 2014 (Audited) Rm
Revenue		**23 864**	27 654	(14)	52 959
Cost of sales*		**(22 304)**	(25 781)	13	(49 324)
Gross earnings*		**1 560**	1 873	(17)	3 635
Other earnings*		**319**	202	58	302
Operating expenses*		**(1 496)**	(1 609)	7	(3 171)
Earnings from equity-accounted investments	8	**30**	44	(32)	33
Net operating earnings*		**413**	510	(19)	799
Impairment of property, plant and equipment and intangible assets*	7	**(246)**	—	(>100)	(15)
Impairment of goodwill arising on consolidation*	7	**(291)**	—	(>100)	(816)
Profit on sale of subsidiary	5	**777**	—	>100	—
Earnings / (loss) before financing transactions*		**653**	510	28	(32)
Finance earnings		**72**	57	26	136
Accrual of coupon interest for convertible bonds	12	**(64)**	—	(>100)	—
Accretion of convertible bond liability due to transaction costs	12	**(3)**	—	(>100)	—
Accretion of convertible bond liability due to separation of option component	12	**(28)**	—	(>100)	—
Fair value adjustment on convertible bonds conversion option	12	**36**	—	(>100)	—
Other finance expenses		**(179)**	(140)	(28)	(319)
Earnings / (loss) before taxation*		**487**	427	14	(215)
Taxation*	13	**(125)**	(114)	(10)	(161)
EARNINGS / (LOSS) FOR THE PERIOD*		**362**	313	16	(376)
Earnings / (loss) for the period attributable to:					
Equity-holders of the parent*		**358**	314	14	(381)
Non-controlling interest		**4**	(1)	>100	5
		362	313	16	(376)

EBITDA for the Group being net operating earnings before depreciation and amortisation is R928 million (December 2013: R1 094 million; June 2014: R1 708 million).

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

Interim condensed consolidated statement of comprehensive earnings

for the six months ended 31 December 2014 *continued*

	Note	**Six months ended 31 December 2014 (Unaudited) Rm**	Six months ended 31 December 2013 (Unaudited) Rm	% change	Year ended 30 June 2014 (Audited) Rm
Earnings / (loss) for the period brought forward*		**362**	313	16	(376)
Other comprehensive earnings					
Exchange differences on translating foreign operations*		**(255)**	192	(>100)	402
Recycling of exchange differences on sale of subsidiary		**(111)**	—	(>100)	—
Available-for-sale fair value reserve		**—**	—	—	93
Other comprehensive loss released / (raised) from equity-accounted investments	8	**28**	—	>100	(28)
Other comprehensive (loss) / earnings for the period, net of taxation*		**(338)**	192	>100	467
Total comprehensive earnings for the period*		**24**	505	(95)	91
Total comprehensive earnings for the period attributable to:					
Equity-holders of the parent*		**20**	506	(96)	86
Non-controlling interests		**4**	(1)	>100	5
		24	505	(95)	91
Other comprehensive earnings for the period attributable to:					
Equity-holders of the parent*		**(338)**	192	(>100)	467
Results per share (cents)*					
Earnings / (loss) – basic	15	**89,3**	83,9	6	(101,9)
Earnings / (loss) – diluted	15	**89,0**	78,0	14	(94,8)
Number of shares (millions)					
In issue		**416,7**	389,8	—	416,7
Weighted average	15	**400,6**	373,9	—	374,0
Diluted weighted average	15	**402,1**	402,1	—	402,1

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

Interim condensed consolidated statement of cash flows

for the six months ended 31 December 2014

	Note	**Six months ended 31 December 2014 (Unaudited) Rm**	Six months ended 31 December 2013 (Unaudited) Rm	Year ended 30 June 2014 (Audited) Rm
Operating activities				
Cash retained / (utilised) from operations		**589**	425	(98)
Depreciation		**501**	564	881
Amortisation		**14**	20	28
Non-cash and other movements*	16	**(418)**	(141)	549
Cash generated by operations*		**686**	868	1 360
Changes in working capital:*				
Increase in inventories		**(279)**	(123)	(13)
Decrease / (increase) in amounts due from contract customers		**743**	4	(2 094)
Decrease / (increase) in trade and other receivables		**362**	(226)	(12)
(Decrease) / increase in amounts due to contract customers		**(252)**	(15)	310
(Decrease) / increase in trade and other payables		**(1 204)**	352	693
(Decrease) / increase in derivative instruments		**(103)**	(28)	62
Decrease in payables other than contract-related		**(102)**	(94)	(102)
Decrease in employee-related payables		**(187)**	(224)	(106)
Total changes in working capital		**(1 022)**	(354)	(1 262)
Cash (utilised) / generated by operating activities		**(336)**	514	98
Finance expenses paid		**(176)**	(140)	(283)
Finance earnings received		**72**	57	127
Taxation paid		**(134)**	(107)	(252)
Cash (outflow) / inflow from operating activities		**(574)**	324	(310)
Investing activities				
Property, plant and equipment purchased				
– expansion		**(101)**	(271)	(384)
– replacement		**(456)**	(320)	(677)
Proceeds on sale of property, plant and equipment		**242**	144	256
Proceeds on disposal of investment property		**97**	—	—
Acquisition of intangible assets		**(26)**	(58)	(176)
Capital expenditure net of proceeds on disposal		**(244)**	(505)	(981)
Loans advanced to equity-accounted investments net of dividends received	8	**(88)**	(31)	(140)
Loans advanced to infrastructure investment companies	9	**(165)**	—	—
Acquisition of subsidiary	4	**(23)**	—	—
Net proceeds on disposal of subsidiary	5	**1 314**	—	—
Dividend earnings		**—**	34	33
Cash inflow / (outflow) from investing activities		**794**	(502)	(1 088)
Operating free cash inflow / (outflow)		**220**	(178)	(1 398)

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

Interim condensed consolidated statement of cash flows

for the six months ended 31 December 2014 *continued*

	Note	**Six months ended 31 December 2014 (Unaudited) Rm**	Six months ended 31 December 2013 (Unaudited) Rm	Year ended 30 June 2014 (Audited) Rm
Operating free cash inflow / (outflow) brought forward		**220**	(178)	(1 398)
Financing activities with equity-holders				
Shares repurchased		**(7)**	–	(7)
Dividends paid		**(2)**	–	(6)
Financing activities with debt-holders				
Proceeds from convertible bonds	12	**1 947**	–	–
(Repayment) / proceeds from borrowings raised		**(1 900)**	1 037	1 336
Net increase / (decrease) in cash and bank balances before foreign exchange movements		**258**	859	(75)
Foreign exchange movements on cash and bank balances		**(138)**	124	314
Cash and bank balances at beginning of the period*		**4 136**	3 893	3 897
Total cash and bank balances at end of the period*		**4 256**	4 876	4 136
Borrowings excluding bank overdrafts		**2 574**	2 568	2 867
Net cash position*		**1 682**	2 308	1 269

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

Interim condensed consolidated statement of changes in equity

for the six months ended 31 December 2014

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency translation reserve Rm	Available-for-sale fair value reserve Rm
Six months ended 31 December 2013 (Unaudited)					
Opening balance as previously reported	19	1 369	1 388	727	—
Adoption of new IFRS 10 accounting standard (refer to note 3)	—	—	—	—	—
Balance at 1 July 2013 as restated	19	1 369	1 388	727	—
Earnings for the period	—	—	—	—	—
Other comprehensive earnings for the period (net of taxation)	—	—	—	192	—
Total comprehensive earnings for the period	—	—	—	192	—
Equity-settled share-based payment charge	—	—	—	—	—
Acquisition of non-controlling interests	—	—	—	—	—
Total contributions and distributions recognised	—	—	—	—	—
Balance at 31 December 2013	19	1 369	1 388	919	—
Year ended 30 June 2014 (Audited)					
Balance at 1 July 2013	19	1 369	1 388	727	—
Loss for the period	—	—	—	—	—
Other comprehensive earnings / (loss) for the period (net of taxation)	—	—	—	402	93
Total comprehensive earnings / (loss) for the period	—	—	—	402	93
Movement in treasury shares	—	(1)	(1)	—	—
Equity-settled share-based payment charge	—	—	—	—	—
Issue of shares to BEE consortium	1	620	621	—	—
Dividends paid	—	—	—	—	—
Total contributions and distributions recognised	1	619	620	—	—
Balance at 30 June 2014	20	1 988	2 008	1 129	93
Six months ended 31 December 2014 (Unaudited)					
Balance at 1 July 2014	**20**	**1 988**	**2 008**	**1 129**	**93**
Earnings for the period	**—**	**—**	**—**	**—**	**—**
Other comprehensive earnings / (loss) for the period (net of taxation)	**—**	**—**	**—**	**(366)**	**—**
Total comprehensive earnings / (loss) for the period	**—**	**—**	**—**	**(366)**	**—**
Movement in treasury shares	**—**	**(7)**	**(7)**	**—**	**—**
Equity-settled share-based payment charge	**—**	**—**	**—**	**—**	**—**
Transfer of convertible bond option to convertible bond equity reserve	**—**	**—**	**—**	**—**	**—**
Deferred transaction costs allocated to convertible bond equity reserve	**—**	**—**	**—**	**—**	**—**
Foreign currency translation movement	**—**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**—**
Total contributions and distributions recognised	**—**	**(7)**	**(7)**	**—**	**—**
Balance at 31 December 2014	**20**	**1 981**	**2 001**	**763**	**93**

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

Interim condensed consolidated statement of changes in equity

for the six months ended 31 December 2014 *continued*

Equity-accounted investments reserve Rm	Equity-settled share-based payment reserve Rm	Insurance reserve* Rm	Convertible bond equity reserve Rm	Total other reserves* Rm	Retained earnings* Rm	Total attributable to equity holders of the parent* Rm	Non-controlling interest Rm	Total equity* Rm
—	21	54	—	802	11 103	13 293	12	13 305
—	—	(54)	—	(54)	56	2	—	2
—	21	—	—	748	11 159	13 295	12	13 307
—	—	—	—	—	314	314	(1)	313
—	—	—	—	192	—	192	—	192
—	—	—	—	192	314	506	(1)	505
—	1	—	—	1	—	1	—	1
—	—	—	—	—	—	—	(1)	(1)
—	1	—	—	1	—	1	(1)	—
—	22	—	—	941	11 473	13 802	10	13 812
—	21	—	—	748	11 159	13 295	12	13 307
—	—	—	—	—	(381)	(381)	5	(376)
(28)	—	—	—	467	—	467	—	467
(28)	—	—	—	467	(381)	86	5	91
—	—	—	—	—	—	(1)	—	(1)
—	5	—	—	5	—	5	—	5
—	—	—	—	—	(621)	—	—	—
—	—	—	—	—	—	—	(6)	(6)
—	5	—	—	5	(621)	4	(6)	(2)
(28)	26	—	—	1 220	10 157	13 385	11	13 396
(28)	**26**	**—**	**—**	**1 220**	**10 157**	**13 385**	**11**	**13 396**
—	**—**	**—**	**—**	**—**	**358**	**358**	**4**	**362**
28	**—**	**—**	**—**	**(338)**	**—**	**(338)**	**—**	**(338)**
28	**—**	**—**	**—**	**(338)**	**358**	**20**	**4**	**24**
—	**—**	**—**	**—**	**—**	**—**	**(7)**	**—**	**(7)**
—	**7**	**—**	**—**	**7**	**—**	**7**	**—**	**7**
—	**—**	**—**	**402**	**402**	**—**	**402**	**—**	**402**
—	**—**	**—**	**(12)**	**(12)**	**—**	**(12)**	**—**	**(12)**
—	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
—	**—**	**—**	**—**	**—**	**—**	**—**	**(2)**	**(2)**
—	**7**	**—**	**390**	**397**	**—**	**390**	**(1)**	**389**
—	**33**	**—**	**390**	**1 279**	**10 515**	**13 795**	**14**	**13 809**

Interim condensed consolidated statement of adjusted earnings

for the six months ended 31 December 2014

	Note	Six months ended 31 December 2014 (Unaudited) Adjusted earnings Rm	Special items Rm	Total Rm
Revenue	1.1	22 503	(1 361)	23 864
Cost of sales	1.1	(21 036)	1 268	(22 304)
Gross earnings		1 467	(93)	1 560
Other earnings		319	—	319
Operating expenses	1.1	(1 467)	29	(1 496)
Earnings from equity-accounted investments		30	—	30
Net operating earnings		349	(64)	413
Impairment of property, plant and equipment and intangible assets	1.2	—	246	(246)
Impairment of goodwill arising on consolidation	1.3	—	291	(291)
Profit on the sale of subsidiary	1.4	—	(777)	777
Earnings before financing transactions		349	(304)	653
Finance earnings		72	—	72
Accrual of coupon interest for convertible bonds		(64)	—	(64)
Accretion of convertible bond liability due to transaction costs	1.5	—	3	(3)
Accretion of convertible bond liability due to separation of option component	1.5	—	28	(28)
Fair value adjustment on convertible bond conversion option	1.5	36	—	36
Other finance expenses	1.1	(175)	4	(179)
Earnings / (loss) before taxation		218	(269)	487
Taxation	1.6	—	125	(125)
Earnings / (loss) for the period		218	(144)	362
Earnings / (loss) attributable to:				
Equity-holders of the parent		214	(144)	358
Non-controlling interest		4	—	4
		218	(144)	362
Earnings per share – basic (cents)		53,3		89,3
Earnings per share – diluted (cents)		53,1		89,0

1.1 Results of Electrix disposed of effective 31 October 2014 have been excluded from adjusted earnings in all periods. Electrix was not considered to be an operating segment nor a separate major line of business or geographical area, therefore the sale of this entity does not give rise to a discontinued operation but rather a disposal group.

1.2 For the six months ended 31 December 2014, a R246 million impairment of property, plant and equipment and intangible assets was recognised. A R15 million impairment of intangible assets was recognised for the financial year ended 30 June 2014.

1.3 Goodwill in respect of Built Environs to the value of R291 million was impaired for the six-month period ended 31 December 2014. A R816 million impairment of goodwill was recognised for the financial year ended 30 June 2014.

1.4 A profit of R777 million before taxation arose on the sale of the Group's 100% investment in Electrix.

1.5 On 23 July 2014 the Group issued convertible bonds that were recognised as containing separate liability and equity components in accordance with IAS 32 Financial Instruments: Presentation. *In so far as the annual interest charge relates to the accretion of the liability from R1 562 million (that is, the issue of R2 000 million less the initial value of the option component being R438 million) to R2 000 million, this accretion has been excluded from adjusted earnings as it pertains to an IFRS requirement that does not appropriately represent the cash flow effects of the bonds being the coupon interest and transaction costs.*

1.6 The taxation of special items include the taxation effects of the above items as well as some specific taxation-only items, as follows:

Taxation impact	***Six months ended 31 December 2014 (Unaudited)***	*Six months ended 31 December 2013 (Unaudited)*	*Year ended 30 June 2014 (Unaudited)*
1.2 Impairment of property, plant and equipment and intangible assets	***(49)***	*—*	*—*
1.4 Profit on disposal of subsidiary	***64***	*—*	*—*
1.5 Accretion of convertible bond liability	***(9)***	*—*	*—*
1.6 Taxation on results of subsidiary disposed of during the period	***19***	*23*	*47*
Other taxation:			
*Non-recognition of deferred taxation asset**	***100***	*—*	*—*
	125	*23*	*47*

**From 1 July 2014, an additional deferred taxation asset was not recognised to the extent that assessed losses (arising since 1 July 2014) exceed the reversal of other temporary differences.*

Interim condensed consolidated statement of adjusted earnings

for the six months ended 31 December 2014 *continued*

Six months ended 31 December 2013 (Unaudited)			Year ended 30 June 2014 (Unaudited)		
Adjusted earnings Rm	Special items Rm	Total Rm	Adjusted earnings Rm	Special items Rm	(Audited) Total Rm
25 822	(1 832)	27 654	49 197	(3 762)	52 959
(24 072)	1 709	(25 781)	(45 814)	3 510	(49 324)
1 750	(123)	1 873	3 383	(252)	3 635
202	—	202	302	—	302
(1 564)	45	(1 609)	(3 079)	92	(3 171)
44	—	44	33	—	33
432	(78)	510	639	(160)	799
—	—	—	—	15	(15)
—	—	—	—	816	(816)
—	—	—	—	—	—
432	(78)	510	639	671	(32)
56	(1)	57	134	(2)	136
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
(140)	—	(140)	(319)	—	(319)
348	(79)	427	454	669	(215)
(91)	23	(114)	(114)	47	(161)
257	(56)	313	340	716	(376)
258	(56)	314	335	716	(381)
(1)	—	(1)	5	—	5
257	(56)	313	340	716	(376)
69,0		83,9	89,7		(101,9)
64,2		78,0	83,4		(94,8)

Notes to the interim condensed consolidated financial statements
for the six months ended 31 December 2014

1. CORPORATE INFORMATION

The unaudited interim condensed consolidated financial statements of Aveng Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2014 (the "interim results") were authorised for issue in accordance with a resolution of the directors on 16 February 2015.

Nature of business

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

Business restructuring

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

Changes in directorate

Mr AH Macartney was appointed as Group Finance Director effective from 8 September 2014.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

2. BASIS OF PREPARATION AND ACCOUNTING POLICY

The interim results have been prepared on a historical cost basis, except for certain financial instruments and non-financial assets which are measured at fair value.

These interim results are presented in South African rand ("ZAR") and all values are rounded to the nearest million ("Rm") except where otherwise indicated. The interim results are prepared in accordance with *IAS 34 Interim Financial Statements* and the Listings Requirements of the Johannesburg Stock Exchange. The accounting policies adopted are consistent with those of the previous year as well as the Group's audited annual financial statements as at 30 June 2014, except as disclosed in note 3 and the following new accounting policy:

South African infrastructure investments

With effect from 1 July 2014, the concessions and property-related activities of the Group were reorganised to fall within Aveng Capital Partners ("ACP"). All future infrastructure and real estate investments will be managed by ACP. This business unit has been determined to be operating as a venture capital organisation, such that the investments managed by ACP have been reclassified as financial assets at *fair value through profit or loss*. This includes investments in associates and joint ventures that would otherwise have been equity-accounted. The 10,9% investment in the N3 Toll Concession Company, has been retained as an available-for-sale investment as initially designated in terms of *IAS 39 Financial Instruments*. In future, such investments will be designated as at *fair value through profit or loss* upon initial recognition. For the six months ended 31 December 2014, fair value remeasurements of R83 million have been recognised in earnings. These remeasurements have been included in headline earnings.

ACP is included in the *Construction and Engineering: South Africa and rest of Africa* segment.

The interim results do not include all the information and disclosures required by the annual financial statements and should therefore be read in conjunction with the Group's audited annual financial statements as at 30 June 2014.

The interim results have been prepared under the supervision of Mr AH Macartney, Group Finance Director.

The interim results comply with *IAS 34 – Interim Financial Statements*.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

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

	Note	Balance as previously reported (Unaudited) Rm	3.1.1 IFRS 10 Rm	3.2 Revaluation Rm	3.3.2 Employee-related payables Rm
Statement of financial position as at 31 December 2013					
ASSETS					
Non-current assets					
Investment property		71	—	7	—
Amounts due from contract customers	10	—	—	—	—
Current assets					
Derivative instruments		—	—	—	—
Amounts due from contract customers	10	10 387	—	—	—
Trade and other receivables		2 920	56	—	—
Cash and bank balances		5 619	(58)	—	—
EQUITY AND LIABILITIES					
EQUITY					
Other reserves		996	(55)	—	—
Retained earnings		11 411	56	6	—
LIABILITIES					
Non-current liabilities					
Payables other than contract-related		1 166	—	—	(743)
Deferred taxation		385	—	1	—
Employee-related payables		—	—	—	743
Current liabilities					
Payables other than contract-related		1 552	—	—	(703)
Employee-related payables		—	—	—	703
Trade and other payables		9 405	(3)	—	—
Bank overdrafts		685	—	—	—
Statement of financial position as at 30 June 2014 (Audited)					
ASSETS					
Current assets					
Derivative instruments		—	—	—	—
LIABILITIES					
Non-current liabilities					
Derivative instruments		—	—	—	—
Current liabilities					
Derivative instruments		—	—	—	—
Trade and other payables		9 805	—	—	—

Notes to the interim condensed consolidated financial statements
for the six months ended 31 December 2014 *continued*

3.3.3 Contract provision split Rm	3.3.4 Contract balance split Rm	3.3.5 Provision reallocation Rm	3.3.6 Offsetting Rm	3.3.7 Derivative instruments split Rm	Restated balance (Unaudited) Rm
—	—	—	—	—	78
(747)	4 178	—	—	—	3 431
—	—	—	—	28	28
(336)	(4 178)	(51)	—	—	5 822
—	—	51	—	(28)	2 999
—	—	—	(315)	—	5 246
—	—	—	—	—	941
—	—	—	—	—	11 473
(336)	—	—	—	—	87
—	—	—	—	—	386
—	—	—	—	—	743
(747)	—	—	—	—	102
—	—	—	—	—	703
—	—	—	—	—	9 402
—	—	—	(315)	—	370
—	—	—	—	1	1
—	—	—	—	3	3
—	—	—	—	60	60
—	—	—	—	(62)	9 743

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

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

	Balance as previously reported (Unaudited) Rm	3.2 Revaluation Rm
Statement of comprehensive earnings for the six months ended 31 December 2013		
Cost of sales	(25 681)	—
Gross earnings	1 973	—
Other earnings	3	7
Operating expenses	(1 551)	—
Net operating earnings	469	7
Share of dividend earnings from available-for-sale investments	34	—
Taxation	(113)	(1)
Statement of comprehensive earnings for the twelve months ended 30 June 2014 (Audited)		
Cost of sales	(49 122)	—
Gross earnings	3 837	—
Other earnings	254	—
Operating expenses	(3 373)	—
Share of dividend earnings from available-for-sale investments	33	—
Net operating earnings	784	—
Impairment of non-financial assets	(831)	—
Impairment of property, plant and equipment and intangible assets	—	—
Impairment of goodwill arising on consolidation	—	—
Fair value adjustments	15	—

	Balance as previously reported (Unaudited) Rm	Change in definition* Rm	Prior to restatement
Segmental report as at 31 December 2013			
Total assets			
Construction and Engineering: South Africa and rest of Africa	3 157	2 755	5 912
Construction and Engineering: Australasia and Asia	8 348	4 498	12 846
Mining	4 230	819	5 049
Manufacturing and processing	5 906	827	6 733
Other and Eliminations	1 504	55	1 559
	23 145	8 954	32 099
Total liabilities			
Construction and Engineering: South Africa and rest of Africa	2 470	1 181	3 651
Construction and Engineering: Australasia and Asia	7 489	800	8 289
Mining	1 801	697	2 498
Manufacturing and Processing	1 905	320	2 225
Other and Eliminations	810	821	1 631
	14 475	3 819	18 294

* *As described in the audited consolidated annual financial statements as at 30 June 2014, the definition for segment assets and segment liabilities changed to now incorporate all assets and liabilities within each segment.*

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

3.3.1 Reallocation of other earnings Rm	3.3.8 Reallocation of fair value Rm	3.3.9 Reallocation of dividends Rm	3.3.10 Split of impairment Rm	3.3.11 Reallocation of operating expenses Rm	Restated balance (Unaudited) Rm
—	—	—	—	(100)	(25 781)
—	—	—	—	(100)	1 873
158	—	34	—	—	202
(158)	—	—	—	100	(1 609)
—	—	34	—	—	510
—	—	(34)	—	—	—
—	—	—	—	—	(114)
—	—	—	—	(202)	(49 324)
—	—	—	—	(202)	3 635
—	15	33	—	—	302
—	—	—	—	202	(3 171)
—	—	(33)	—	—	—
—	15	—	—	—	799
—	—	—	831	—	—
—	—	—	(15)	—	(15)
—	—	—	(816)	—	(816)
—	(15)	—	—	—	—

3.1.1 IFRS 10 Rm	3.2 Revaluation Rm	3.3.4 Contract balance split Rm	3.3.6 Offsetting Rm	3.3.12 Segment reallocation Rm	Restated balance (Unaudited) Rm
—	—	(1 032)	(252)	601	5 229
—	—	(39)	—	—	12 807
—	—	(12)	—	—	5 037
—	—	—	(22)	—	6 711
(2)	7	—	(41)	(601)	922
(2)	7	(1 083)	(315)	—	30 706
—	—	(1 032)	(252)	99	2 466
—	—	(39)	—	—	8 250
—	—	(12)	—	—	2 486
—	—	—	(22)	—	2 203
(2)	—	—	(41)	(99)	1 489
(2)	—	(1 083)	(315)	—	16 894

Interim condensed consolidated financial statements

continued

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

	Balance as previously reported (Unaudited) Rm
Segmental report for the six months ended 31 December 2013	
Net operating earnings	
Construction and Engineering: South Africa and rest of Africa	(334)
Construction and Engineering: Australasia and Asia	191
Mining	295
Manufacturing and Processing	162
Other and Eliminations	189
	503

	Balance as previously reported (Audited) Rm
Segmental report as at 30 June 2014	
Total assets	
Construction and Engineering: South Africa and rest of Africa	4 546
Construction and Engineering: Australasia and Asia	13 340
Mining	4 848
Manufacturing and Processing	7 029
Other and Eliminations	1 224
	30 987
Total liabilities	
Construction and Engineering: South Africa and rest of Africa	2 450
Construction and Engineering: Australasia and Asia	8 623
Mining	2 244
Manufacturing and Processing	2 589
Other and Eliminations	1 685
	17 591
Segmental report for the twelve months ended 30 June 2014	
Net operating earnings	
Construction and Engineering: South Africa and rest of Africa	(566)
Construction and Engineering: Australasia and Asia	271
Mining	529
Manufacturing and Processing	364
Other and Eliminations	186
	784

Notes to the interim condensed consolidated financial statements

continued

3.2 Revaluation Rm	3.3.12 Segment reallocation Rm	Restated balance (Unaudited) Rm
—	132	(202)
—	—	191
—	—	295
—	—	162
7	(132)	64
7	—	510

3.3.7 Derivative instruments split Rm	3.3.8 Reallocation of fair value Rm	3.3.12 Segment reallocation Rm	Restated balance (Unaudited) Rm
—	—	522	5 068
—	—	—	13 340
—	—	—	4 848
—	—	—	7 029
1	—	(522)	703
1	—	—	30 988
—	—	114	2 564
—	—	—	8 623
—	—	—	2 244
—	—	—	2 589
1	—	(114)	1 572
1	—	—	17 592
—	—	132	(434)
—	—	—	271
—	—	—	529
—	—	—	364
—	15	(132)	69
—	15	—	799

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

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

3.1 Standards and interpretations effective and adopted in the current year

In the current period, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations. They, however, did not have an impact on the interim results.

- IFRS 10, IFRS 12 and IAS 27 (amendment) *Investment Entities*
- IAS 19 (amendment) *Defined Benefit Plans: Employee Contributions*
- IAS 36 (amendment) *Recoverable Amount Disclosures for Non-financial Assets*
- IAS 39 (amendment) *Novation of Derivatives and Continuation of Hedge Accounting*
- IFRIC 21 *Levies*

3.1.1 Deconsolidation of Guardrisk Life Fund ("captive")

As a result of IFRS 10 *Consolidated Financial Statements*, which became effective from 1 July 2013, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduced a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The Group has deconsolidated the captive, and in terms of the transitional provisions, restated the comparative information.

3.2 Change in accounting policy – Investment property

During the year ended 30 June 2014, the Group changed its accounting policy on *investment property* from the cost model to the fair value model. The results at 31 December 2013 have accordingly been restated to reflect this change. A fair value adjustment of R7 million was recognised in respect of the Goldfields Mall property, which was carried as *investment property.* This *investment property* was disposed of on 12 December 2014. Deferred capital gains tax amounting to R1 million was also restated.

3.3 Other reclassifications affecting comparative figures

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

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

3.3.1 ***Other earnings*** of R158 million in the prior year was reclassified from *operating expenses* to a separate line item in the statement of comprehensive earnings.

3.3.2 ***Employee-related payables*** of R1 446 million were reclassified from provisions to a separately disclosed line item. The amount reclassified was also classified according to the maturity profile of its associated risk, R743 million non-current and R703 million as current.

3.3.3 ***Provisions for amounts due from customers*** of R1 083 million were reclassified from provisions to *amounts due from contract customers* to reflect the net risk exposure implicit in uncertified claims and variations *in 2013*. The amount reclassified was also classified accordingly to the maturity profile of its associated risk, R336 million non-current and R747 million as current.

3.3.4 ***Uncertified claims and variations*** of R4 178 million were classified as non-current *amounts due from contract customers* in 2013 to reflect a more accurate maturity profile.

3.3.5 ***Provision for contract receivables*** of R51 million included in *trade and other receivables* in 2013 were reclassified to *amounts due from contract customers*.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

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

3.3 Other reclassifications affecting comparative figures *continued*

3.3.6 ***Notional bank overdrafts*** of R315 million were offset against *cash and bank balances* in terms of the amended *IAS 32 Financial Instrument: Presentation* relating to the offsetting of financial instruments as these balances will be settled against the current accounts.

3.3.7 ***Derivative instruments*** of R28 million (June 2014: R62 million) were reclassified from *trade and other receivables* (June 2014: *trade and other payables*) to a separately disclosed line item.

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

3.3.9 ***Share of dividend earnings from available-for-sale investments*** of R34 million (June 2014: R33 million) was combined with *other earnings*.

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

3.3.11 ***Operating expenses*** of R100 million (June 2014: R202 million) were reallocated to *cost of sales* to more accurately allocate overheads to cost of sales.

3.3.12 ***Aveng Capital Partners*** was reallocated from the *Other and Eliminations* segment to *Construction and Engineering: South Africa and rest of Africa*. The adjustment accurately reflects the value chain inherent in the *Construction and Engineering: South Africa and rest of Africa* business model.

4. BUSINESS COMBINATIONS

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

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

The purchase price allocation exercise will be completed within 12 months, which will reduce the goodwill and recognise tangible and intangible assets at fair value.

	December 2014 (Unaudited) Rm
Cash outflow on acquisition:	
Consideration paid	**25**
Less: Cash and bank balances acquired	**(2)**
	23
Goodwill arising on acquisition	
Consideration paid	**25**
Less: Provisional fair value of identifiable net assets acquired	**(6)**
	19

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

5. SALE OF SUBSIDIARY

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

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

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

	December 2014 (Unaudited) Rm
Net cash impact of sale	
Total assets (excluding cash and bank balances)	**756**
Cash and bank balances	**129**
Total liabilities	**(536)**
Net assets sold	**349**
Profit on disposal before tax	**777**
Add back: Associated obligations and transaction costs	**464**
Less: FCTR recycled to earnings	**(111)**
Total proceeds received in cash	**1 479**
Less: Cash and bank balances sold	**(129)**
Less: Transaction costs paid	**(36)**
Net cash received	**1 314**

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

6. SEGMENTAL REPORT

Six months ended December 2014* (Unaudited) Rm	Construction and Engineering: South Africa and rest of Africa	Construction and Engineering: Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
External revenue	4 122	11 804	2 974	4 959	5	23 864
Internal revenue	172	—	—	294	(466)	—
Gross revenue	4 294	11 804	2 974	5 253	(461)	23 864
Cost of sales	(4 350)	(11 041)	(2 592)	(4 891)	570	(22 304)
Gross (loss) / earnings	(56)	763	382	362	109	1 560
Other earnings	126	47	1	91	54	319
Operating expenses	(326)	(618)	(142)	(374)	(36)	(1 496)
Earnings / (loss) from equity-accounted investments	27	(9)	—	—	12	30
Net operating (loss) / earnings	(229)	183	241	79	139	413
Impairment of property, plant and equipment and intangible assets	(152)	(33)	(29)	(32)	—	(246)
Impairment of goodwill arising on consolidation	—	(291)	—	—	—	(291)
Profit on sale of subsidiary	—	777	—	—	—	777
(Loss) / earnings before financing transactions	(381)	636	212	47	139	653
Finance earnings	41	17	1	7	6	72
Other finance expenses	(23)	(48)	(24)	(23)	(120)	(238)
(Loss) / earnings before taxation	(363)	605	189	31	25	487
Taxation	(7)	(92)	(12)	12	(26)	(125)
(Loss) / earnings for the period	(370)	513	177	43	(1)	362
Capital expenditure	51	194	191	119	28	583
Depreciation	(63)	(148)	(202)	(82)	(6)	(501)
Amortisation	(4)	—	—	(5)	(5)	(14)

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

6. SEGMENTAL REPORT *continued*

Six months ended December 2013* (Unaudited) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
External revenue	4 231	14 933	3 459	5 026	5	27 654
Internal revenue	53	—	2	239	(294)	—
Gross revenue	4 284	14 933	3 461	5 265	(289)	27 654
Cost of sales	(4 194)	(14 156)	(3 009)	(4 754)	332	(25 781)
Gross earnings	90	777	452	511	43	1 873
Other earnings	63	6	8	105	20	202
Operating expenses	(356)	(618)	(165)	(454)	(16)	(1 609)
Earnings from equity-accounted investments	1	26	—	—	17	44
Net operating (loss) / earnings	(202)	191	295	162	64	510
Finance earnings	28	17	6	6	—	57
Other finance expenses	(32)	(51)	(21)	(4)	(32)	(140)
(Loss) / earnings before taxation	(206)	157	280	164	32	427
Taxation	102	(45)	(95)	(52)	(24)	(114)
(Loss) / earnings for the period	(104)	112	185	112	8	313
Capital expenditure	57	151	197	124	120	649
Depreciation	(46)	(203)	(231)	(73)	(11)	(564)
Amortisation	(7)	—	—	(6)	(7)	(20)

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

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

6. SEGMENTAL REPORT *continued*

Year ended June 2014* (Audited) Rm	Construction and Engineering: South Africa and rest of Africa	Construction and Engineering: Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
External revenue	8 239	28 169	6 581	9 958	12	52 959
Internal revenue	438	—	1	654	(1 093)	—
Gross revenue	8 677	28 169	6 582	10 612	(1 081)	52 959
Cost of sales	(8 549)	(26 594)	(5 708)	(9 661)	1 188	(49 324)
Gross earnings	128	1 575	874	951	107	3 635
Other earnings / (loss)	88	(10)	(14)	248	(10)	302
Operating expenses	(678)	(1 296)	(332)	(834)	(31)	(3 171)
Earnings / (loss) from equity-accounted investments	28	2	1	(1)	3	33
Net operating (loss) / earnings	(434)	271	529	364	69	799
Impairment of property, plant and equipment and intangible assets	—	—	—	—	(15)	(15)
Impairment of goodwill arising on consolidation	—	—	—	—	(816)	(816)
(Loss) / earnings before financing transactions	(434)	271	529	364	(762)	(32)
Finance earnings	70	39	17	11	(1)	136
Other finance expenses	(64)	(101)	(59)	(7)	(88)	(319)
(Loss) / earnings) before taxation	(428)	209	487	368	(851)	(215)
Taxation	119	(14)	(163)	(110)	7	(161)
(Loss) /earnings for the period	(309)	195	324	258	(844)	(376)
Capital expenditure	152	243	298	406	138	1 237
Depreciation	(85)	(258)	(407)	(112)	(19)	(881)
Amortisation	(13)	—	—	(5)	(10)	(28)

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

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

6. SEGMENTAL REPORT *continued*

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

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

6. SEGMENTAL REPORT *continued*

Segment report December 2013* (Unaudited) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
Assets						
Investment property	—	—	—	—	78	78
Goodwill arising on consolidation	816	395	—	232	—	1 443
Intangible assets	10	33	—	81	98	222
Property, plant and equipment	649	1 114	2 884	1 399	818	6 864
Equity-accounted investments	98	75	4	1	41	219
Available-for-sale investments	12	60	—	—	—	72
Deferred taxation	906	447	158	—	(132)	1 379
Derivative instruments	—	—	—	17	11	28
Amounts due from contract customers	1 549	6 609	1 132	472	(509)	9 253
Inventories	111	17	300	2 475	—	2 903
Trade and other receivables	502	569	(102)	1 571	459	2 999
Cash and bank balances	576	3 488	661	463	58	5 246
Total assets	5 229	12 807	5 037	6 711	922	30 706
Liabilities						
Deferred taxation	1	—	176	173	36	386
Borrowings and other liabilities	—	859	631	—	1 078	2 568
Employee-related payables	223	792	272	117	42	1 446
Amounts due to contract customers	707	1 010	543	92	—	2 352
Trade and other payables	1 146	5 496	807	1 689	264	9 402
Taxation payable	—	93	55	33	—	181
Payables other than contract-related	189	—	—	—	—	189
Bank overdrafts	200	—	2	99	69	370
Total liabilities	2 466	8 250	2 486	2 203	1 489	16 894

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

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

6. SEGMENTAL REPORT *continued*

Segment report June 2014* (Audited) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
Assets						
Investment property	—	—	—	—	86	86
Goodwill arising on consolidation	—	431	—	—	232	663
Intangible assets	6	35	—	155	125	321
Property, plant and equipment	702	1 170	2 746	1 374	354	6 346
Equity-accounted investments	196	56	4	—	50	306
Available-for-sale investments	126	64	—	—	—	190
Deferred taxation	970	472	238	(102)	(175)	1 403
Derivative instruments					1	1
Amounts due from contract customers	2 185	8 085	997	534	(450)	11 351
Inventories	98	23	304	2 368	—	2 793
Trade and other receivables	434	174	93	1 980	104	2 785
Cash and bank balances	351	2 830	466	720	(231)	4 136
Non-current assets held-for-sale	—	—	—	—	607	607
Total assets	5 068	13 340	4 848	7 029	703	30 988
Liabilities						
Deferred taxation	17	—	211	18	11	257
Borrowings and other liabilities	—	862	653	7	1 345	2 867
Employee-related payables	200	886	230	151	108	1 575
Amounts due to contract customers	728	1 612	231	106	—	2 677
Derivative instruments	29	34	—	—	—	63
Trade and other payables	1 333	5 168	824	2 307	111	9 743
Taxation payable	60	61	95	—	(3)	213
Payables other than contract-related	197	—	—	—	—	197
Total liabilities	2 564	8 623	2 244	2 589	1 572	17 592

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

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

6. SEGMENTAL REPORT *continued*

The Group operates in five principal geographical areas:

Revenue	**Six months ended December 2014 (Unaudited) Rm**	Six months ended December 2013 (Unaudited) Rm	June 2014 (Audited) Rm	**Six months ended December 2014 (Unaudited) %**	Six months ended December 2013 (Unaudited) %	June 2014 (Audited) %
South Africa	**10 036**	10 249	19 489	**42,0**	37,1	36,8
Rest of Africa	**1 733**	2 084	4 609	**7,2**	7,5	8,7
Australasia and Asia	**10 060**	13 467	25 001	**42,2**	48,7	47,2
South East Asia	**1 778**	1 577	3 300	**7,5**	5,7	6,2
Middle East and other regions	**257**	277	560	**1,1**	1,0	1,1
	23 864	27 654	52 959	**100,00**	100,0	100,0

The Group operates in five principal geographical areas:

Segment assets	**December 2014 (Unaudited) Rm**	December 2013 (Unaudited) Rm	June 2014 (Audited) Rm	**December 2014 (Unaudited) %**	December 2013 (Unaudited) %	June 2014 (Audited) %
South Africa	**14 651**	14 099	14 206	**50,1**	45,9	45,8
Rest of Africa	**2 158**	3 347	2 706	**7,4**	10,9	8,7
Australasia and Asia	**10 559**	11 821	12 377	**36,1**	38,5	39,9
South East Asia	**1 399**	1 033	1 244	**4,8**	3,4	4,0
Middle East and other regions	**490**	406	455	**1,6**	1,3	1,6
	29 257	30 706	30 988	**100,0**	100,0	100,0

Notes to the interim condensed consolidated financial statements
for the six months ended 31 December 2014 *continued*

7. IMPAIRMENTS

7.1 Impairment of property, plant and equipment and intangible assets

Following the goodwill impairment of R75 million pertaining to Aveng Water in the immediate preceding six month period ended 30 June 2014, it was necessary to impair assets due to the subdued economic conditions and the resultant pressure on the order book. An impairment charge totalling R213 million was recognised against ancillary operations comprising plant and equipment in the *Construction and Engineering: South Africa and rest of Africa* (R152 million charge), *Manufacturing and Processing* (R32 million charge) and *Mining* (R29 million charge).

An intangible asset associated with Built Environs of R33 million was also impaired during the period. Refer to note 7.2.

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

7.2 Impairment of goodwill arising on consolidation

Goodwill of R291 million associated with the Built Environs business (refer to note 7.1) in the *Construction and Engineering: Australia and Asia* segment has been fully impaired. While management has implemented a robust turnaround plan for this business, there is uncertainty around the business's ability to generate the required returns within a reasonable timeframe based on the current order book. The timing of this impairment is aligned with the Group's renewed focus on the return on assets within the direct control of management.

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

During the period ended 30 June 2014, the goodwill associated with Aveng Grinaker-LTA was also fully impaired amounting to R741 million. This impairment was linked to the difficulty in quantifying the fact pattern of the current operating group turnaround plan.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

8. EQUITY-ACCOUNTED INVESTMENTS

	December 2014 (Unaudited) Rm	December 2013 (Unaudited) Rm	June 2014 (Audited) Rm
Opening balance	**306**	144	144
Transfer to infrastructure investments held at fair value	**(3)**	—	—
Transfer of shareholder loans to infrastructure investments	**(168)**		
Loans advanced	**92**	44	154
Share of other comprehensive earnings	**—**	—	(28)
Share of earnings before taxation and dividends	**44**	37	44
Amount recorded in the statement of comprehensive earnings	**30**	44	33
Excluding: Fair value adjustments on foreign exchange contracts disclosed as derivative instruments	**14**	(7)	11
Dividends received	**(4)**	(6)	(13)
Foreign currency translation movement	**4**	—	6
Other	**(8)**	—	(1)
	263	219	306

The Group's share of bank guarantees issued by Dutco McConnell Dowell Middle East LLC is R95 million (December 2013: R93 million, June 2014: R93 million) for which no liabilities are expected to arise. Other than as stated above, the Group did not incur any other contingent liabilities with regards to associates and joint ventures.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

9. INFRASTRUCTURE INVESTMENTS

	December 2014 (Unaudited) Rm	December 2013 (Unaudited) Rm	June 2014 (Audited) Rm
South African infrastructure investments			
At fair value through profit or loss	**447**	—	—
Available-for-sale investment	**126**	—	—
Other infrastructure investments	**573**	—	—
Available-for-sale investment	**60**	—	—
Total infrastructure investments	**633**	—	—

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

	December 2014 (Unaudited) Rm	December 2013 (Unaudited) Rm	June 2014 (Audited) Rm
South African infrastructure investments			
Opening balance	**—**	—	—
Reclassification of equity investment from equity-accounted investments	**3**	—	—
Reclassification of shareholder loans from equity-accounted investments	**168**	—	—
Recycling of equity-accounted earnings from other comprehensive income upon reclassification	**28**		
Reclassification from available-for-sale investments	**126**		
Fair value remeasurement through comprehensive earnings	**83**		
Loans advanced	**165**	—	—
	573	—	—

Determination of fair values

The fair values of the project investments in the ACP portfolio are determined by discounting the cash flows from the relevant forecast models. The discount rates applied in the valuations are based on an internal Aveng funding rate plus a risk premium specific to each project investment, taking into consideration specific industry benchmarks and the project stage in the project life cycle.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

10. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	December 2014 (Unaudited) Rm	December 2013 (Unaudited) Rm	June 2014 (Audited) Rm
Uncertified claims and variations (underclaims)[1]	**6 495**	5 535	6 763
Provision for amounts due from contract customers[1]	**(964)**	(1 083)	(1 102)
Progress billings received (overclaims)[2]	**(1 728)**	(1 852)	(1 766)
Uncertified claims and variations less progress billings received	**3 803**	2 600	3 895
Contract receivables[3]	**4 420**	4 653	5 527
Provision for contract receivables	**(46)**	(51)	(46)
Retention receivables[4]	**193**	199	209
	8 370	7 401	9 585
Amounts received in advance[5]	**(625)**	(500)	(911)
Net amounts due from contract customers	**7 745**	6 901	8 674
Disclosed on the statement of financial position as follows:			
Uncertified claims and variations	**6 495**	5 535	6 763
Provision for amounts due from contract customers	**(964)**	(1 083)	(1 102)
Contract and retention receivables	**4 613**	4 852	5 736
Provision for contract receivables	**(46)**	(51)	(46)
Amounts due from contract customers	**10 098**	9 253	11 351
Progress billings received	**(1 728)**	(1 852)	(1 766)
Amounts received in advance	**(625)**	(500)	(911)
Amounts due to contract customers	**(2 353)**	(2 352)	(2 677)
Net amounts due from contract customers	**7 745**	6 901	8 674

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

Included in amounts due from contract customers are non-current assets of R3 192 million (December 2013: R3 431 million, June 2014: R2 946 million).

Included in contract receivables are amounts that are past due but not impaired; these have been adequately assessed for impairment.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

11. NON-CURRENT ASSETS HELD-FOR-SALE

During the previous financial year, the Group made a decision to dispose of non-core properties. These properties were classified as *non-current assets held-for-sale* and will be sold as a single portfolio of land and buildings. The transaction is expected to be finalised in the second half of the financial year.

12. BORROWINGS AND OTHER LIABILITIES

Convertible bonds

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

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

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

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

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

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

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

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

12. BORROWINGS AND OTHER LIABILITIES *continued*

Convertible bonds *continued*

	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	(Unaudited) Total Rm
Issued July 2014	**1 562**	**438**	**–**	**2 000**
Transaction costs	**(41)**	**–**	**–**	**(41)**
Fair value adjustment to comprehensive earnings	**–**	**(36)**	**–**	**(36)**
Transfer to equity	**–**	**(402)**	**402**	**–**
Transaction costs allocated to equity component			**(12)**	**(12)**
Interest determined with the effective interest rate	**95**	**–**	**–**	**95**
Accrual of coupon interest for convertible bonds	***64***	**–**	**–**	***64***
Accretion of liability due to:				
Transaction costs capitalised	***3***	**–**	**–**	***3***
Effect of fair value adjustment of derivative liability	***2***	**–**	**–**	***2***
Effect of fair value of conversion option reclassification to equity	***26***	**–**	**–**	***26***
	1 616	**–**	**390**	**2 006**

The Group had the following undrawn facilities:

	December 2014 (Unaudited)	December 2013 (Unaudited)	June 2014 (Audited)
Total borrowing facilities	**6 774**	3 807	5 567
Current utilisation	**(2 574)**	(2 938)	(2 867)
	4 200	869	2 700

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

13. TAXATION

	Six months ended 31 December 2014 (Unaudited) Rm	Six months ended 31 December 2013 (Unaudited) Rm	Year ended 30 June 2014 (Audited) Rm
Taxation expense			
Current taxation expense	**138**	79	255
Deferred taxation charge	**(13)**	35	(94)
	125	114	161
	%	%	%
Effective tax rate reconciliation			
Effective taxation rate	**25,7**	26,7	(74,9)
Deferred taxation asset capped	**(20,4)**	—	—
Other special items*	**(5,3)**	(0,6)	100,0
Effective taxation rate on earnings excluding special items	**—**	26,1	25,1
Exempt income	**41,3**	0,9	15,3
Deferred taxation asset not recognised	**—**	—	(14,4)
Disallowable charges	**(8,4)**	(1,6)	(4,8)
Change in taxation rate	**—**	—	(0,4)
Prior year adjustment	**(4,0)**	—	5,3
Effects of other jurisdictions and other	**(0,9)**	2,6	1,9
	28,0	28,0	28,0

* *Refer to the statement of adjusted earnings for information relating to special items.*

South African income taxation is calculated at 28% (Dec 2013: 28%, June 2014: 28%) of the taxable income for the period. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

Deferred taxation asset

The recognition of deferred taxation assets are supported by probable forecasted taxable profits for the reporting periods up to and including 30 June 2019. These forecasts take into account viable taxation planning opportunities and other expected cost savings.

The Group has not increased the deferred taxation asset, since 1 July 2014, for Aveng Africa due to the Board taking a conservative view on the ability to utilise further assets in the foreseeable future. From 1 July 2014, an additional deferred taxation asset was not recognised to the extent that assessed losses (arising since 1 July 2014) exceed the reversal of other temporary differences.

14. RELATED PARTIES

During the period Aveng Limited and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with equity-accounted investments. There have been no significant changes to the nature of related party transactions since 30 June 2014.

There were no related party transactions with directors or entities in which the directors have a material interest other than director's emoluments.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

15. EARNINGS, ADJUSTED EARNINGS AND HEADLINE EARNINGS PER SHARE

	Number of shares December 2014 (Unaudited)	**Weighted average number of shares December 2014 (Unaudited)**	Number of shares December 2013 (Unaudited)	Weighted average number of shares December 2013 (Unaudited)	Number of shares June 2014 (Audited)	Weighted average number of shares June 2014 (Audited)
Number of shares (excluding treasury shares)	**400 274 095**	**400 556 037**	373 890 810	373 890 810	400 647 313	374 007 675
Diluted number of shares*	**402 065 952**	**402 065 952**	402 066 221	402 066 221	402 065 952	402 065 952

** The convertible bonds were anti-dilutive for the period ended 31 December 2014 and have therefore been excluded from the calculation of the diluted number of shares.*

	Six months ended December 2014 Gross of taxation Rm (Unaudited)	**Six months ended December 2014 Net of taxation Rm (Unaudited)**	Six months ended December 2013 Gross of taxation Rm (Unaudited)	Six months ended December 2013 Net of taxation Rm (Unaudited)	Year ended June 2014 Gross of taxation Rm (Audited)	Year ended June 2014 Net of taxation Rm (Audited)
Determination of headline earnings						
Earnings for the period attributable to equity-holders of the parent*		**358**		314		(381)
Impairment of goodwill	**291**	**291**	–	–	816	816
Impairment of property, plant and equipment	**213**	**182**	–	–	–	–
Impairment of intangible assets	**33**	**33**	–	–	15	15
Profit on sale of property, plant and equipment	**(5)**	**(4)**	(1)	(1)	(25)	(18)
Profit on sale of subsidiary	**(777)**	**(713)**	–	–	–	–
Fair value adjustment on investment property	**(11)**	**(9)**	(7)	(6)	(15)	(11)
Headline earnings*		**138**		307		421
Adjusted earnings* / **		**214**		258		335

** Earnings and adjusted earnings are calculated in accordance with IAS 33 Earnings per share. Headline earnings are calculated in accordance with Circular 2 / 2013.*
*** Refer to the statement of adjusted earnings for further information.*

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

15. EARNINGS, ADJUSTED EARNINGS AND HEADLINE EARNINGS PER SHARE *continued*

	Six months ended 31 December 2014 (Unaudited) Rm	Six months ended 31 December 2013 (Unaudited) Rm	% change	Year ended 30 June 2014 (Audited) Rm
Determination of diluted earnings*				
Earnings for the period attributable to equity-holders of the parent	**358**	314	14	(381)
Diluted earnings attributable to equity-holders of the parent	**358**	314	14	(381)
Diluted headline earnings	**138**	307	(55)	421
Diluted adjusted earnings	**214**	258	(17)	335
Earnings / (loss) per share – basic (cents)	**89,3**	83,9	6	(101,9)
Earnings / (loss) per share – diluted (cents)	**89,0**	78,0	14	(94,8)
Headline earnings per share – basic (cents)	**34,5**	82,1	(58)	112,5
Headline earnings per share – diluted (cents)	**34,4**	76,3	(55)	104,7
Adjusted earnings per share – basic (cents)	**53,3**	69,0	(23)	89,7
Adjusted earnings per share – diluted (cents)	**53,1**	64,2	(17)	83,4

* *The convertible bonds were anti-dilutive for the period ended 31 December 2014 and have therefore not been included in the calculation of diluted earnings.*

16. NON-CASH AND OTHER MOVEMENTS

	Six months ended 31 December 2014 (Unaudited) Rm	Six months ended 31 December 2013 (Unaudited) Rm	Year ended 30 June 2014 (Audited) Rm
Earnings from disposal of property, plant and equipment	**(18)**	(55)	(66)
Impairment of goodwill, property, plant and equipment and intangible assets	**537**	—	831
Profit on disposal of subsidiary	**(777)**	—	—
Fair value adjustment	**(104)**	(7)	(15)
Movement in foreign currency translation	**(63)**	(79)	(206)
Movement in equity-settled share-based payment reserve	**7**	1	5
Non-controlling interest acquired	**—**	(1)	—
	(418)	(141)	549

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2014 *continued*

17. CONTINGENT LIABILITIES

	December 2014 (Unaudited) Rm	December 2013 (Unaudited)* Rm	30 June 2014 (Audited)* Rm
Contingent liabilities at the reporting date, not otherwise provided for in the interim results, arose from performance bonds and guarantees issued in:			
South Africa and rest of Africa			
Guarantees and bonds (ZARm)	**3 735**	3 211	4 061
Parent company guarantees (ZARm)	**2 851**	3 002	2 987
	6 586	6 213	7 048
Australasia and Asia			
Guarantees and bonds (AUDm)	**623**	644	651
Parent company guarantees (AUDm)	**4 764**	3 894	4 149
	5 387	4 538	4 800

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

Taxation dispute with Zambia Revenue Authority ("ZRA")

A subsidiary of the Group, Moolmans Mining Zambia is currently in a taxation dispute with the ZRA relating to additional taxation assessments issued to the company by the ZRA. During the six month period, an advance payment was made to the ZRA in order to release all equipment from Zambia. This dispute is currently ongoing and the Group has raised sufficient provision in this regard.

Claims and legal disputes in the ordinary course of business

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

Commentary

Overview

Salient features

- All Injury Frequency Rate improved to 3,5 compared with 3,8 at 30 June 2014
- Revenue decreased by 14% to R23,9 billion (2013: R27,7 billion)
- Net operating earnings decreased by 19% to R413 million (2013: R510 million)
- Headline earnings per share decreased by 58%
- Sale of the Electrix business successfully completed
- Two-year order book (excluding Electrix) flat at R32,5 billion against December 2013
- Net cash improved to R1,7 billion from R1,3 billion in June 2014

Safety

Aveng remains fully committed to improving its safety culture by driving the safety vision *"Home without harm, Everyone, Everyday".*

Regrettably, the Group suffered two fatalities in the *Mining* operating segment during the six-month period ended 31 December 2014. This remains unacceptable as the Group strives towards fatality-free operations. The Aveng Board and management extend their sincere condolences to the families of the deceased employees.

Along with the improvement in the All Injury Frequency Rate, other notable achievements included:

- numerous recognition awards from international mining client, Codelco, the most notable of which was for safety, health and environmental management excellence at Aveng Mining Shafts & Underground's Chuquicamata Copper Mine contract in Chile;
- Aveng Engineering's Pembani Coal Carolina washing plant contract, for achieving seven years without a Lost Time Injury; and
- Aveng Grinaker-LTA's Mechanical and Engineering contract at Medupi power station achieved 2,3 million Lost Time Injury-free hours.

Operating environment

Overview

In line with the economic slowdown experienced in the Group's key markets, Aveng continued to experience difficult trading conditions.

Continuing the preceding financial year's trends, the South African market remained challenging due to low levels of major infrastructure-related spend, the impact of reduced mining activities and labour disruptions.

Trading conditions in Australia were complicated by the fact that social and transport-related infrastructure projects are not yet compensating for the reduced mining infrastructure spend and recent decline in liquid natural gas projects.

Despite these macro-economic challenges, the recovery and stabilisation plan implemented in the previous financial year, which focused on strengthening liquidity and reducing fixed costs, continued to progress as anticipated.

Commentary *continued*

Construction and Engineering: Australasia and Asia: The general Australian business environment remained tough with increased competition and lower major mining opportunities resulting in decreased revenue. Notwithstanding, opportunities exist in social and transport-related infrastructure projects and in the oil and gas sectors. McConnell Dowell continues to focus on non-mining-related work. Growth in Southeast Asia partially offset the previously anticipated reduction in revenue, following the completion of multi-year major mining and infrastructure contracts.

Construction and Engineering: South Africa and rest of Africa: The segment remained constrained due to the lack of large infrastructure investments, as evidenced by the weak forecast South African GDP growth rate of 1,4% for 2014. The marginally improved segmental revenue, compared with 31 December 2013, was mainly due to construction activity on two large private sector building-related contracts and engineering work on two renewable energy contracts, of which the Sishen solar energy facility was successfully completed on schedule in December 2014.

Mining: With no improvement in the downturn of the commodities market, the segment's revenue was unable to compensate for the non-renewal of three gold-mining contracts in Africa during the previous financial year, despite the commencement of the Nkomati Nickel Mine contract and increased activity on existing contracts.

Aveng Manufacturing: Recent investments by **Infraset** in Mozambique and Zambia enabled it to benefit from the strong demand for concrete rail products, while **Lennings Rail Services'** revenue was assisted by growth in rail construction and maintenance services in sub-Saharan Africa. Labour disruptions and constrained infrastructure investment adversely affected the mining, water and specialist construction products business units.

Aveng Steel: The extremely demanding market conditions that characterised the second half of the previous financial year continued into the current year, with the South African steel sector experiencing numerous business failures in the downstream market segment. Aveng Steel was adversely affected by the longer-than-anticipated steel sector labour disruptions, high competition and lower international prices – which had a notably negative impact on sales volumes and inventory levels.

Financial performance

Statement of comprehensive earnings

Revenue decreased by 14% to R23,9 billion against the comparative period's R27,7 billion primarily as a result of:

- completion of multi-year major mining and infrastructure-related contracts within the *Construction and Engineering: Australasia and Asia* segment; and
- non-renewal of three gold-mining contracts at Aveng Moolmans.

The decrease in revenue was marginally offset by the weaker rand to Australian dollar exchange rate, which contributed R602 million (2013: R1,6 billion) to rand revenue from the *Construction and Engineering: Australasia and Asia* operating segment.

Commentary *continued*

Net operating earnings decreased by 19% to R413 million (2013: R510 million), while the earnings margin decreased slightly to 1,7% (2013: 1,8%). This result was characterised by:

- further losses on the Mokolo Crocodile Pipeline contract ("Mokolo") as a result of difficulties in returning to higher productivities following severe flood damage, causing an extended close-out of the contract; as well as increased costs and penalties associated with remedial action to address operational difficulties relating to a water purification contract;
- unforeseen losses on the Grootegeluk Cyclic Pond contract due to weather delays and scope changes;
- an 18% decline in the *Mining* segment's earnings due to the non-renewal of three gold-mining contracts in the open-cut business and lower-than-anticipated productivity levels in the shaft-sinking unit;
- a tough steel sector culminating in a weak result from Aveng Steel, being largely responsible for the 51% reduction in the *Manufacturing and Processing* segment's earnings. This was driven by labour disruptions, reduced margins due to weak demand and increased price competition, and restructuring costs to re-align the fixed cost base; and
- in mitigation of the above:
  - solid results from Aveng Manufacturing due to strong demand for rail and related services in sub-Saharan Africa; and
  - fair value gains of R94 million included in **other earnings** – representing gains on **infrastructure investments** reaching a marketable maturity level allowing for their reclassification as financial assets held at fair value, and gains on **investment properties**.

Earnings from equity-accounted investments of R30 million was down by R14 million against the comparative period due to losses incurred on McConnell Dowell's Middle East investments, as well as certain investments being reclassified as **infrastructure investments** (held at fair value), effective from 1 July 2014.

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

The Group recognised the impairment charges described below following a review of current business performance, a consideration of the prevailing market conditions, the resultant pressure on the relevant order books, and the Group's view of the subdued economic conditions in the nearer term.

Goodwill of R291 million and **intangible assets** of R33 million associated with the Built Environs business in the *Construction and Engineering: Australasia and Asia* segment was fully impaired. While management have implemented a robust turnaround plan for this business, there is uncertainty around the business' ability to generate the required returns within a reasonable timeframe based on the current order book. The timing of this impairment is aligned to the Group's renewed focus on the return on assets within the direct control of management, as opposed to legacy intangible assets.

Commentary *continued*

An **impairment** charge totalling R213 million was recognised against ancillary operations, comprising plant and equipment in the *Construction and Engineering: South Africa and rest of Africa* (R152 million charge), *Manufacturing and Processing* (R32 million charge) and *Mining* (R29 million charge) segments.

Net bank and related **finance charges** of R50 million were in line with the comparative period. Transaction costs of R57 million were above that of the comparative period (R30 million) in order to maintain access to previously arranged loan facilities in South Africa and Australia in support of the Group's liquidity position. The net convertible bonds interest expense – including the accretion of interest at the effective interest rate for the share redemption amount – equalled R59 million. This charge was reduced by a R36 million fair value gain on the carrying amount of the equity option embedded in the convertible bonds. Following shareholder approval (on 19 September 2014) to equity settle the bonds, the option was reclassified to equity and will no longer be fair valued.

The **taxation expense** increased to R125 million, with an effective tax rate of 25,7% from R114 million (26,7%) in the comparative period.

Headline earnings decreased by 55%. Items excluded from the calculation of headline earnings include the profit on sale of Electrix, impairment charges and fair value gains on investment property.

Earnings per share ("EPS") of 89,3 cents (2013: 83,9 cents) increased by 6% and **headline earnings per share ("HEPS")** of 34,5 cents (2013: 82,1 cents) decreased by 58%. The *per share* amounts were reduced as a result of the impact of dilution caused by the issuing of shares to conclude the Group's BEE transaction on 30 June 2014.

Statement of financial position

The Group reduced its **capital expenditure** to R583 million (2013: R649 million). Of this, R101 million (2013: R271 million) went into expansions; R456 million (2013: R320 million) to replacements of property, plant and equipment; and R26 million (2013: R58 million) for intangible assets. The majority of the amount was spent as follows:

- R192 million at McConnell Dowell to replace equipment in the Overseas Construction (notably Southeast Asia) business unit.
- R155 million at Aveng Moolmans which included an excavator replaced due to fire damage.
- R79 million at Aveng Manufacturing primarily relating to replacements in the Lennings Rail Services business unit as well as a plant upgrade and other new equipment for Infraset.

During December 2014, the Group, by following its minority rights through a co-ownership agreement, disposed of its 10,9% interest in the Goldfields Mall investment property for R97 million.

Capital expenditure net of proceeds from disposals (including the aforementioned sale of investment property and insurance proceeds on the replaced Aveng Moolmans excavator) reduced by R261 million to R244 million (2013: R505 million), primarily reflecting the disposal of construction camps and ancillary equipment utilised by McConnell Dowell's multi-year major mining and infrastructure contracts.

Commentary *continued*

Equity-accounted investments increased by 20% to R263 million against the comparative period and decreased by 14% compared with 30 June 2014, predominantly due to an increase in equity funding and temporary bridging loans, and the subsequent reclassification of three concession investments as **infrastructure investments**. This reclassification resulted from Aveng Capital Partners' ("ACP", formally Aveng Concessions) investments reaching a marketable maturity level allowing for their reclassification as financial assets held at fair value.

Infrastructure investments of R633 million represent the aforementioned reclassification from **equity-accounted investments**, and the Group's investment in the N3 Toll Concession, which retains its classification as an available-for-sale investment, along with the Australian available-for-sale investment in GoldlinQ, the concession investment in the Gold Coast Rapid Transit ("GCRT") project.

Inventories increased by 5% to R3 billion against the comparative period and increased by 9% compared with 30 June 2014. This was due to increased inventory holdings by Aveng Steel, as a result of the rebalancing of the inventory mix (including the impact of increased imports) and slower-than-anticipated sales due to depressed market conditions.

Amounts due from contract customers (being non-current and current) increased by R845 million (9%) to R10,1 billion against 31 December 2013 (R9,3 billion). However, there was a significant decrease of R1,3 billion (11%) against the position at 30 June 2014 of R11,4 billion. The main contributors were:

- against 31 December 2013, an increase in uncertified claims and variations on major infrastructure and building contracts at McConnell Dowell, and Aveng Mining Shafts & Underground's Chuquicamata Copper Mine contract in Chile;
- against 30 June 2014, a reduction of R1 billion on contract receivables at McConnell Dowell due to settlement payments received on major mining, transport infrastructure and oil and gas contracts.

Amounts due to contract customers remained flat against 31 December 2013, while decreasing by 12% compared with 30 June 2014, due to the utilisation of advance payments at McConnell Dowell.

Trade and other receivables of R2,4 billion decreased by R566 million (19%) against R3,0 billion at 31 December 2013 due to improved collections at Aveng Manufacturing and Aveng Steel. The 13% or R352 million decrease compared with 30 June 2014 was attributable to higher sales volumes in June 2014 in anticipation of the steel industry labour disruptions that followed in July, combined with improved collections and a short trading month in December 2014.

Trade and other payables decreased by R689 million (7%) to R8,7 billion against 31 December 2013 due to lower accruals at McConnell Dowell as a result of lower contract-related expenditure and payment of trade payables on completion of major contracts during the reporting period. AUD30 million of the AUD142,5 million advance payment was repaid on the Queensland Curtis Liquid Natural Gas ("QCLNG") contract in July 2014. As previously reported, it was anticipated that the remainder would be settled by December 2014. However, based on the status of current negotiations, the settlement of the remainder of the advanced payment is now expected during the second half of the financial year.

Commentary *continued*

Operating free cash flow for the period amounted to a R220 million inflow which included R1,3 billion of proceeds on the disposal of Electrix, consistent with the Group's ongoing initiative to improve liquidity. Furthermore, the cash flow performance was characterised by:

- significant cash outflows for McConnell Dowell associated with the remedial work on the GCRT contract, repayment of the AUD30 million of advances on the QCLNG contract and the aforementioned working capital requirements;
- operating losses, utilisation of onerous contract provisions, notably related to the Mokolo contract, and working capital requirements within Aveng Grinaker-LTA;
- temporary bridging funding of the renewable energy investments; and
- this was in part mitigated by a sound operating performance from Aveng Manufacturing and a positive working capital contribution by Aveng Steel.

Cash and bank balances increased to R4,3 billion (June 2014: R4,1 billion), while the net cash position increased to R1,7 billion from R1,3 billion at 30 June 2014. Borrowings decreased to R2,6 billion from R2,9 billion at 30 June 2014 due to the repayment of borrowings at McConnell Dowell. Proceeds from the issue of the convertible bond were utilised to repay revolving credit facilities and fund working capital requirements.

The Group successfully placed R2 billion senior unsecured **convertible bonds** on 16 July 2014, which in turn was listed on the Johannesburg Stock Exchange ("JSE") on 4 September 2014. At date of issue, the convertible option (a derivative instrument) was measured at a fair value of R438 million and the convertible bond liability was recognised at R1,6 billion. Authority for physical settlement in shares, on conversion, was granted at the general meeting convened on 19 September 2014. The fair value gain up to this date on re-measurement of the derivative liability amounted to R36 million, thereafter the re-measured carrying amount of the option of R402 million was reclassified to equity together with transaction costs allocable to the option.

Deferred taxation assets decreased marginally against a comparative position of R1,4 billion. Aveng has not increased the deferred taxation asset of its main South African operating subsidiary since June 2014 due to the Group taking a conservative view on the ability to utilise further assets in the foreseeable future.

Operating review

Construction and Engineering: Australasia and Asia

This operating segment comprises McConnell Dowell Construction, Tunnelling, Built Environs and the Pipeline business units.

Revenue decreased by 25% to AUD1,2 billion or 21% to R11,8 billion against the comparative period, resulting in a 49% (2013: 54%) contribution to the revenue of the Group. The reduction in revenue is reflective of the completion of multi-year pipeline and building contracts, and the sale of Electrix. In Australian dollar terms net operating earnings were flat at AUD19 million. However, net operating earnings in rand terms decreased by 4% to R183 million (2013: R191 million). The net operating margin percentage improved from 1,3% to 1,6%, due to the roll-off of non-contributing contracts. Net operating earnings improved substantially against the immediately preceding six months performance of AUD8 million.

Revenue for **Australia Construction** was up by 39% or R1,7 billion to R6 billion (2013: R4,3 billion) due to notable revenue generation emanating from the Hay Point, Roy Hill and Webb Dock contracts.

As previously reported, McConnell Dowell continues to close out remedial work and undertake demobilisation associated with the GCRT contract. The process is taking longer than initially anticipated. Given the technical and legal complexities, it is expected that the commercial negotiations will be protracted, and thus the final outcome remains an uncertain and material risk to the Group. The process of lodging, finalising and resolving claims with the affected counterparties has been intensified.

Overseas Construction performed well in challenging market conditions, despite remaining flat at R1,8 billion compared with 31 December 2013 due to the shortage of new work secured. Revenue was sourced from the power, marine and transport sectors in New Zealand, and the transport and oil and gas sectors in South East Asia, particularly in Singapore, Indonesia and Malaysia.

The **Pipelines** business unit reported a major decrease in revenue to R1,1 billion (2013: R4,9 billion) as the large liquefied natural gas pipeline contracts in Queensland reached completion. Construction work on the Australia Pacific Liquid Natural Gas contract ("APLNG") was completed in June 2014 and work on the Gladstone Liquefied Natural Gas ("GLNG") contract was effectively completed in November 2014. As previously reported, the arbitration process, using the International Chamber of Commerce rules, for the QCLNG contract is progressing in line with the agreed timelines with no material change in the status thereof. As noted earlier, the settlement of the remaining portion of the advance payment has been postponed to the second half of the financial year. It continues to be expected that the commercial negotiations will be protracted, and thus the final outcome remains an uncertain and material risk to the Group.

The revenue of the **Building** operation decreased by 40% or R554 million to R842 million (2013: R1,4 billion), reflecting the tough building market, evident from the lack of new work secured during the reporting period. The Ocean Keys Shopping Centre was completed in November 2014, leaving the Perth Airport Terminal 1 expansion contract as the largest contract within the business unit.

The **Tunnelling and Underground** operation reported an increase in revenue of 8% or R66 million to R891 million (2013: R825 million), due to good progress on two significant Metro Down Town Line contracts in Singapore and the Waterview contract in New Zealand.

The four months of revenue reported by **Electrix** of R1,4 billion prior to its sale on 31 October 2014 was 26% or R471 million lower than the comparative period, which included a full six months of sales of R1,8 billion.

Overall, management continued to focus on strengthening contract execution performance.

Construction and Engineering: South Africa and rest of Africa

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

Commentary *continued*

Revenue remained flat at R4,3 billion due to ongoing activity on the Sishen and Gouda renewable energy projects, the Nacala and Majuba rail contracts, work on Eskom-related projects and two major private sector building contracts, namely Mall of the South in Alberton and Sasol Corporate Head Office in Sandton.

Net operating losses for the segment increased by 13% to R229 million against the comparative (2013: R202 million). As communicated in the trading statement of 11 December 2014, the result was adversely affected by two legacy contracts, namely the Mokolo contract within Aveng Grinaker-LTA and a water purification contract housed in Aveng Engineering.

Civil Engineering achieved a 21% or R284 million increase in revenue, as a result of the rail-related work on the Nacala and Majuba Rail Link contracts.

Other significant operational issues were:

- weather delays and scope changes in the Grootegeluk Cyclic Ponds contract, which delayed completion of the contract until the second half of the financial year;
- the aforementioned Mokolo contract, which is estimated to be completed by the fourth quarter of the financial year, with maintenance and inspection works continuing for six months thereafter; and
- labour disruptions experienced on the Majuba Rail Link contract.

Mechanical and Electrical: Revenue decreased by 5% or R49 million to R954 million (2013: R1 003 million). There has been a significant reduction in the losses within Mechanical and Electrical compared to the comparative period, given the insufficient margins on the legacy contracts experienced at that time. This was partially offset by additional work on Eskom's two new coal-fired power plant contracts. Good progress has been made on the commercial challenges surrounding the Eskom contracts.

Buildings and Coastal: Revenue decreased by 13% due to the completion of the Cradlestone Mall contract, not compensated for by the ramp-up of the Mall of the South and Sasol Corporate Office contracts which continue to track well operationally. The Coastal division has increased revenues compared with the prior period due to the construction of the Audi Centre in Durban, the Aspen Unit 4 High Containment Suite Facility contract, and the refurbishment of the Pavilion Mall.

Aveng Engineering

Aveng Engineering is responsible for generic engineering services and contract management activities in the water, power and energy, and minerals sectors. It houses the design and construction of Aveng's renewable energy interests. The operating group reports to Aveng Grinaker-LTA effective from 1 July 2014.

Revenue increased by 19% or R75 million to R477 million (2013: R402 million) due to higher activities on the Group's renewable energy projects in the **Power** business. The Sishen solar energy facility in the Northern Cape was successfully completed on schedule in December 2014. The Gouda wind energy facility in the Western Cape is on schedule for completion in June 2015.

Commentary *continued*

The lack of production at the Kromdraai modular water treatment facility operated for Anglo American had an adverse impact on the net operating earnings of the **Water** business. After changing the process chemistry and the physical configuration of the plant, it was able to treat the input water at a considerably lower volume and higher cost. This plant was impaired by R44 million.

Cost optimisation measures implemented during the comparative period continue to be maintained, while the future positioning of the business continues to receive attention.

Aveng Capital Partners

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

Revenue decreased significantly against the December 2013 comparative due to the net success fee earned in the prior year (R111 million) upon reaching financial close on the Gouda renewable energy project.

Net operating earnings included fair value gains of R83 million on certain renewable and real estate investments reaching a marketable maturity level.

Mining

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

The segment reported a 14% or R487 million decrease in revenue to R3,0 billion (2013: R3,5 billion). Net operating earnings decreased by 18% or R54 million to R241 million (2013: R295 million) due to the continued downturn in the mining and commodity market.

The revenue of **Aveng Moolmans** decreased by 10% or R260 million to R2,2 billion (2013: R2,5 billion) due to the non-renewal of three gold-mining contracts in Africa, partially offset by increased activity on existing contracts. The Nkomati Nickel Mine contract commenced operations in July 2014. Aveng Moolmans continued to record good results.

During the reporting period, the Zambia Revenue Authority issued an additional tax assessment against Aveng Moolmans following the completion of a mining contract in April 2013. The assessment has been paid to secure the release of the mining fleet which was impounded by the authorities. Sufficient provision was made for these charges in the previous financial year. Aveng Moolmans continues to pursue legal and other avenues to resolve this ongoing dispute.

Aveng Moolmans' portfolio currently spans five commodities mined for seven customers in four countries, with 33% of work sourced outside South Africa compared with 42% in the comparative period.

The revenue of **Aveng Mining Shafts & Underground** decreased by 24% or R227 million to R729 million (2013: R956 million) due to the general downturn in the mining industry and a more selective approach to new work in order to strengthen the quality of the business unit's earnings, and mitigate risk by securing longer-term contracts. Net operating earnings were impacted by margin slippage at some South African contracts.

Commentary *continued*

The business unit continues to experience operational and commercial challenges on the Chuquicamata Copper Mine contract in Chile. While agreement has been reached in principle and part-payment received for settlement of two outstanding claims, Aveng Mining Shaft & Underground continues to engage with the client, Codelco, on resolving these and other matters.

The Kalagadi Manganese Mine contract has made good operational progress and will be completed in the second half of the financial year.

Sasol's Thubelisha contract was completed successfully in July 2014, while the Shondoni coal contract progressed according to expectations. However, Wesizwe's Bakubung Platinum Mine was negatively affected by production delays as a result of safety and labour stoppages.

The delay in securing the environmental management plan for Ivanhoe's Platreef Platinum Mine negatively impacted revenue and earnings for the period. However, work is scheduled to commence in the second half of the financial year, with site establishment nearing completion.

Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

Revenue remained flat at R5,3 billion; however, net operating earnings fell significantly by 51% or R83 million to R79 million (2013: R162 million) due to steel sector labour disruptions affecting both operating groups. In the case of **Aveng Steel**, this was further compounded by weak demand, low international steel prices, increased price competition, and restructuring costs to re-align the fixed cost base.

Aveng Manufacturing

The operating group consists of Infraset, Lennings Rail Services, Aveng A&CS, Facades, Aveng DFC and Duraset.

Aveng Manufacturing's total revenue remained flat at R1,8 billion against the comparative period. In spite of tough market conditions and the impact of the aforementioned labour disruptions on Aveng DFC and Duraset, Aveng A&CS, Infraset and Lennings Rail Services produced good results.

Aveng Manufacturing Infraset's revenue increased by 20% as a result of strong demand for precast concrete products in the southern Africa region, especially in Mozambique and Zambia. South African operations performed well due to the supply of concrete sleepers and pipes.

Aveng Manufacturing Lennings Rail Services' revenue increased by 18% against the comparative period as a result of rail construction contracts for Kalagadi Manganese Mine and the Nacala Section 2 contract, and the ongoing maintenance contracts for Transnet.

Aveng Manufacturing A&CS revenue decreased by 7% against the comparative period due to a slowdown in capital projects in the oil and gas markets.

Aveng Manufacturing Facades' revenue decreased materially by 71% against the comparative period due to the completion of existing contracts and the lack of new work at the required return levels. Actions relating to its future repositioning are in process; however, the business unit remained loss-making as a result of cost over-runs.

Aveng Manufacturing DFC's revenue decreased marginally by 1% against the comparative period. Foreign operations continue to perform well, while the South African operations focused on clawing back lost productivity as a result of the platinum sector labour disruption (a spill-over from the previous financial year). Aveng Manufacturing DFC acquired Atval Proprietary Limited on 1 July 2014, thereby expanding the Aveng product range into the high-pressure knife-gate valve market.

Aveng Manufacturing Duraset was particularly affected by the short-supply of inventory as a result of the aforementioned labour disruptions, resulting in revenue decreasing by 25% against the comparative period. Emerging from a difficult 2014, turnaround initiatives were implemented focusing on efficiency improvements and the realignment of the fixed cost base of the business.

Aveng Steel

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

As anticipated, aforementioned labour disruptions had a notable impact on the performance of Aveng Steel. Revenue remained flat at R3,4 billion against the comparative period, with profitability impacted by labour disruptions, lower international steel prices, change in product mix, increased competition and restructuring costs. The benefits of integrating the three businesses continued to materialise.

Although **Aveng Trident Steel's** revenue marginally improved by 2% against the comparative period, its performance was materially impacted by the steel sector labour disruptions, the inability to effect price increases amid increased competition, and lower volumes coupled to weak demand. Operating earnings were negatively impacted by once-off restructuring costs in order to re-align the fixed cost base.

Encouragingly, **Aveng Steeledale's** revenue grew by 15% in an extremely challenging market. With fundamental business controls and practices having been restored, a reduction in fixed costs implemented, and through the leveraging of Aveng Steeledale's competitive advantages of geographic spread and experience in managing construction sites, a turnaround in profitability was achieved against the operating loss in the comparative period.

Aveng Steel Fabrication's ongoing contracts to supply fabricated steel to the Medupi and Kusile power stations proceeded to plan, albeit at lower productivity levels. The contracts are scheduled to be completed early in the next financial year. Despite the preservation of the lower cost structure following restructuring initiatives, the low levels of demand for infrastructure development are anticipated to continue to have a negative impact on the business' financial performance.

Other and Eliminations

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

This segment, which comprises corporate services, corporate-held investments including the property portfolio, and consolidation eliminations, reflected a net operating earnings increase of R75 million to R139 million (2013: R64 million). The improved performance is attributable to:

- cost-saving initiatives to reduce the fixed cost base; and
- a change in philosophy regarding the recovery of centralised administration and property rental expenses to better reflect the usage of support services by the operating groups.

Two-year order book

The Group's two-year order book (excluding Electrix) remained flat at R32,5 billion against the comparative December 2013 position of R32,4 billion, though cyclically down by 12% against June 2014 (R37,1 billion).

The **Construction and Engineering: Australasia and Asia** operating segment's order book decreased by 16% or R2,5 billion to R13,5 billion against the comparative December 2013 position, or 34% down against June 2014, reflective of a weaker market as a large number of the major contracts are now close to completion without having been replaced. However, the extent of unsecured work is more significant than anticipated. The order book for **Australia Construction** decreased against the comparative period, partially offset by an increase for **Overseas Construction**, with notable growth experienced in South East Asia. New major contracts awarded include: Bonriki Runway Expansion in Kiribati and Brunei Liquefied Natural Gas Co-generation plant. The evolution of the order book reflects the objective of diversifying beyond Australia and commodity-dependent sectors. Prospects include road, rail and ports infrastructure, maintenance contracts and commercial building projects.

The **Construction and Engineering: South Africa and rest of Africa** operating segment's order book of R8,0 billion remained flat against the comparative December 2013 position, though 8% up against June 2014, due to the awarding of infrastructure contracts, and rehabilitation contracts for SANRAL and the construction of two major hospitals, being Dr Pixley Ka Isaka Seme Memorial hospital and Pinehaven hospital. The public sector work contribution in the order book increased from 20% to 37%. A strong focus exists to diversify into the cross-border markets and to grow further into Africa. Notable prospects include rail depots and power-related engineering and construction projects in southern Africa.

The combined order book for **Aveng Mining** increased by 45% or R3,2 billion to R10,3 billion against the comparative December 2013 position, and 20% up against 30 June 2014, with the South African order book gaining relative to the non-South African position. The increase is attributable to additional work secured on existing operations, and the award of the Blackrock horizontal tunnelling development contract within Aveng Mining Shafts & Underground. The non-renewal of gold-mining contracts has reduced the previous dependency on gold contracts outside South Africa, with platinum, iron ore and manganese mining gaining at the expense of gold and coal. Aveng Moolmans contributes 64% of the order book, compared to 50% at December 2013 and 68% at June 2014, with 22% currently outside South Africa (December 2013: 47%, and June 2014: 33%). Prospects include shaft-sinking, horizontal tunnelling development and open-cast mining in the South African platinum sector, and zinc, coal, iron ore and gold in sub-Saharan Africa, though delayed and downscaled as a result of low commodity prices.

Commentary *continued*

Outlook and prospects

It is expected that the outlook for the Group will be influenced by:

- order book replenishment by McConnell Dowell;
- the anticipation of an improved performance from Aveng Grinaker-LTA;
- generally positive prospects for the *Mining* and *Manufacturing and Processing* segments; and
- the realisation of benefits from the cost-saving initiatives already undertaken.

QCLNG and GCRT commercial negotiations remain protracted processes, thus their final outcome continues to be a material risk to the Group.

The process of disposing of the majority of the Group's property portfolio in South Africa is well advanced. The transaction is expected to be finalised in the second half of the financial year.

By order of the Board

AWB Band
Chairman

HJ Verster
Chief Executive Officer

17 February 2015
Jet Park

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