Summarised reviewed interim condensed consolidated financial statements

for the six months ended 31 December 2018

Salient features – financial performance
for the period ended 31 December 2018

Revenue
R13,4 billion

Decrease from R16,1 billion at December 2017

Net operating loss
R484 million

Decrease from R94 million profit at December 2017

Losses attributable to equity holders of the parent
R918 million

Increase from R347 million loss at December 2017

Headline loss
R770 million

Increase from R335 million loss at December 2017

Operating free cash flow
R710 million outflow

December 2017: R648 million inflow

Two-year order book
R19,5 billion

Increase from R17,9 billion June 2018

Loss per share
7,2 cents

Movement from 64,2 cents at December 2017

Headline loss per share
6,1 cents

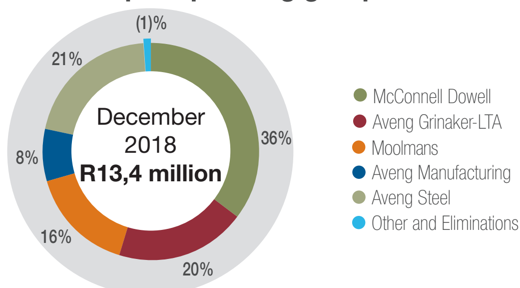
Movement from 62,2 cents loss per share at December 2017

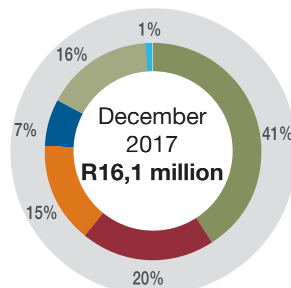
Salient features – segmental analysis

Net operating earnings / (loss) – segmental analysis

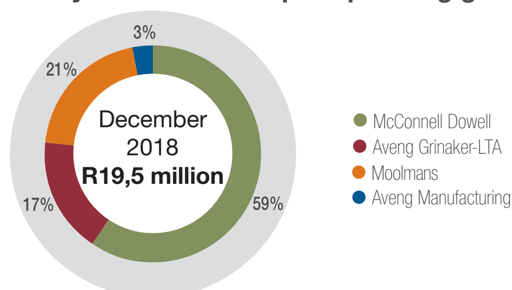
	HY 2018 Rm	HY 2017 Rm	Change %	June 2018 Rm
South Africa and rest of Africa	**(160)**	(212)	24	(367)
Aveng Grinaker-LTA	**(162)**	(196)	17	(350)
Aveng Capital Partners	**2**	(16)	>100	(17)
Australasia and Asia	**55**	51	8	103
Total Construction and Engineering	**(105)**	(161)	35	(264)
Mining	**(166)**	104	>(100)	11
Manufacturing and Processing	**(17)**	(70)	76	(167)
Aveng Steel	**14**	(13)	>100	29
Aveng Manufacturing	**(31)**	(57)	46	(196)
Other and Eliminations	**(196)**	221	>(100)	19
Net operating (loss) / earnings	**(484)**	94	>(100)	(401)
Loss attributable to equity-holders of the parent	**(918)**	(347)	>(100)	(3 523)
Headline loss	**(770)**	(335)	>(100)	(1 679)

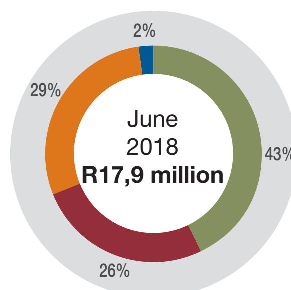
Revenue per operating group





Two-year order book per operating group





Interim condensed consolidated statement of financial position

as at 31 December 2018

	Notes	**31 December 2018 (Reviewed) Rm**	31 December 2017 (Reviewed) Rm	30 June 2018 (Audited) Rm
ASSETS				
Non-current assets				
Goodwill arising on consolidation		**100**	342	100
Intangible assets		**44**	271	47
Property, plant and equipment		**2 852**	4 476	3 010
Equity-accounted investments		**54**	309	73
Infrastructure investments		**142**	264	142
Derivative instruments		**2**	–	–
Deferred taxation		**742**	1 095	747
Amounts due from contract customers	10	**472**	631	661
		4 408	7 388	4 780
Current assets				
Inventories		**190**	2 141	255
Derivative instruments		**9**	–	3
Amounts due from contract customers	10	**2 056**	3 456	2 649
Trade and other receivables		**264**	1 619	180
Taxation receivable		**25**	58	39
Cash and bank balances		**2 310**	2 724	2 391
		4 854	9 998	5 517
Assets Held for Sale	11	**3 993**	158	4 773
TOTAL ASSETS		**13 255**	17 544	15 070
EQUITY AND LIABILITIES				
Equity				
Stated capital	14	**3 874**	2 009	2 009
Other reserves		**908**	907	1 118
Retained earnings		**(1 445)**	2 634	(542)
Equity attributable to equity-holders of parent		**3 337**	5 550	2 585
Non-controlling interest		**9**	8	9
TOTAL EQUITY		**3 346**	5 558	2 594

	Notes	31 December 2018 (Reviewed) Rm	31 December (Reviewed) 2017 Rm	30 June 2018 (Audited) Rm
Liabilities				
Non-current liabilities				
Deferred taxation		**111**	399	49
Borrowings and other liabilities	12	**1 743**	1 969	2 688
Payables other than contract-related		**109**	118	125
Employee-related payables		**260**	295	248
Derivative instruments		**–**	4	–
		2 223	2 785	3 110
Current liabilities				
Amounts due to contract customers	10	**874**	1 707	1 140
Borrowings and other liabilities	12	**602**	1 025	599
Payables other than contract-related		**21**	21	21
Employee-related payables		**224**	340	253
Derivative instruments		**–**	43	–
Trade and other payables		**2 511**	5 780	2 958
Bank overdrafts		**–**	285	315
		4 232	9 201	5 286
Liabilities Held for Sale	11	**3 454**	–	4 080
TOTAL LIABILITIES		**9 909**	11 986	12 476
TOTAL EQUITY AND LIABILITIES		**13 255**	17 544	15 070

Interim condensed consolidated statement of comprehensive earnings

for the six months ended 31 December 2018

	Notes	**Six months ended 31 December 2018 (Reviewed) Rm**	Six months ended 31 December 2017 (Reviewed) Rm	Change %	Year ended 30 June 2018 (Audited) Rm
Revenue	15	**13 367**	16 111	(17)	30 580
Cost of sales		**(12 770)**	(14 987)	15	(28 782)
Gross earnings		**597**	1 124	(47)	1 798
Other earnings		**58**	36	61	106
Operating expenses		**(1 125)**	(1 060)	(6)	(2 292)
Loss from equity-accounted investments		**(14)**	(6)	>(100)	(13)
Operating (loss) / earnings		**(484)**	94	>(100)	(401)
Impairment loss on goodwill, intangible assets and property, plant and equipment	9	**(163)**	(21)	>100	(1 298)
Impairment on equity-accounted investments		**–**	–	–	(195)
Profit on redemption of convertible bond		**102**	–	100	–
Fair value adjustments on properties and disposal groups classified as Held for Sale		**–**	–	–	(807)
Profit on sale of property, plant and equipment		**15**	7	>100	47
(Loss) / earnings before financing transactions		**(530)**	80	>100	(2 654)
Finance earnings		**89**	191	(53)	246
Interest on convertible bonds		**(63)**	(123)	49	(251)
Other finance expenses		**(281)**	(209)	(34)	(434)
Loss before taxation		**(785)**	(61)	>(100)	(3 093)
Taxation	16	**(135)**	(285)	53	(426)
Loss for the period		**(920)**	(346)	>(100)	(3 519)
Loss from continuing operations		**(681)**	33	>(100)	(1 050)
Loss from discontinued operations	6	**(239)**	(379)	37	(2 469)
Other comprehensive earnings					
Other comprehensive earnings to be reclassified to or loss in subsequent periods (net of taxation):					
Exchange differences on translating foreign operations		**57**	(158)	>(100)	48
Convertible Bond Reserve movement		**20**	–	100	–
Other comprehensive earnings / (loss) for the period, net of taxation		**77**	(158)	>(100)	48
Total comprehensive loss for the period		**(843)**	(504)	(67)	(3 471)

	Six months ended 31 December 2018 (Reviewed) Rm	Six months ended 31 December 2017 (Reviewed) Rm	Change %	Year ended 30 June 2018 (Audited) Rm
Total comprehensive loss for the period attributable to:				
Equity-holders of the parent	**(841)**	(505)	(67)	(3 473)
Non-controlling interest	**(2)**	1	>(100)	2
	(843)	(504)	(67)	(3 471)
Loss for the period attributable to:				
Equity-holders of the parent	**(918)**	(347)	>(100)	(3 523)
Non-controlling interest	**(2)**	1	>(100)	4
	(920)	(346)	>(100)	(3 519)
Other comprehensive earnings / (loss) for the period, net of taxation				
Equity-holders of the parent	**75**	(158)	>(100)	50
Non-controlling interest	**2**	–	>100	(2)
	77	(158)	>100	48
Results per share (cents)				
From continuing and discontinued operations**				
Loss – basic	**(7,2)**	(64,2)	(88,8)	(653,9)
Loss – diluted	**(7,2)**	(63,6)	(88,7)	(642,9)
From continuing operations				
Loss – basic	**(5,3)**	6,1	>(100)	(195,6)
Loss – diluted	**(5,3)**	6,1	>(100)	(192,4)
From discontinued operations				
Loss – basic	**(1,9)**	(70,3)	97,3	(458,3)
Loss – diluted	**(1,9)**	(69,7)	97,3	(450,6)
Number of shares (millions)*				
In issue	**19 394,5**	416,7		416,7
Weighted average	**12 676,3**	538,8		538,8
Diluted weighted average	**12 676,3**	544,0		548,0

The continued and discontinued operations loss before interest, depreciation and amortisation for the Group, being net operating loss before interest, tax, depreciation and amortisation is R109 million. The earnings before interest, tax, depreciation and amortisation for June 2018: R293 million and December 2017 amounted to R438 million.

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

** *The profit / (loss) – basic and profit / (loss) – diluted amounts for 31 December 2017 have been retrospectively adjusted as per IAS 33 Earnings Per Share, paragraph 26, due to the rights offer share issue.*

Interim condensed consolidated statement of changes in equity

for the six months ended 31 December 2018

	Stated capital Rm	Foreign currency translation reserve Rm
Six months ended 31 December 2017 (Reviewed)		
Balance at 1 July 2017	2 009	761
(Loss) / earnings for the period	–	–
Other comprehensive loss for the period (net of taxation)	–	(158)
Total comprehensive loss for the period	–	(158)
Equity-settled share-based payment release	–	–
Dividends paid	–	–
Total contributions and distributions recognised	–	–
Balance at 31 December 2017	2 009	603
Year ended 30 June 2018 (Audited)		
Balance at 1 July 2017	2 009	761
(Loss) / earnings for the period	–	–
Other comprehensive earnings for the period (net of taxation)	–	50
Total comprehensive loss for the period	–	50
Equity-settled share-based payment charge	–	–
Dividends paid	–	–
Total contributions and distributions recognised	–	–
Balance at 30 June 2018	**2 009**	**811**
Six months ended 31 December 2018 (Reviewed)		
Opening balance as previously reported	**2 009**	**811**
Adoption of *IFRS 9* accounting standard*	**–**	**–**
Adoption of *IFRS 15* accounting standard**	**–**	**–**
Balance at 1 July 2018	**2 009**	**811**
Loss for the period	**–**	**–**
Other comprehensive earnings for the period (net of taxation)	**–**	**57**
Total comprehensive loss for the period	**–**	**57**
Equity-settled share-based payment release	**–**	**–**
Redemption of Convertible bond	**–**	**–**
Foreign currency translation movement	**–**	**–**
Share Issue – Rights to qualifying shareholders (4 July 2018)	**461**	**–**
Share Issue – Early redemption convertible bond (25 September 2018)	**1 404**	**–**
Total contribution and distributions recognised	**1 865**	**–**
Balance at 31 December 2018	**3 874**	**868**

* *The adoption of the expected credit loss model under* IFRS 9 *has impacted the retained earnings opening balance by R6 million. Comparatives have been amended as detailed in note 2: Basis of preparation and changes to the group accounting policies.*

** *The adoption of IFRS 15 has impacted the retained earnings opening balance by R267 million. At the end of the prior reporting period, contract claims previously recognised under IAS 11 – Construction Contracts could not be recognised under IFRS 15, as the transaction price could not be ascertained, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised would not occur when the uncertainty associated with the variable consideration is subsequently resolved. Refer to the effect on disclosure in note 2: Basis of preparation and changes to the group accounting policies.*

Equity-settled share-based payment reserve Rm	Con-vertible bond equity reserve Rm	Total other reserves Rm	Retained earnings Rm	Total attribu-table to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
31	268	1 060	2 981	6 050	8	6 058
–	–	–	(347)	(347)	1	(346)
–	–	(158)	–	(158)	–	(158)
–	–	(158)	(347)	(505)	1	(504)
5	–	5	–	5	–	5
–	–	–	–	–	(1)	(1)
5	–	5	–	5	(1)	4
36	268	907	2 634	5 550	8	5 558
31	268	1 060	2 981	6 050	8	6 058
–	–	–	(3 523)	(3 523)	4	(3 519)
–	–	50	–	50	(2)	48
–	–	50	(3 523)	(3 473)	2	(3 471)
8	–	8	–	8	–	8
–	–	–	–	–	(1)	(1)
8	–	8	–	8	(1)	7
39	**268**	**1 118**	**(542)**	**2 585**	**9**	**2 594**
39	**268**	**1 118**	**(542)**	**2 585**	**9**	**2 594**
–	**–**	**–**	**(6)**	**(6)**	**–**	**(6)**
–	**–**	**–**	**(267)**	**(267)**	**–**	**(267)**
39	**268**	**1 118**	**(815)**	**2 312**	**9**	**2 321**
–	**–**	**–**	**(918)**	**(918)**	**(2)**	**(920)**
–	**20**	**77**	**–**	**77**	**–**	**77**
–	**20**	**77**	**(918)**	**(841)**	**(2)**	**(843)**
1	**–**	**1**	**–**	**1**	**–**	**1**
–	**(288)**	**(288)**	**288**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**2**	**2**
–	**–**	**–**	**–**	**461**	**–**	**461**
–	**–**	**–**	**–**	**1 404**	**–**	**1 404**
1	**(288)**	**(287)**	**288**	**1 866**	**2**	**1 868**
40	**–**	**908**	**(1 445)**	**3 337**	**9**	**3 346**

Interim condensed consolidated statement of cash flows

for the six months ended 31 December 2018

	Notes	**31 December 2018 (Reviewed) Rm**	31 December 2017 (Reviewed) Rm	30 June 2018 (Audited) Rm
Operating activities				
Cash utilised from operations		**(519)**	82	(2 648)
Non-cash and other movements	17	**33**	(34)	2 177
Cash utilised from operations after non-cash movements		**(486)**	48	(471)
Depreciation		**365**	330	666
Amortisation		**10**	14	28
Cash (utilised) / generated by operations		**(111)**	392	223
Changes in working capital:				
Decrease / (increase) in inventories		**65**	(62)	1 847
Decrease in amounts due from contract customers		**514**	381	1 158
(Increase) / decrease in trade and other receivables		**(87)**	222	1 660
(Decrease) / increase in amounts due to contract customers		**(266)**	356	(211)
Decrease in trade and other payables		**(408)**	(136)	(2 959)
(Decrease) / increase in derivative instruments		**(8)**	32	(18)
(Decrease) / increase in payables other than contract-related		**(16)**	(21)	(21)
Decrease in employee-related payables		**(17)**	(155)	(340)
Decrease in working capital Held for Sale		**66**	–	(526)
Total changes in working capital		**(157)**	617	590
Cash (utilised) / generated by operating activities		**(268)**	1 009	813
Finance expenses paid		**(276)**	(265)	(532)
Finance earnings received		**90**	183	244
Taxation paid		**(35)**	(49)	(95)
Cash (outflow) / inflow from operating activities		**(489)**	878	430
Acquisition of property, plant and equipment – expansion		**(55)**	(37)	(138)
Acquisition of property, plant and equipment – replacement		**(238)**	(299)	(625)
Proceeds on disposal of property, plant and equipment		**72**	102	291
Acquisition of intangible assets – replacement		**(9)**	(14)	(23)
Capital expenditure net of proceeds on disposal		**(230)**	(248)	(495)

	Notes	31 December 2018 (Reviewed) Rm	31 December 2017 (Reviewed) Rm	30 June 2018 (Audited) Rm
Loans repaid by equity-accounted investments (net of dividends received)		**6**	13	18
Loans repaid by infrastructure investment companies		**–**	1	6
Dividends received		**3**	4	7
Cash outflow from investing activities		**(221)**	(230)	(464)
Operating free cash (outflow) / inflow		**(710)**	648	(34)
Financing activities with equity-holders				
Proceeds from shares issued		**1 866**	–	–
Dividends paid		**–**	(1)	(1)
Financing activities with debt-holders				
Redemption of convertible bond		**(2 030)**	–	–
Net proceeds from / (repayment of) borrowings		**1 090**	(133)	134
Cash inflow / (outflow) from financing activities		**926**	(134)	133
Net increase in cash and bank balances before foreign exchange movements		**216**	514	99
Foreign exchange movements on cash and bank balances		**18**	(71)	(19)
Cash and bank balances at the beginning of the period		**2 076**	1 996	1 996
Total cash and bank balances at the end of the period		**2 310**	2 439	2 076
Borrowings excluding bank overdrafts		**2 345**	2 994	3 287
Net debt position		**(35)**	(555)	(1 211)

Notes to the interim condensed consolidated financial statements

for the six months ended 31 December 2018

1. CORPORATE INFORMATION

The reviewed interim condensed consolidated financial statements ("interim results") of Aveng Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 25 February 2019.

Nature of business

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

Change in directorate

Ms Edinah Mandizha was appointed as Group Company Secretary effective from 13 September 2018.

Ms Kholeka Mzondeki resigned as the Group Lead Independent Non-executive Director effective 24 December 2018.

Ms May Hermanus was appointed as the Lead Independent Non-executive Director effective from 24 December 2018, and was appointed to the Audit and Risk Committee effective 20 February 2019.

Mr Mike Kilbride was appointed as the Chairman of the Remuneration Committee effective 24 December 2018, and was appointed as a member of the Social, Ethics and Transformation Committee effective 22 February 2019.

Mr Sean Flanagan was appointed as the Chief Executive Officer (CEO) with effect from 1 February 2019.

Mr Philip Hourquebie was appointed to the Safety, Health and Environment Committee effective 22 February 2019.

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

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

These interim results are presented in South African Rand ("ZAR") and all values are rounded to the nearest million ("Rm") except when otherwise indicated. The interim results are prepared in accordance with *IAS 34 Interim Financial Statements* ("*IAS 34*") and the Listings Requirements of the Johannesburg Stock Exchange. The accounting policies adopted are consistent with those of the Group's audited financial statements as at 30 June 2018, except for the new accounting standards and interpretations effective as of 1 January 2018.

The interim results have been prepared by Efstathios White CA(SA) under the supervision of the Group Chief Financial Officer, Adrian Macartney CA(SA).

The interim results for the six-month period ended 31 December 2018, set out on pages 2 to 57, have been reviewed by the Company's external auditors Ernst & Young Inc., in accordance with International Standard on Review Engagements *ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditors of the Entity* ("ISRE 2410"). The unmodified review opinion is available on request from the Company Secretary at the Company's registered office.

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

Changes to the Group accounting policies

The Group adopted *IFRS 15 Revenue from Contracts with Customers* ("*IFRS 15*") (see 2.1) and *IFRS 9 Financial Instruments* ("*IFRS 9*") (see 2.2) with effect from 1 July 2018. As required by IAS 34, the nature and effect of these changes are disclosed below. A number of new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

2.1 *IFRS 15 Revenue from Contracts with Customers*

The Group has adopted *IFRS 15* using the modified retrospective approach (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 30 June 2018 has not been restated – i.e. it is presented, as previously reported under *IAS 18 Revenue* ("*IAS 18*"), *IAS 11 Construction Contracts* ("*IAS 11*") and related interpretations. The details and quantitative impact of the changes in the accounting policy are disclosed in *2.3 Impact of adopting the new standards on the statement of financial position*.

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

Timing of revenue from exported goods

The Group sells certain products to the export market in Africa. The effect of this is revenue was previously only recorded at a point in time when the goods were loaded onto the delivery vehicle; under *IFRS 15* revenue is recognised when the customer obtains control of the goods. Determining the timing of transfer of control requires judgement. Where control is transferred on a later date, revenue on the transaction will only be recorded when control has transferred and will result in a delay in revenue recognition.

Claims impact on transaction price

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

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

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

2.2 *IFRS 9 Financial Instruments*

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

Classification and measurement

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

Hedge accounting

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

Impairment of financial assets

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

The effect of adopting *IFRS 9* on the carrying amount of financial assets as at 1 July 2018 relates solely to the new impairment requirements, as detailed further below. For assets in the scope of the *IFRS 9* impairment model, impairment losses are generally expected to increase and become more volatile.

IFRS 9 replaces the incurred loss model in *IAS 39* with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets, and debt instruments at Fair Value through other Comprehensive Earnings, but not to investments in equity instruments. Under *IFRS 9*, credit losses are recognised earlier than under *IAS 39*.

Under *IFRS 9*, loss allowances are measured on either the following bases:

- 12 Month ECLs: those are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

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

Impairment of financial assets continued

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers this period to be the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. difference between the cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive.)

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assessed whether financial assets are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

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

Presentation of impairment

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

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

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

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

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

The Group has determined that the effect of the ECL on the loss per share at 31 December 2018 is immaterial.

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

3.1 Judgements and estimation assumptions

In the process of applying the Group's accounting policies, the Group has made judgements relating to certain items recognised, which have the most significant effect on the amounts recognised in the interim results. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available when the interim results were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.1 Deferred taxation

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

Refer to *note 16: Taxation* for further detail.

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

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

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

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rates used for extrapolation and terminal value purposes. In accordance with the requirements of IFRS, the directors have considered the carrying values of all the non-core businesses and assets at 31 December 2018, and are satisfied that no impairments are required.

3.1.3 Loss-making and onerous contracts

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.4 Revenue recognition

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

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

- the determination of the point in the progress toward complete satisfaction of the performance obligation;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations; and
- estimation of project production rates and programme through to completion.

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

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

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

Material changes in one or more of these judgements and / or estimates, whilst not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and / or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

Standard:	***IFRS 16 Leases***
Effective date periods beginning on or after:	**1 January 2019**

IFRS 16 Leases replaces existing leases guidance, including *IAS 17 Leases*, *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC 15 Operating Leases – Incentives* and *SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply *IFRS 15* at or before the date of initial application of *IFRS 16*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group leases multiple assets such as buildings and motor vehicles, for example, as well as certain low value assets and short-term leases and currently accounts for these as operating leases and also leases multiple assets such as mining equipment, for example, and currently accounts for these as finance leases.

Management is in the process of performing a detailed assessment of the impact of the standard on its consolidated financial statements.

On application, the current operating lease assets will be capitalised and reflected as lease assets (right-of-use assets) and lease liabilities on the statement of financial position. The previous straight-lining effect associated with *IAS 17 Leases* accounting will be reversed, resulting in further accounting impacts on the consolidated financial statements.

On application, the existing finance lease assets and liabilities will be remeasured in line with the requirements of the standard, and reclassified and reflected as lease assets (right-of-use assets) and lease liabilities on the consolidated statement of financial position.

The consolidated statement of cash flows will be affected with payments needing to be split between repayments of the principal and interest amounts.

The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with *IFRS 16 Leases* requirements including the implication of adoption of the various transition options.

Based on the outcomes of the detailed assessments referred to above, the Group will determine which transition option to apply.

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE continued

Standard:	***IFRS 16 Leases***
Effective date periods beginning on or after:	**1 January 2019**

IFRS 16 requires lessees to account for all leases under a single Statement of Financial Position model in a similar way to finance leases under *IAS 17*.

The largest impact to the Group under this standard will be related to the sale and operating leaseback of properties implemented during the previous years. Mining equipment at Moolmans, as well as a number of operating leases for equipment and vehicles. Assets and debt would increase while the expense related to these properties would be shown as depreciation and added back for EBITDA. Finance expense relating to the debt is expected to initially increase and subsequently decrease with the unwinding of the debt profile.

The Group is in the process of identifying and assessing all operating leases, in conjunction with the process for the two standards detailed above.

Early application is permitted, but not before an entity applies *IFRS 15*.

5. GOING CONCERN

In determining the appropriate basis of preparation of the interim results, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Management updated a revised budget and business plan for the 2019 financial year and the following two years in July 2018. The forecast is updated on a regular basis and the cash flow forecasts covering a minimum period of 12 months from the date of these interim condensed consolidated financial statements were reviewed. These forecasts have been prepared and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

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

Achieved during the interim period

- Successful R493 million rights issue concluded on 4 July 2018 available for working capital;
- Early redemption of the R2 billion convertible bond, including the successful raising of a new R460 million debt instrument to facilitate the early settlement of R693 million of existing convertible bonds at a 30% discount ahead of the early redemption. The remaining R1,4 billion bonds were settled through the specific issue of ordinary shares at R0,10 per share on 25 September 2018; and
- Implementation of a revised Common Terms Agreement with the South African lending banks that includes renewed facilities, additional funding of R400 million, extended funding terms to 2020.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

5. GOING CONCERN continued

Execution of plans

- Progressed on the non-core asset disposal plan, including the announced property disposals of R228 million, the announced disposal of Aveng Rail of R133 million, Aveng Water of R95 million and Aveng Infraset for R180 million (refer to *note 19: Events after the reporting period and pending transactions)*. Other disposals are at varying stages of execution;
- Updated budget and business plans for the period up to 30 June 2020 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved once non-core businesses have been disposed;
- Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the South African lending banks, Australian banks or other financing agreements within the individual liquidity pools; and
- The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations with the help of external consultants.

For the period ended 31 December 2018, the Group reported a loss after tax of R920 million, inclusive of R163 million of impairments. As a result of these losses and continued difficult trading conditions in South Africa, the Group's available cash resources were negatively impacted. The Group continues to focus on improving operational performance, reducing overhead and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded, implemented or are in progress.

The Group has cash (net of bank overdraft facilities) of R2,3 billion (30 June 2018: R2,1 billion) at 31 December 2018, of which R426 million (30 June 2018: R568 million) is held in joint arrangements. Unutilised facilities amounted to R306 million (30 June 2018: R536 million).

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

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

6. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

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

A comprehensive plan was developed and is being implemented by management to execute on the critical findings of the strategic review. Some of the critical findings included the reshaping of the Group's operating structure to a smaller and more focused group. The newly envisaged Group structure comprises McConnell Dowell and Moolmans forming the core businesses of the Group with Aveng Grinaker-LTA, Aveng Manufacturing and Aveng Trident Steel being deemed the non-core operating groups. As at 31 December 2018, management was committed to a robust plan to exit and dispose of the identified non-core operating groups.

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

The Group's intention to dispose of the non-core operating groups triggered an impairment assessment on the underlying assets allocated to the identified cash-generating units of the operating groups – refer to *note 9: Impairment Loss*.

The underlying assets and liabilities of the non-core operating groups were classified as Held for Sale per the requirements of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in separately identifiable disposal groups – refer to *note 11: Assets and liabilities classified as Held for Sale*.

Notes to the interim condensed consolidated financial statements continued
for the six months ended 31 December 2018

6. DISCONTINUED OPERATIONS continued

The loss from discontinued operations is analysed as follows:

	31 December 2018 (Reviewed) Rm	31 December 2017 (Reviewed) Rm	30 June 2018 (Audited) Rm
Revenue	**6 583**	6 850	13 975
Cost of sales	**(6 366)**	(6 703)	(13 659)
Gross earnings	**217**	147	316
Other earnings	**60**	28	113
Operating expenses	**(458)**	(457)	(966)
Earnings from equity-accounted investments	**4**	–	3
Operating loss	**(177)**	(282)	(534)
Impairment loss on goodwill, intangible assets and property, plant and equipment	**–**	–	(1 132)
Impairment loss on equity-accounted investments	**–**	–	(7)
Fair value adjustments on properties and disposal groups classified as Held for Sale	**–**	–	(734)
Profit on sale of property, plant and equipment	**15**	5	12
Loss before financing transactions	**(162)**	(277)	(2 395)
Net finance expenses	**(42)**	(35)	(89)
Loss before taxation	**(204)**	(312)	(2 484)
Taxation	**(35)**	(67)	15
Loss for the period	**(239)**	(379)	(2 469)
Attributable to:			
Equity-holders of the parent	**(239)**	(379)	(2 469)
Items by nature			
Capital expenditure	**94**	62	138
Depreciation	**–**	(69)	(132)
Amortisation	**–**	(4)	(8)
Loss before interest, taxation, depreciation and amortisation (EBITDA)	**(177)**	(209)	(394)
Results per share (cents)			
Loss – basic	**(1,9)**	(70,3)	(458,3)
Loss – diluted	**(1,9)**	(69,7)	(450,6)
Net cash flows in relation to discontinued operations:			
Cash outflow from operating activities	**(278)**	149	(4)
Cash (outflow) / inflow from investing activities	**(50)**	(56)	(93)
Cash inflow from financing activities	**(4)**	28	17

7. SEGMENTAL REPORT

The reportable segments of the Group are components:

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

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

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

In line with the findings of the strategic review and as discussed in *note 11: Assets and liabilities classified as Held for Sale*, the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* reportable segments are presented and disclosed as discontinued operations. The *Construction and Engineering: Australasia and Asia, Mining* and *Other and Eliminations* reporting segments are presented as continuing operations.

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

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

7. SEGMENTAL REPORT continued

Details on the reportable segments are as follows:

7.1 Continuing operations

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

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

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

7.1.2 Mining

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

7.1.3 Other and Eliminations

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

Included in the segment are several properties that are classified as Held for Sale – refer to *note 11: Assets and liabilities classified as Held for Sale*. As these properties are separately identifiable assets, the segment remains a continuing operation.

7.2 Discontinued operations

7.2.1 Construction and Engineering: South Africa and rest of Africa

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

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

7.2.2 Manufacturing and Processing

This segment comprises Aveng Manufacturing and Aveng Steel.

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

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

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

7. SEGMENTAL REPORT continued

Segment report December 2018 (Reviewed)	Continuing operations				Discontinued operations		
	Construction and Engineering: Australasia and Asia Rm	Mining Rm	Other and Eliminations Rm	Total Rm	Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Total Rm
ASSETS							
Goodwill arising on consolidation	100	–	–	100	–	–	–
Intangible assets	–	22	22	44	–	–	–
Property, plant and equipment	382	2 339	131	2 852	–	–	–
Equity-accounted investments	14	4	12	30	24	–	24
Infrastructure investments	–	–	142	142	–	–	–
Deferred taxation	647	72	(164)	555	137	50	187
Derivative instruments	–	2	–	2	–	9	9
Amounts due from contract customers	2 055	533	(60)	2 528	–	–	–
Inventories	5	185	–	190	–	–	–
Trade and other receivables	142	76	46	264	–	–	–
Taxation receivable	28	2	11	41	(20)	4	(16)
Cash and bank balances	1 238	115	(12)	1 341	329	640	969
Assets Held for Sale	–	–	224	224	782	2 987	3 769
Total assets	**4 611**	**3 350**	**352**	**8 313**	**1 252**	**3 690**	**4 942**
LIABILITIES							
Deferred taxation	97	223	(290)	30	15	66	81
Borrowings and other liabilities	191	184	1 970	2 345	–	–	–
Payables other than contract related	–	–	130	130	–	–	–
Employee-related payables	314	84	86	484	–	–	–
Trade and other payables	1 576	479	428	2 483	24	4	28
Amounts due to contract customers	739	135	–	874	–	–	–
Liabilities Held for Sale	–	–	–	–	1 029	2 425	3 454
Total liabilities	**2 917**	**1 105**	**2 324**	**6 346**	**1 068**	**2 495**	**3 563**

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

7. SEGMENTAL REPORT continued

Segment report December 2017 (Reviewed)	Continuing operations				Discontinued operations		
	Construction and Engineering: Australasia and Asia Rm	Mining Rm	Other and Eliminations Rm	Total Rm	Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Total Rm
ASSETS							
Goodwill arising on consolidation	100	–	232	332	–	10	10
Intangible assets	–	26	140	166	–	105	105
Property, plant and equipment	522	2 573	243	3 338	387	751	1 138
Equity-accounted investments	31	4	317	352	(42)	(1)	(43)
Infrastructure investments	–	–	142	142	122	–	122
Deferred taxation	609	48	365	1 022	60	13	73
Amounts due from contract customers	3 020	700	(47)	3 673	379	35	414
Inventories	19	245	–	264	38	1 839	1 877
Trade and other receivables	195	102	102	399	98	1 122	1 220
Taxation receivable	8	27	24	59	(1)	–	(1)
Cash and bank balances	1 646	265	(122)	1 789	379	556	935
Assets Held for Sale	–	–	154	154	4	–	4
Total assets	6 150	3 990	1 550	11 690	1 424	4 430	5 854
LIABILITIES							
Deferred taxation	82	251	(102)	231	55	113	168
Borrowings and other liabilities	160	235	2 574	2 969	–	25	25
Payables other than contract related	–	–	139	139	–	–	–
Employee-related payables	281	108	62	451	121	63	184
Derivative instruments	–	8	–	8	–	39	39
Trade and other payables	2 663	644	204	3 511	779	1 490	2 269
Amounts due to contract customers	1 166	89	–	1 255	450	2	452
Bank overdrafts	–	–	215	215	–	70	70
Total liabilities	4 352	1 335	3 092	8 779	1 405	1 802	3 207

7. SEGMENTAL REPORT continued

Segment report June 2018 (Audited)	Continuing operations: Construction and Engineering: Australasia and Asia Rm	Continuing operations: Mining Rm	Continuing operations: Other and Eliminations Rm	Continuing operations: Total Rm	Discontinued operations: Construction and Engineering: South Africa and rest of Africa Rm	Discontinued operations: Manufacturing and Processing Rm	Discontinued operations: Total Rm
ASSETS							
Goodwill arising on consolidation	100	–	–	100	–	–	–
Intangible assets	–	24	23	47	–	–	–
Property, plant and equipment	409	2 598	3	3 010	–	–	–
Equity-accounted investments	31	1	16	48	25	–	25
Infrastructure investments	–	–	142	142	–	–	–
Deferred taxation	644	14	8	666	78	3	81
Derivative instruments	–	3	–	3	–	–	–
Amounts due from contract customers	2 838	518	(46)	3 310	–	–	–
Inventories	20	235	–	255	–	–	–
Trade and other receivables	58	66	56	180	–	–	–
Taxation receivable	20	7	2	29	1	9	10
Cash and bank balances	1 443	286	(336)	1 393	474	524	998
Assets Held for Sale	99	–	224	323	1 201	3 249	4 450
Total assets	5 662	3 752	92	9 506	1 779	3 785	5 564
LIABILITIES							
Deferred taxation	90	264	(382)	(28)	13	64	77
Borrowings and other liabilities	204	200	2 883	3 287	–	–	–
Payables other than contract-related	–	–	146	146	–	–	–
Employee-related payables	320	116	65	501	–	–	–
Trade and other payables	1 999	638	296	2 933	25	–	25
Amounts due to contract customers	1 098	42	–	1 140	–	–	–
Bank overdrafts	–	–	315	315	–	–	–
Liabilities Held for Sale	–	–	–	–	1 605	2 475	4 080
Total liabilities	3 711	1 260	3 323	8 294	1 643	2 539	4 182

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

7. SEGMENTAL REPORT continued

	Continuing operations				Discontinued operations		
Six months ended December 2018 (Reviewed)	Construction and Engineering: Australasia and Asia Rm	Mining Rm	Other and Eliminations Rm	Total Rm	Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Total Rm
Revenue	4 818	2 035	(69)	6 784	2 705	3 878	6 583
Construction contract revenue	4 818	2 021	(41)	6 798	2 702	84	2 786
Sale of goods	–	6	(27)	(21)	–	3 753	3 753
Other revenue	–	8	(1)	7	3	(3)	–
Transport revenue	–	–	–	–	–	44	44
Cost of sales	(4 330)	(2 105)	31	(6 404)	(2 708)	(3 658)	(6 366)
Gross earnings / (loss)	488	(70)	(38)	380	(3)	220	217
Other earnings	3	(4)	(1)	(2)	9	51	60
Operating expenses	(418)	(92)	(157)	(667)	(170)	(288)	(458)
Loss from equity-accounted investments	(18)	–	–	(18)	4	–	4
Net operating earnings / (loss)	55	(166)	(196)	(307)	(160)	(17)	(177)
Impairment loss on derecognition of property, plant and equipment	–	(163)	–	(163)	–	–	–
Profit on redemption of convertible bond	–	–	102	102	–	–	–
Profit on sale of property, plant and equipment	–	–	–	–	10	5	15
Earnings / (loss) before financing transactions	55	(329)	(94)	(368)	(150)	(12)	(162)
Net finance (expenses)	(10)	(18)	(185)	(213)	(16)	(26)	(42)
Earnings / (loss) before taxation	45	(347)	(279)	(581)	(166)	(38)	(204)
Taxation	(12)	96	(184)	(100)	(28)	(7)	(35)
Earnings / (loss) for the period	33	(251)	(463)	(681)	(194)	(45)	(239)
Capital expenditure	36	171	1	208	27	67	94
Depreciation	(58)	(306)	(1)	(365)	–	–	–
Amortisation	–	(2)	(8)	(10)	–	–	–
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	113	142	(187)	68	(160)	(17)	(177)

7. SEGMENTAL REPORT continued

Six months ended December 2017 (Reviewed)	Continuing operations: Construction and Engineering: Australasia and Asia Rm	Continuing operations: Mining Rm	Continuing operations: Other and Eliminations Rm	Continuing operations: Total Rm	Discontinued operations: Construction and Engineering: South Africa and rest of Africa Rm	Discontinued operations: Manufacturing and Processing Rm	Discontinued operations: Total Rm
Revenue	6 566	2 478	217	9 261	3 228	3 622	6 850
Construction contract revenue	6 566	2 476	247	9 289	3 212	76	3 288
Sale of goods	–	–	(30)	(30)	–	3 491	3 491
Other revenue	–	2	–	2	16	4	20
Transport revenue	–	–	–	–	–	51	51
Cost of sales	(6 104)	(2 259)	79	(8 284)	(3 284)	(3 419)	(6 703)
Gross earnings / (loss)	462	219	296	977	(56)	203	147
Other earnings / (loss)	12	(9)	5	8	9	19	28
Operating expenses	(421)	(106)	(76)	(603)	(165)	(292)	(457)
Loss from equity-accounted investments	(2)	–	(4)	(6)	–	–	–
Net operating earnings / (loss)	51	104	221	376	(212)	(70)	(282)
Impairment loss with derecognition of property, plant and equipment, intangible assets and non-current assets Held for Sale	–	–	(21)	(21)	–	–	–
Profit on sale of property, plant and equipment	–	–	2	2	5	–	5
Earnings / (loss) before financing transactions	51	104	202	357	(207)	(70)	(277)
Net finance (expenses) / earnings	(113)	(31)	38	(106)	1	(36)	(35)
(Loss) / earnings before taxation	(62)	73	240	251	(206)	(106)	(312)
Taxation	(15)	(35)	(168)	(218)	(99)	32	(67)
(Loss) / earnings for the period	(77)	38	72	33	(305)	(74)	(379)
Capital expenditure	53	233	2	288	17	45	62
Depreciation	(77)	(179)	(5)	(261)	(31)	(38)	(69)
Amortisation	–	(2)	(8)	(10)	–	(4)	(4)
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	128	285	234	647	(181)	(28)	(209)

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

7. SEGMENTAL REPORT continued

Year ended June 2018 (Audited)	Continuing operations: Construction and Engineering: Australasia and Asia Rm	Continuing operations: Mining Rm	Continuing operations: Other and Eliminations Rm	Continuing operations: Total Rm	Discontinued operations: Construction and Engineering: South Africa and rest of Africa Rm	Discontinued operations: Manufacturing and Processing Rm	Discontinued operations: Total Rm
Revenue	11 716	4 713	176	16 605	6 622	7 353	13 975
Construction contract revenue	11 716	4 691	224	16 631	6 600	165	6 765
Sale of goods	–	7	(50)	(43)	–	7 079	7 079
Other revenue	–	15	2	17	22	21	43
Transport revenue	–	–	–	–	–	88	88
Cost of sales	(10 788)	(4 452)	117	(15 123)	(6 660)	(6 999)	(13 659)
Gross earnings / (loss)	928	261	293	1 482	(38)	354	316
Other earnings / (loss)	7	(23)	9	(7)	21	92	113
Operating expenses	(827)	(227)	(272)	(1 326)	(353)	(613)	(966)
(Loss) / earnings from equity-accounted investments	(5)	–	(11)	(16)	3	–	3
Net operating earnings / (loss)	103	11	19	133	(367)	(167)	(534)
Impairment loss with derecognition of property, plant and equipment, goodwill and intangible assets	–	(55)	(111)	(166)	(82)	(1 050)	(1 132)
Impairment loss on equity-accounted investments	–	–	(188)	(188)	(7)	–	(7)
Fair value adjustments on properties and disposal groups classified as Held for Sale	–	–	(73)	(73)	–	(734)	(734)
Profit on sale of property, plant and equipment	32	–	3	35	11	1	12
Earnings / (loss) before financing transactions	135	(44)	(350)	(259)	(445)	(1 950)	(2 395)
Net finance expenses	(220)	(63)	(67)	(350)	(12)	(77)	(89)
(Loss) / earnings before taxation	(85)	(107)	(417)	(609)	(457)	(2 027)	(2 484)
Taxation	(36)	(116)	(289)	(441)	(37)	52	15
Loss for the period	(121)	(223)	(706)	(1 050)	(494)	(1 975)	(2 469)
Capital expenditure	136	507	5	648	49	89	138
Depreciation	(132)	(394)	(8)	(534)	(62)	(70)	(132)
Amortisation	–	(4)	(16)	(20)	–	(8)	(8)
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	235	409	43	687	(305)	(89)	(394)

7. SEGMENTAL REPORT continued

The Group operates in six principal geographical areas:

	Six months ended December 2018 (Reviewed) Rm	Six months ended December 2017 (Reviewed) Rm	Year ended June 2018 (Audited) Rm	Six months ended December 2018 (Reviewed) %	Six months ended December 2017 (Reviewed) %	Year ended June 2018 (Audited) %
Revenue						
South Africa	**7 955**	8 409	16 754	**59,5**	52,2	54,8
Rest of Africa including Mauritius	**520**	1 031	1 910	**3,9**	6,4	6,2
Australia	**2 723**	3 962	6 817	**20,4**	24,6	22,3
New Zealand	**967**	951	1 734	**7,2**	5,9	5,7
Southeast Asia	**1 130**	1 182	2 602	**8,5**	7,3	8,5
Middle East and other regions	**72**	576	763	**0,5**	3,6	2,5
	13 367	16 111	30 580	**100**	100	100
Segment assets						
South Africa	**8 758**	10 742	9 349	**66,1**	61,2	62,0
Rest of Africa including Mauritius	**694**	1 308	1 071	**5,2**	7,5	7,1
Australia	**3 613**	3 055	2 148	**27,3**	17,4	14,3
New Zealand	**–**	525	469	**–**	3,0	3,1
Southeast Asia	**–**	1 732	1 833	**–**	9,9	12,2
Middle East and other regions	**190**	182	200	**1,4**	1,0	1,3
	13 255	17 544	15 070	**100**	100	100

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for the six months ended 31 December 2018

8. HEADLINE LOSS

	December 2018 (Reviewed)		December 2017 (Reviewed)		June 2018 (Audited)	
	Gross of taxation Rm	**Net of taxation Rm**	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline loss						
Loss for the period attributable to equity holders of parent		**(918)**		(347)		(3 523)
Impairment of goodwill	**–**	**–**	–	–	242	242
Impairment of property, plant and equipment	**163**	**163**	6	6	888	661
Impairment of non-current assets Held for Sale	**–**	**–**	15	12	–	–
Impairment of intangible assets	**–**	**–**	–	–	168	168
Profit on sale of property, plant and equipment	**(15)**	**(15)**	(7)	(6)	(47)	(34)
Fair value adjustment on properties and disposal groups classified as Held for Sale	**–**	**–**	–	–	807	807
Headline loss		**(770)**		(335)		(1 679)
Diluted headline loss		**(770)**		(335)		(1 679)
HEPS from continuing and discontinued operations*						
Headline loss per share – basic (cents)		**(6,1)**		(62,2)		(311,6)
Diluted loss per share – diluted (cents)		**(6,1)**		(61,6)		(306,4)
Issued shares		**19 395**		416,7		416,7
Weighted average shares		**12 676**		538,8		538,8
Diluted shares		**12 676**		544,0		548,0

* *The headline loss – basic and headline loss – diluted amounts for 31 December 2017 have been retrospectively adjusted as per* IAS 33 Earnings Per Share, *paragraph 26, due to the rights offer share issue.*

9. IMPAIRMENT

The Group performed its annual impairment test as at 30 June 2018, when circumstances indicated that the carrying value of assets and cash-generating units ("CGUs") may be impaired. The test involved the assessment of internal and external qualitative factors for each CGU that may constitute an indicator of impairment. The test may be extended to individual assets in instances of obsolescence, physical damage or material decline in the economic performance of the assets.

Cash-generating units of the Group

As detailed in the audited consolidated annual financial statements June 2018, the Board made the decision that the operating groups of the following reportable segments no longer form part of the overall long-term strategy of the Group:

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

The intention of the Board to discontinue the operations of these reportable segments and the subsequent classification of the underlying assets and liabilities as Held for Sale are indicators of impairment – refer to *note 11: Assets and liabilities classified as Held for Sale*.

The following business units were deemed to be individual CGUs for which individual impairment assessments were performed at 30 June 2018:

Construction and Engineering: South Africa and rest of Africa

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

Manufacturing and Processing

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

As at 31 December 2018, the Group does not expect that the fair value less costs to dispose of CGUs differ materially from the value determined at 30 June 2018. Therefore, it has been determined that the fair value less costs to dispose exceeds the carrying amount, and no additional impairment is required for any of these CGUs.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

9. IMPAIRMENT continued

Other individual assets in scope of *IAS 36 Impairments*

The outcome of the strategic review included the intention to dispose of certain non-core properties. The intention to dispose of these properties, triggered an impairment assessment prior to classification as Held for Sale. These affected properties are accounted for in the Other and Eliminations reportable segment.

Centralised software systems managed at corporate level are deemed corporate assets as defined by *IAS 36 Impairment of assets*. The components of the centralised systems attributable to the operating groups of the above mentioned discontinued reportable segments were subject to an impairment assessment. The centralised software systems are accounted for in the Other and Eliminations reportable segment.

An impairment assessment was performed on plant and equipment accounted for in Moolmans. Moolmans falls under the Mining reportable segment.

As at 31 December 2018, the Group determined that there was an additional impairment of R163 million required for Moolmans relating to these individual assets in the scope of *IAS 36 Impairments*.

As disclosed in the audited consolidated annual financial statements for the year ended 30 June 2018, equity-accounted investments, impairment charges were recognised on the Group's investments in Oakleaf Investment Holdings 86 Proprietary Limited, Steeledale Proprietary Limited and Specialised Road Technologies Proprietary Limited.

10. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Uncertified claims and variations (underclaims)**1	**1 358**	1 673	1 646
Contract contingencies	**(520)**	(536)	(490)
Progress billings received (including overclaims)2	**(1 011)**	(1 618)	(1 404)
Uncertified claims and variations less progress billings received	**(173)**	(481)	(248)
Contract receivables3	**1 931**	2 763	2 602
Provision for contract receivables	**(3)**	(2)	(2)
Retention receivables4	**54**	189	208
	1 809	2 469	2 560
Amounts received in advance5	**(89)**	(89)	(85)
	1 720	2 380	2 475
Classified as Held for Sale – transferred out (net)	**(66)**	–	(305)
Net amounts due from contract customers	**1 654**	2 380	2 170
Disclosed on the statement of financial position as follows:			
Uncertified claims and variations**1	**1 358**	1 673	1 646
Contract contingencies	**(520)**	(536)	(490)
Contract and retention receivables	**1 985**	2 952	2 810
Provision for contract receivables	**(3)**	(2)	(2)
Classified as Held for Sale – transferred out	**(292)**	–	(654)
Amounts due from contract customers	**2 528**	4 087	3 310
Progress billings received	**(1 011)**	(1 618)	(1 404)
Amounts received in advance	**(89)**	(89)	(85)
Classified as Held for Sale – transferred out	**226**	–	349
Amounts due to contract customers	**(874)**	(1 707)	(1 140)
Net amounts due from contract customers	**1 654**	2 380	2 170

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

Included in amounts due from contract customers are non-current amounts of R472 million (2017: R631 million).

Amounts due from contract customers includes R779 million (December 2017: R919 million; June 2018: R942 million) which is subject to protracted legal proceedings

Notes to the interim condensed consolidated financial statements continued

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

	Uncertified claims and variations Rm	Contract contingencies Rm	Contract and retention receivables Rm	Provision for contract receivables Rm	Classified as Held for Sale – transferred out Rm	Total Rm
December 2018 (Reviewed)						
Non-current assets	**472**	**–**	**–**	**–**	**–**	**472**
Current assets	**886**	**(520)**	**1 985**	**(3)**	**(292)**	**2 056**
	1 358	**(520)**	**1 985**	**(3)**	**(292)**	**2 528**
December 2017 (Reviewed)						
Non-current assets	631	–	–	–	–	631
Current assets	1 042	(536)	2 763	(2)	189	3 456
	1 673	(536)	2 763	(2)	189	4 087
June 2018 (Audited)						
Non-current assets	661	–	–	–	–	661
Current assets	985	(490)	2 602	(2)	208	2 649
	1 646	(490)	2 602	(2)	208	3 310

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As disclosed in the 2018 audited consolidated financial statements, the outcome of the strategic review lead to the Board's decision to exclude the following reportable segments from the Group's long-term strategy:

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

These non-core reporting segments are presented as separately identifiable disposal groups and are disclosed as discontinued operations in the Group's interim condensed consolidated statement of comprehensive earnings (refer to *note 7: Segmental report*). As the disposals are expected to occur within the next 12 months; the assets and liabilities were classified as Held for Sale. The proceeds from the disposals are expected to equal the net carrying amounts. As noted in *note 9: Impairments*, no additional impairment was required as at 31 December 2018.

The assets and liabilities of the disposal groups were allocated to their cash-generating units ("CGUs") and subject to an impairment assessment prior to classification as Held for Sale. The recoverable amounts of all CGUs were assessed as the fair value less cost of disposal (refer to *note 9: Impairments*). The carrying amounts of some of the assets in relation to the *Manufacturing and Processing* disposal group, exceed their fair value less cost of disposal after being classified as Held for Sale. An adjustment was recognised to present these assets at their fair value less cost of disposal in the prior year. No additional adjustment was required in the current year.

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Individual properties accounted for under the Other and Eliminations reportable segment were classified as Held for Sale during the current year. The carrying amounts of some of the properties exceeded their fair values less cost of disposal prior to being classified as Held for Sale leading to the recognition of impairment losses in the prior year (refer to the audited consolidated annual financial statements for the year ended 30 June 2018). No additional adjustment was required in the current year.

The process relating to the disposal of the Vanderbijlpark property has extended beyond 12 months from classification as Held for Sale. A reassessment of the asset's fair value less cost of disposal was performed at year end. An external valuation was performed on the property and a fair value adjustment was recognised in the audited consolidated annual financial statements for the year ended 30 June 2018 amounting to R73 million, in order to present and disclose the asset at its fair value less cost of disposal. The extension of the property's classification as Held for Sale beyond 12 months is supported by the disposal of the property, which was announced on 2 August 2018. The Group expects that the transfer will be completed by 28 February 2019. The fair value of the property was assessed as level 3 per the *IFRS 13 Fair Value Measurement* hierarchy.

	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Assets Held for Sale	**3 993**	158	4 773
Liabilities Held for Sale	**(3 454)**	–	(4 080)
	539	158	693
Movement during the year			
Opening balance	**693**	122	122
Movements in:			
Non-current assets	**(95)**	36	874
Current assets	**(686)**	–	3 850
Non-current liabilities	**17**	–	(65)
Current liabilities	**610**	–	(3 281)
Adjustment to fair value less cost of disposal*	**–**	–	(807)
Net assets Held for Sale	**539**	158	693

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

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 31 December 2018, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose, and comprised the following:

	Construction and Engineering: South Africa and the rest of Africa – Disposal group Rm
31 December 2018	
ASSETS	
Non-current assets	
Intangible assets	–
Property, plant and equipment	287
Equity-accounted investments	32
Infrastructure investments	125
	444
Current assets	
Inventories	28
Amounts due from contract customers	264
Trade and other receivables	46
	338
TOTAL ASSETS	782
LIABILITIES	
Non-current liabilities	
Borrowings and other liabilities	–
Employee-related payables	35
	35
Current liabilities	
Amounts due to contract customers	219
Borrowings and other liabilities	–
Employee-related payables	84
Trade and other payables	691
	994
Provision for unallocated fair value adjustments	–
TOTAL LIABILITIES	1 029
Net assets Held for Sale	(247)

	Manufacturing and Processing – Disposal group Rm	Properties – Vanderbijlpark Rm	Properties – Jet Park Rm	Properties – Other Rm	Total Rm
	51	–	–	–	51
	110	43	128	53	621
	–	–	–	–	32
	–	–	–	–	125
	161	43	128	53	829
	1 785	–	–	–	1 813
	28	–	–	–	292
	1 013	–	–	–	1 059
	2 826	–	–	–	3 164
	2 987	43	128	53	3 993
	9	–	–	–	9
	4	–	–	–	39
	13	–	–	–	48
	7	–	–	–	226
	9	–	–	–	9
	41	–	–	–	125
	1 621	–	–	–	2 312
	1 678	–	–	–	2 672
	734	–	–	–	734
	2 425	–	–	–	3 454
	562	43	128	53	539

Notes to the interim condensed consolidated financial statements continued

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11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

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

	Construction and Engineering: South Africa and the rest of Africa – Disposal group Rm	Manufacturing and Processing – Disposal group Rm
30 June 2018		
ASSETS		
Non-current assets		
Intangible assets	–	51
Property, plant and equipment	282	110
Equity-accounted investments	32	–
Infrastructure investments	125	–
	439	161
Current assets		
Inventories	44	1 746
Derivative instruments	–	6
Amounts due from contract customers	618	36
Trade and other receivables	100	1 300
	762	3 088
TOTAL ASSETS	1 201	3 249
LIABILITIES		
Non-current liabilities		
Borrowings and other liabilities	–	12
Employee-related payables	46	7
	46	19
Current liabilities		
Amounts due to contract customers	347	2
Borrowings and other liabilities	–	10
Employee-related payables	100	59
Trade and other payables	1 112	1 651
	1 559	1 722
Provision for unallocated fair value adjustments	–	734
TOTAL LIABILITIES	1 605	2 475
Net assets Held for Sale	(404)	774

Properties – Vanderbijlpark Rm	Properties – Jet Park Rm	Properties – Other Rm	Construction and Engineering: Australasia and Asia – Marine vessel Held for Sale	Total Rm
–	–	–	–	51
43	128	53	99	715
–	–	–	–	32
–	–	–	–	125
43	128	53	99	923
–	–	–	–	1 790
–	–	–	–	6
–	–	–	–	654
–	–	–	–	1 400
–	–	–	–	3 850
43	128	53	99	4 773
–	–	–	–	12
–	–	–	–	53
–	–	–	–	65
–	–	–	–	349
–	–	–	–	10
–	–	–	–	159
–	–	–	–	2 763
–	–	–	–	3 281
–	–	–	–	734
–	–	–	–	4 080
43	128	53	99	693

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

12. BORROWINGS AND OTHER LIABILITIES

	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Borrowings held at amortised cost comprises:			
Interest-bearing borrowings comprise:			
Payment profile			
– within one year	**602**	1 025	599
– between two and five years	**1 743**	1 969	2 688
	2 345	2 994	3 287
Interest rate structure			
Fixed and variable (interest rates)			
Fixed – long term	**392**	1 918	1 946
Fixed – short term	**134**	292	305
Variable – long term	**1 351**	51	742
Variable – short term	**468**	733	294
	2 345	2 994	3 287

Description	**Terms**	**Rate of interest**	**December 2018 (Reviewed) Rm**	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Convertible bond of R2 billion*****	Early redemption in September 2018	Coupon of 7,25%	**–**	1 874	1 929
Revolving credit facility***	Repayable in June 2020	JIBAR plus 3,00% to 5,75%	**–**	700	700
Term loan facility denominated in ZAR***	Monthly instalments ending April 2021	Fixed interest rate of 10,58%	**40**	52	48
Finance lease facility of AUD10 million*	Monthly instalments ending November 2020	Fixed interest rate of 4,6%	**98**	128	118

12. BORROWINGS AND OTHER LIABILITIES continued

12.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Hire purchase agreements amounting to AUD4 million*	Monthly instalments ending November 2023	Fixed interest of 1,35% to 7%	**43**	32	24
Hire purchase agreement denominated in ZAR*	Monthly instalments ending August 2020	South African prime plus 3,00%	**25**	–	32
Hire purchase agreement denominated in ZAR*	Monthly instalments ending in November 2019	South African prime less 1,70%	**20**	38	29
Hire purchase agreement denominated in ZAR*	Settled May 2018	Fixed interest rate of 9,70%	**–**	9	–
Finance lease facility denominated in ZAR*	Monthly instalment ending December 2018	South African prime	**3**	2	2
Hire purchase facility denominated in USD*	Monthly instalments ending August 2021	Fixed interest rate of 6,68%	**58**	66	63
Finance lease facilities denominated in ZAR*	Monthly instalments ending in August 2022	South African prime	**17**	19	19

Notes to the interim condensed consolidated financial statements continued

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12. BORROWINGS AND OTHER LIABILITIES continued

12.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Hire purchase agreement denominated in ZAR*	Monthly instalments ending in August 2020	South African prime plus 0,50%	**15**	23	18
Hire purchase agreement denominated in ZAR*	Monthly instalments ending in September 2019	Fixed interest rate of 12,50%	**10**	49	5
Hire purchase agreement denominated in ZAR*	Monthly instalments ending in September 2019	Fixed interest rate of 10%	**14**	–	–
Super senior liquidity facility#1***	Repayable February 2019	1M JIBAR + 4,07%	**100**	–	255
Super senior liquidity facility#2***	Repayable June 2019	1M JIBAR + 4,21%	**200**	–	-
Short term facility of AUD6 million	Settled July 2018	Fixed interest rate of 4,63%	**–**	–	62
Term facility***	Repayable June 2020	1M JIBAR + 5,02%	**858**	–	–
Revolving credit facility***	Repayable September 2020	Fixed rate of 13,986%	**253**	–	–

12. BORROWINGS AND OTHER LIABILITIES continued

12.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Revolving credit facility***	Repayable September 2020	1M JIBAR + 4,89%	**550**	–	–
Working capital credit facility****	Repaid monthly as on a revolving facility basis	BBSY plus 2,5%	**49**	–	–
Interest-bearing borrowings			**2 353**	2 992	3 304
Interest outstanding on interest-bearing borrowings**			**10**	2	5
Classified as Held for Sale – transferred out			**(18)**	–	(22)
Total interest-bearing borrowings			**2 345**	2 994	3 287

These borrowings and other liabilities are finance leases.

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

*** *These loans are under a Common terms of agreement (CTA) with the different commercial banks.*

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

***** *Conversion of convertible bond.*

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

- On 4 July 2018, the bondholders agreed to the capitalisation of interest on the bonds and voted to accept the terms of the early bond redemption on 30 August 2018;
- On 17 September 2018, a specific buyback of R693 million of the existing convertible bonds at 70% of the principal amount (a 30% discount) was completed;
- The buyback was funded by a new debt instrument of R460 million, the terms of which will rank pari passu with the bank debt (excluding Super Senior Facilities) under the revised Common Terms Agreement.

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for the six months ended 31 December 2018

12. BORROWINGS AND OTHER LIABILITIES continued

12.2 Borrowings held at amortised cost continued

	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Finance lease liabilities are payable as follows:			
Minimum lease payments due			
– within one year	**180**	188	149
– in two to five years	**144**	210	191
Less: future finance charges	**(21)**	(30)	(25)
Present value of minimum lease payments	**303**	368	315

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

The total asset-based finance facilities amounted to AUD14 million. The amount outstanding on these facilities as at 31 December 2018 was AUD14 million and is equivalent to R142 million. These asset-based arrangements were secured by plant and equipment with a net carrying amount of R69 million.

The *Mining* operating segment entered into various asset-based finance lease agreements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in August 2021. The total amount outstanding on these facilities amounted to R127 million. Equipment with a net carrying amount of R213 million has been pledged as security for the facility.

The *Mining* and *Manufacturing and Processing* operating segments entered into various vehicle lease arrangements. Equipment with the net carrying amount of R18 million has been pledged as security.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

	December 2018 (Reviewed)	December 2017 (Reviewed)	June 2018 (Audited)
South Africa and rest of Africa			
Guarantees and bonds (ZARm)	**1 942**	2 679	2 155
Parent company guarantees (ZARm)	**512**	501	509
	2 454	3 180	2 664
Australasia and Asia			
Guarantees and bonds (AUDm)	**282**	321	287
Parent company guarantees (AUDm)	**337**	509	337
	619	830	624

Claims and legal disputes in the ordinary course of business

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

Contingent assets

On 2 August 2018, the Group announced the sale of the Jet Park property, as released on SENS. Further to this, the Group announced that the purchase price payable was amended from R211,2 million, net of commission to R185,7 million, with a possible top up of R26 million (“Top Up”).

The Top Up will be payable if Aveng obtains the consent of the South African Civil Aviation Authority, Air Traffic Navigation Services and / or any other relevant airport regulator, for the purchaser to build on the Jet Park property in excess of 1 716 metres above sea level (“Consent”). The Group expects that the Consent will be obtained prior to the date on which the purchaser commences clearing the Jet Park property, following the termination of the lease, as per the sale and lease back agreement.

The Top Up is considered a contingent asset, and not recognised on the condensed consolidated statement of financial position.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

14. STATED CAPITAL

	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm
Authorised		
180 882 034 263 ordinary shares (2017: 882 034 263 ordinary shares)	**9 044**	44
Issued		
Stated capital (19 369 644 387 ordinary shares) (2017: 396 817 098 ordinary shares)	**3 874**	2 009
Stated capital	**3 874**	2 009
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Number of shares	**6 018 386**	6 018 386
– Market value (Rm)	*	12
Shares held by the Aveng Management Company Proprietary Limited		
– Number of shares	**788 684**	8 586 593
– Market value (Rm)	*	17
Shares held in terms of equity-settled share-based payment plan		
– Number of shares	**18 046 763**	5 248 854
– Market value (Rm)	*	10

* *Less than R1 million.*

Reconciliation of number of shares issued	**Number of shares**	Number of shares
Opening balance	**416 670 931**	416 670 931
Share Issue – Rights to qualifying shareholders (4 July 2018)	**4 931 854 395**	–
Share Issue – Early redemption of convertible bond (25 September 2018)	**14 045 972 894**	–
Closing balance – shares of 5 cents each	**19 394 498 220**	416 670 931
Less: treasury shares	**(24 853 833)**	(19 853 833)
Number of shares in issue less treasury shares	**19 369 644 387**	396 817 098

14. STATED CAPITAL continued

Rights offer to qualifying shareholders

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

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

Early redemption of convertible bond

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

- On 4 July 2018, the bondholders agreed to the capitalisation of interest on the bonds and voted to accept the terms of the early bond redemption on 30 August 2018;
- On 10 September 2018, the Group's shareholders passed the required resolutions giving effect to the specific issue of shares at R0,10 per share, equivalent to the rights offer price, to settle the convertible bonds;
- On 17 September 2018, a specific buyback of R693 million of the existing convertible bonds at 70% of the principal amount (a 30% discount) was completed; and
- The remaining R1,4 billion bonds were settled through the specific issue of ordinary shares at R0,10 per share on 25 September 2018.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

15. REVENUE

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

	Continuing operations			Discontinued operations		
Six months ended 31 December 2018 (Reviewed)	**Construction and Engineering: Australasia and Asia Rm**	**Mining Rm**	**Other and Eliminations Rm**	**Construction and Engineering: South Africa and rest of Africa Rm**	**Manufacturing and Processing Rm**	**Total Rm**
Revenue						
Construction contract revenue	**4 818**	**2 021**	**(41)**	**2 702**	**84**	**9 584**
Sale of goods	**–**	**6**	**(27)**	**–**	**3 753**	**3 732**
Other revenue	**–**	**8**	**(1)**	**3**	**(3)**	**7**
Transport revenue	**–**	**–**	**–**	**–**	**44**	**44**
	4 818	**2 035**	**(69)**	**2 705**	**3 878**	**13 367**

	Continuing operations			Discontinued operations		
Six months ended 31 December 2017 (Reviewed)	Construction and Engineering: Australasia and Asia Rm	Mining Rm	Other and Eliminations Rm	Construction and Engineering: South Africa and rest of Africa Rm	Manufacturing and Processing Rm	Total Rm
Revenue						
Construction contract revenue	6 566	2 476	247	3 212	76	12 577
Sale of goods	–	–	(30)	–	3 491	3 461
Other revenue	–	2	–	16	4	22
Transport revenue	–	–	–	–	51	51
	6 566	2 478	217	3 228	3 622	16 111

15. **REVENUE** continued

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

* *Subsequent to the approval of the Aveng Group Annual Financial Statements ("AFS") for the year ended 30 June 2018, it came to the attention of the Group that the composition of the two disclosures included within note 29: Revenue was incorrectly presented. The unintentional presentation misstatement ("UPM") resulted in* Construction contract revenue *being understated by R1 172 million, with the corresponding* Other Revenue *being overstated by the same amount.*

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

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

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

16. TAXATION

Major components of the taxation expense

	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Current taxation	**24**	46	150
Deferred taxation	**111**	239	276
	135	285	426

South African income taxation is calculated at 28% (Dec 2017: 28%; June 2018: 28%) of the taxable income for the interim period ended 31 December 2018. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

The Group effective tax rate for the interim period ended 31 December 2018 is negative 17,1% (December 2017: negative 467,2%; June 2018: negative 13,8%)

The main driver affecting the tax rate is the non-recognition of deferred tax assets.

Deferred taxation assets

The Group's results include a number of legal statutory entities within a number of taxation jurisdictions. The recoverability of the deferred taxation assets was assessed in respect of each individual legal entity.

Deferred taxation assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Specific focus was placed on Aveng Africa Proprietary Limited. A re-assessment of the utilisation of tax losses was done as at 31 December 2018. The deferred tax asset was reduced by a further R144 million.

The balance for the interim period includes the effect of applying an annualised effective tax rate for the interim period ending 31 December 2018.

17. NON-CASH AND OTHER MOVEMENTS

	December 2018 (Reviewed) Rm	December 2017 (Reviewed) Rm	June 2018 (Audited) Rm
Earnings from disposal of property, plant and equipment	**(22)**	(44)	(129)
Impairment loss on goodwill, property, plant and equipment and intangible assets	**163**	6	1 298
Impairment loss on equity-accounted investments	**2**	–	195
Fair value adjustment on properties and disposal groups classified as Held for Sale	**–**	–	807
Unrealised foreign exchange losses on borrowings and other liabilities	**–**	–	3
Write-off of inventory	**5**	–	–
Profit on early redemption of convertible bond	**(102)**	–	–
Deferred tax effect on convertible bond	**20**	–	–
Impairment of non-current assets Held for Sale	**–**	15	–
Movements in foreign currency translation	**(8)**	(16)	(11)
Movement in equity-settled share-based payment reserve	**1**	5	8
Other non-cash items	**(26)**	–	6
	33	(34)	2 177

Notes to the interim condensed consolidated financial statements continued
for the six months ended 31 December 2018

18. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:
- Infrastructure investments; and
- Forward exchange contracts.

The infrastructure investments comprise the following:
- Firefly Investments 238 Proprietary Limited ("Firefly");
- Imvelo Concession Company Proprietary Limited ("Imvelo"); and
- Dimopoint Proprietary Limited ("Dimopoint").

The methodology, valuation parameters and assumptions for infrastructure investments have remained unchanged since 30 June 2018. For more detail, refer to the Aveng Group audited consolidated annual financial statements 2018 available on the Group's website.

Fair value hierarchy

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

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobservable inputs Level 3 Rm
31 December 2018 (Reviewed)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	**142**	**142**	**–**	**–**	**142**
Infrastructure investments (Held for Sale)	**125**	**125**	**–**	**–**	**125**
Forward exchange contracts (FECs)	**11**	**11**	**–**	**11**	**–**
Liabilities					

18. FAIR VALUE OF ASSETS AND LIABILITIES continued

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobservable inputs Level 3 Rm
31 December 2017 (Reviewed)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	264	264	–	–	264
Infrastructure investments (Held for Sale)	4	4	–	–	4
Liabilities					
Forward exchange contracts (FECs)	43	43	–	43	–
30 June 2018 (Audited)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	142	142	–	–	142
Infrastructure investments (Held for Sale)	125	125	–	–	125
Forward exchange contracts (FECs)	3	3	–	3	–
Forward exchange contracts (FECs) (Held for Sale)	6	6	–	6	–

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

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

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

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2018

18. FAIR VALUE OF ASSETS AND LIABILITIES continued

	Significant unobservable input	Reasonably possible changes to significant unobservable inputs	Potential effect recorded directly in profit and loss Increase Rm	Decrease Rm
Infrastructure investments				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	15,0%	0,5%	(10)	10
Classified as Held for Sale				
– Imvelo Concessions Company Proprietary Limited	17,0%	0,5%	(3)	3
– Firefly Investments 238 Proprietary Limited	14,1%	0,5%	(2)	2

19. EVENTS AFTER THE REPORTING PERIOD AND PENDING TRANSACTIONS

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

19.1 Sale of non-core businesses and assets

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

19.1.1 Aveng Water

The Group announced on 18 January 2019 that it had entered into a binding cash settled transaction with Cambrose 735 Proprietary Limited to sell Aveng Water. Aveng Water is made up of Aveng Water Proprietary Limited and the Aveng Namibia Water business. The fully-funded net transaction consideration is R95 million and will be settled in cash on a debt free basis. The sale is subject to conditions precedent normal for a transaction of this nature.

19.1.2 Aveng Infraset

The Group announced on 18 February 2019 that it had entered into a binding term sheet for the sale of Aveng Infraset to the Colossal Africa Consortium. Infraset consists of the South African division and the Aveng Infraset business of the foreign subsidiaries of Aveng Africa Proprietary Limited. The proposed transaction will be structured on a cash and debt-free basis for a net transaction consideration of R180 million to be settled in cash on effective date, and a further cash top up of R20 million payable within two years (if certain conditions are met), both of which are fully funded. The sale is subject to conditions precedent normal for a transaction of this nature.

19. EVENTS AFTER THE REPORTING PERIOD AND PENDING TRANSACTIONS continued

19.2 Termination of Mtentu Bridge Contract

As announced on SENS on 4 February 2019, the Aveng-Strabag Joint Venture (ASJV) in which Grinaker-LTA is a 50% partner, lawfully terminated the Mtentu Bridge Contract on 30 January 2019 following an ongoing *Force Majeure* event.

The ASJV launched a pre-emptive urgent application in the North Gauteng High Court for an order preventing South African National Roads Agency Limited (SANRAL) from making a call on the contract securities until the dispute between the parties regarding the termination of the Mtentu contract The ASJV has secured an interim undertaking from SANRAL preventing a call on the contract securities pending judgment in the application. The matter was argued in the High Court on 20 February 2019 and as of 25 February 2019 judgment has not been handed down. Appropriate consideration has been given to all potential outcomes.

Commentary

RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

SALIENT FEATURES

- Financial results
  - Revenue decreased by 17% to R13,4 billion
  - Net operating loss increased by more than 100% to R484 million
  - Operating free cash flow – outflow of R710 million
- Core operational performance
  - McConnell Dowell performance on track – new orders of AUD862 million (R8,6 billion) secured
  - Poor operational performance by Moolmans
  - Group-led turnaround intervention underway at Moolmans – implemented senior management changes
- Strategic diversification of order book continues – now 59% Australasia and Asia and 37% South Africa
- Non-core asset sales
  - Non-core asset sales of R682 million reported
  - Negotiations underway for majority of remaining non-core assets
- Raised new equity and reduced debt
- Liquidity and cash management remains a key focus
- Mtentu Bridge contract terminated

IDENTIFYING AND ADDRESSING THE CHALLENGES

In February 2018, following the completion of a strategic review, the Group embarked on a new focused strategy to be an international infrastructure and resources group operating in selected markets and capitalising on its considerable knowledge and experience. A strategic action plan was developed and is being implemented to create a robust and sustainable organisation capable of achieving its strategic objectives. The strategic plan involves ensuring a sustainable long-term capital structure, identifying core and non-core assets, improving the performance of the core assets and creating liquidity by disposing of non-core assets. The longer term goal is to provide acceptable returns for the providers of capital and a sustainable future for employees, customers, suppliers and other stakeholders.

The Group has achieved the following progress to date:

Improving performance of core businesses

McConnell Dowell and Moolmans were identified as core businesses.

McConnell Dowell

Improved project execution delivered profitability for the third consecutive reporting period, and as such, McConnell Dowell remains on track to achieve its full financial potential and growth strategy.

Commentary continued

Following a review of its markets and a more selective approach to opportunities aligned with its acknowledged areas of specialisation and in which it has a proven history of successful execution, McConnell Dowell has improved the quantity and quality of its order book, securing new work in all selected markets. The business is well positioned, with Early Client Involvement (ECI) status opportunities, to capitalise on growth in its selected markets in Australia, New Zealand and Southeast Asia. McConnell Dowell continues to make progress towards the resolution of outstanding historic claims.

Moolmans

Moolmans continued to experience operational difficulties on certain projects which significantly impacted its financial performance during the period under review. A Group-led intervention announced at the start of the 2019 financial year identified the root causes of these difficulties and resulted in senior management changes. A turnaround plan is underway. Following extensive engagement with the operational teams, management is confident that they demonstrate the quality and commitment needed to deliver improvement on underperforming contracts. Further, engagements are underway with clients on contract extensions and Moolmans is expected to capitalise on opportunities to rebuild its order book.

Creating liquidity by selling non-core assets

Disposal of non-core businesses and other assets is a key component of the strategic action plan. The following disposals amounting to R682 million have been reported:

- August 2018 – Vanderbijlpark and Jet Park properties for a total value of R228 million;
- October 2018 – Aveng Rail to 100% black-owned Mathupha Capital for R133 million;
- January 2019 – Aveng Water to Infinity Partners, a 100% black-owned company for R95 million;
- February 2019 – Aveng Infraset to the Colossal Africa Consortium, a 100% black-owned investment special purpose vehicle for R180 million; and
- Smaller properties and investments for R46 million.

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

The process to dispose of the balance of non-core assets is at various stages, from expressions of interest to due diligence. These include:

- Trident Steel;
- Grinaker-LTA – Building, Civil Engineering, Mechanical and Electrical, GEL and Rand Roads; and
- Aveng Manufacturing – ACS, DFC and Duraset.

We remain committed to selling the non-core businesses as going concerns and as such, the Group continues to drive improved performance within these businesses to enable a sustainable future for their employees, customers and suppliers. This will allow the Group to realise acceptable value for the businesses. The disposal of the majority of the non-core assets by June 2019 is one of management's key targets.

Commentary continued

Ensuring a sustainable long-term capital structure

Having raised new equity, Aveng went on to redeem its convertible bond, restructure its bank funding, secure additional facilities and settle the first two debt repayments totalling R100 million. Management continues to focus on progressive improvement in the quality of the Group's balance sheet to achieve a sustainable long-term capital structure. The Group's gross debt-to-equity ratio improved from 127% at June 2018 to 70% at December 2018.

MARKET REVIEW

Construction across Australia, New Zealand and Asia Pacific remains on an upward trend, largely in line with annual growth forecasts for the next three years. Strong opportunities in the building and infrastructure sectors are driven mainly by population growth and urbanisation but are offset by political uncertainty in some areas.

Australia's construction industry has remained relatively strong and is expected to grow by about 3% for the next three years. The growth will be mainly from major road and rail projects and the commercial building industry.

In New Zealand, the construction industry remains healthy with the pace of growth predicted to accelerate from 3% to 4% in 2019. The key growth drivers are government plans to develop transport networks and reliable electricity infrastructure for New Zealand's growing population.

The emerging markets of Southeast Asia are expected to continue investing in privately backed infrastructure projects, keeping growth at above 6% for the foreseeable future. But while the region offers significant opportunities due to rapid urbanisation and burgeoning populations, the political uncertainty in some of its countries is tempering these prospects.

The global mining industry remains cautiously optimistic, with mining companies looking to increase output and make new investments in assets. In South Africa, improving sentiment bodes well for the extension of Moolmans' existing contracts and its pursuit of new work to strengthen its order book.

Commentary continued

The South African infrastructure market is in crisis, reflecting the marginal economic growth experienced in the country. This is exacerbated by unprecedented and widespread threats of violence, community unrest and protest action on construction sites which employers seemingly expect contractors to accept as the new normal.

FINANCIAL PERFORMANCE

Aveng reported a headline loss of R770 million (2017: R335 million loss) and a net loss of R920 million (2017: R346 million loss).

Basic loss per share was 7,2 cents compared to a 64,2 cents loss per share (restated) in the comparative period and **headline loss per share** was 6,1 cents (2017: 62,2 cents loss per share (restated)). The headline loss per share for 31 December 2017 was retrospectively restated due to the bonus element associated with the rights offer.

Statement of comprehensive earnings

Revenue decreased by 17% to R13,4 billion (2017: R16,1 billion). The decrease was primarily attributable to lower order books in the construction segments at the start of the financial year.

Net operating earnings decreased from a profit of R94 million in December 2017 to a loss of R484 million, due to:

- Moolmans' R166 million operating loss was mainly attributable to the underperformance of two contracts and additional closure cost related to the early termination of the Karowe contract;
- Aveng Manufacturing's margins were negatively impacted as weak market conditions persist in most of the sectors served by the manufacturing business units; and
- Grinaker-LTA's results were impacted by continued underperformance on major building projects, slippage on certain road contracts and an underrecovery of overhead costs due to a lack of new work, resulting in a loss of R162 million.

These were partially offset by:

- Satisfactory operational performance at McConnell Dowell, supported by more consistent contract executions which resulted in a net operating profit of R55 million compared to a R51 million profit in the comparative period; and
- Continuing improvement in performance at Trident Steel, due to ongoing growth in the South African automotive market coupled with an 11% increase in steel prices since December 2017.

Commentary continued

An **impairment charge** of R163 million was recognised against aged plant and equipment at Moolmans.

Net finance charges amounted to R255 million (2017: R141 million). Excluding the impact of the R118 million interest portion of the Genrec claim received in the comparative period, net finance charges remained flat.

Statement of financial position

Capital expenditure was R302 million (2017: R350 million), of which R247 million (2017: R314 million) was for replacement and the balance of R55 million (2017: R37 million) for expansion. The majority of the amount was spent as follows:

- R36 million at McConnell Dowell, relating to specific projects across the various businesses;
- R171 million at Moolmans, primarily as a result of investment in existing fleet; and
- R67 million at Aveng Manufacturing and Processing.

Assets Held for Sale decreased by R780 million to R4,0 billion (June 2018: R4,8 billion) due to the movement in the working capital associated with the non-core assets.

Liabilities Held for Sale decreased by R626 million to R3,5 billion (June 2018: R4,1 billion) due to the movement in the working capital associated with the non-core assets.

Amounts due from contract customers (non-current and current) improved to R2,8 billion before Held for Sale (June 2018: R4,0 billion) due to the unwinding of contracts and the transition adjustment of R267 million, reflected in the opening balance of retained earnings on the adoption of *IFRS 15 Revenue from Contracts with Customers*.

Deferred tax assets remained relatively flat after taking into account impairment and applying the annualised effective tax rate for the interim period.

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

Commentary continued

Operating free cash flow for the period amounted to an outflow of R710 million and included:

- Cash outflow of R198 million in McConnell Dowell due to utilisation of advance payments received in June 2018;
- Cash outflow of R296 million at Grinaker-LTA due to poor operational performance on projects and working capital requirements;
- Cash outflow of R145 million to Moolmans after net capital expenditure and underperformance;
- Cash outflow at Aveng Manufacturing of R38 million due to underperformance;
- Cash inflow of R179 million from Trident Steel due to improvements in working capital;
- Net capital expenditure of R230 million;
- Net finance charges of R186 million; and
- Taxation of R35 million.

Cash and bank balances (net of bank overdrafts) increased to R2,3 billion (June 2018: R2,1 billion) resulting in a net debt position of R35 million, compared to R1,2 billion net debt at 30 June 2018.

OPERATING REVIEW

Safety

Safety remains a core value for Aveng and is integral to the way its operating groups conduct their business. Aveng prioritises the wellbeing of its people, clients, communities and the environment in which it operates. The Group remains committed to its safety vision of *"Home Without Harm, Everyone, Everyday"*.

Regrettably, one fatality was recorded. A fatal incident occurred at Grinaker-LTA's N1 Ventersburg road project in the Free State on 23 November 2018. The deceased, Mr Daniel Mathule, was a labour hire worker for a V-drain and kerb sub-contractor. Mr Mathule succumbed to injuries he incurred when he was struck by a public motorcycle while crossing the N1 highway. Aveng extends its sincere condolences and sympathy to the family and colleagues of the deceased. The Group will continue with its unwavering commitment to safety and efforts within its control to avert such tragedies in future. Efforts to address road safety risks include increasing safety controls on road crossing and enhancing employee vigilance during work activities inside a road closure or in close proximity to public vehicles.

Commentary continued

The total recordable injury frequency rate (TRIFR) for the reporting period was 0,77 which is an improvement on the comparative period figure of 1,07 and is better than the Group improvement target of 0,82. This indicator is in line with industry standards and includes fatalities, lost-time injuries, restricted workday cases and medical treatment cases. The TRIFR is calculated using 200 000 man-hours as the baseline for its frequency rate. The TRIFR demonstrates a positive downward trend and Aveng continues to show a longer-term improvement trend over the past three years.

Construction and Engineering: Australasia and Asia

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

Revenue decreased by 24% to AUD479 million (2017: AUD628 million) due to a lower order book at the start of the financial year. Considerable effort was made to address the order book and pleasingly, this resulted in several significant contract awards, amounting to AUD862 million, across all selected markets. This represents an increase of 50% in work in hand compared to June 2018.

McConnell Dowell's operating earnings of AUD5 million were maintained, reflecting improved performance from a number of active contracts which mitigated the decline in revenue. There remains room for improved consistency of execution across the project portfolio.

Australia

Revenue decreased by 41% to AUD219 million (2017: AUD372 million) due to a lower order book at the start of the financial year. Net operating earnings were maintained, with strong contract progress and performance on the Western Program Alliance, Swanson Dock East and Toll Holdings projects.

Southeast Asia

Revenue decreased by 3% to AUD110 million (2017: AUD113 million) as the business achieved major milestones with the completion of the Tuas Road Bridges and other significant projects. Improved operating results were recorded as most projects were executed at tender margins and completed projects were closed out. Efforts continue to mitigate risks associated with the Tangguh LNG export jetty project.

New Zealand and Pacific Islands

Revenue increased by 3% to AUD94 million (2017: AUD91 million) as the business unit secured new projects, including the Pukekohe Wastewater Treatment Plant. The award-winning Mangere BNR project was completed. However, operating earnings were negatively impacted by the performance on the CSM2 project and a delay in the start of certain new projects.

Commentary continued

Built Environs

Revenue decreased by 15% to AUD44 million (2017: AUD51 million) as key new project awards were delayed until the second half of the year. Work on the West Franklin Apartments was successfully completed ahead of schedule.

Moolmans

Moolmans reported a decline in its revenue to R2 billion (2017: R2,5 billion). The financial results were heavily impacted by underperformance on two contracts and additional closure costs related to the early termination of the Karowe contract in November 2018. The Gamsberg contract was impacted by a number of factors, including abrasive ground conditions. A detailed recovery plan is being implemented to return Gamsberg to profitability. The Khutala contract continued to be impacted by inclement weather and low plant availability.

The operational underperformance, together with increased depreciation following an asset health review, resulted in a net operating loss of R166 million (2017: R104 million profit) and a negative gross margin of 3,5% compared to a positive 8,8% for the comparative period.

As part of the Group-led intervention initiated at the start of the financial year, a comprehensive review of Moolmans' organisational structure and capability, cost structure and asset health is reaching a conclusion. Enhanced performance monitoring and measurement against key performance indicators (KPIs) has been implemented.

A turnaround plan to urgently and decisively address underperformance identified during the review, and optimise the overall performance of the business, includes the following remedial actions:

- Changes were made to the Moolmans senior management team and the appointment of a new managing director is imminent;
- An organisational design and cost structure review will be completed by June 2019;
- Following the asset health review, an impairment charge of R163 million was recognised on aged plant and equipment. Further write-offs were recorded for inventory associated with this plant. Investment continues to be made primarily in existing fleet;
- A recovery plan is being implemented at the Gamsberg site to improve operational and financial performance. The recovery plan is monitored weekly against KPIs; and
- Performance improvement processes were implemented in all Moolmans contracts to enable each contract to achieve planned operational and financial performance.

Commentary continued

The Group's Executive Chairman and Chief Executive Officer visited the majority of Moolmans project sites and actively engaged with clients and employees. They were encouraged by feedback from clients and the quality and commitment demonstrated by the operational teams. This provides a sound foundation for the turnaround.

There is a strong focus on extending existing contracts. Moolmans is negotiating four long-term contract extensions and one new two-year contract.

Construction and Engineering: South Africa and rest of Africa

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

Revenue decreased by 16% to R2,7 billion (2017: R3,2 billion). A net operating loss of R160 million (2017: R212 million loss) was largely due to underperformance on certain Civil Engineering and Building projects.

Building and Coastal

Revenue decreased substantially to R1,3 billion (2017: R1,9 billion) and an operating loss of R84 million (2017: R15 million loss) was reported. Losses were incurred on the Leonardo, 129 Rivonia and Coral Point building projects and an improvement in the current results depends on the outcomes of commercial claims. Legal fees were incurred to defend claims associated with the CTICC arbitration. The Dr Pixley Ka Isaka Seme Memorial Hospital project in KwaZulu-Natal was sold to Enza Construction in November 2018. The Sandton building projects are nearing completion and work is being actively pursued in new markets to replenish order books across all building operations, particularly the Inland and KwaZulu-Natal regions. Industrial expansions and ongoing education projects and refurbishments are providing the baseload of work for the Cape operations.

Civil Engineering

Revenue declined by 9% to R538 million (2017: R588 million), reflecting continued low activity in the public and private markets. The business reported an operating loss of R76 million (2017: R233 million loss). Ongoing project reviews have resulted in further provisions following end-of-site losses accounted for in the prior period. The majority of road contracts were completed and the Ventersburg and Pampoennek projects will be completed during the 2019 calendar year. In a difficult market, the business has shifted away from road projects and is pursuing profitable civil works.

As announced on SENS on 4 February 2019, the Aveng-Strabag Joint Venture (ASJV) in which Grinaker-LTA is a 50% partner, lawfully terminated the Mtentu Bridge Contract on 30 January 2019 following an ongoing *Force Majeure* event.

Commentary continued

The ASJV launched a pre-emptive urgent application in the North Gauteng High Court for an order preventing South African National Roads Agency Limited (SANRAL) from making a call on the contract securities until the dispute between the parties regarding the termination of the Mtentu contract has been finally determined. The ASJV has secured an interim undertaking from SANRAL preventing a call on the contract securities pending judgment in the application. The matter was argued in the High Court on 20 February 2019 and as of 25 February 2019 judgment had not been handed down. Appropriate consideration has been given to all potential outcomes.

Mechanical and Electrical

Revenue increased by 31% to R598 million (2017: R458 million) as a result of increased maintenance and refinery shutdown work. However, an operating loss of R0,3 million (2017: R15 million profit) was reported mainly due to unresolved commercial matters associated with the Majuba Coal Handling Facility project. The business is well positioned with a solid order book in the petrochemical market and good opportunities for growth in the mining and related commodities markets.

Aveng Water

Revenue remained flat at R150 million and operational contracts reported a pleasing operating profit of R13 million (2017: R13 million). The focus of Aveng Water is to leverage the significant advantage in desalination plants and acid mine drainage technology, other water treatment processes and operational maintenance. The South African mining and municipal water sectors offer attractive growth opportunities. Aveng announced the sale of the Aveng Water business to Infinity Partners and is awaiting the fulfilment of the conditions precedent.

Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

Revenue increased by 7% to R3,9 billion (2017: R3,6 billion). A net operating loss of R17 million was reported (2017: R70 million loss). The improved operating performance was attributable to a profitable performance at Aveng Steel and a reduced loss at Aveng Manufacturing.

Aveng Manufacturing

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

Revenue remained flat at R1,1 billion (2017: R1,1 billion). The net operating loss narrowed to R31 million (2017: R57 million loss) primarily as a result of *IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations* adjustments to depreciation and amortisation. Aveng Manufacturing continues to experience low levels of activity in the infrastructure, mining and rail sectors. The oil & gas and chemical sectors have improved since the previous year.

Commentary continued

Aveng ACS: Revenue increased by 33% to R285 million (2017: R215 million) due to an increase in project activity in the traditional oil & gas sector. The business continued to diversify into the power, paper and pulp sectors and remained profitable.

Aveng DFC: Revenue increased by 1% to R230 million (2017: R228 million) as reasonable export performance offset low levels of investment in water infrastructure and maintenance investment in South Africa.

Aveng Duraset: Revenue declined by 14% to R199 million (2017: R232 million) due to lower demand as a result of mine closures, strikes and increased competition in the mining sector. Sales to Zimbabwe strengthened export markets.

Aveng Infraset: Revenue decreased by 22% to R288 million (2017: R370 million) as revenue related to infrastructure products continued to decline, with low levels of demand for pipes, culverts, roof tiles and landscaping products. Demand for railway sleepers improved relative to the previous year. Aveng announced the sale of Infraset to Colossal Africa Consortium for R180 million and is awaiting fulfilment of conditions precedent to conclude the transaction.

Aveng Rail: Revenue increased by 11% to R84 million (2017: R76 million) mainly due to increased revenue from equipment leasing. Two-year track maintenance contract awards are expected to contribute to a marginal performance improvement. Aveng announced the sale of its Rail business to Mathupha Capital and is awaiting fulfilment of conditions precedent to conclude the transaction.

Aveng Steel

This operating group consists of Trident Steel.

Trident Steel: A pleasing result was achieved by a strong management team. Revenue increased by 12% largely as a result of higher selling prices per ton. This translated into higher margins. Operating profit of R14 million was recorded compared to a loss of R13 million in the comparative period. The achievement of higher material margins, operational cost savings and improved working capital management all contributed to the good performance.

Commentary continued

TWO-YEAR ORDER BOOK

Aveng's two-year order book amounted to R19,5 billion at 31 December 2018, increasing by 9% from the R17,9 billion reported at 30 June 2018.

The geographic split of the order book at 31 December 2018 was 59% Australasia and Asia (June 2018: 43%), 37% South Africa (June 2018: 51%) and 4% other (June 2018: 6%).

Core assets

The order book for the Group's core assets amounted to R15,6 billion at 31 December 2018, increasing by 20% since 30 June 2018.

McConnell Dowell's two-year order book was AUD1,14 billion (June 2018: AUD0,76 billion). This represents an increase of 50%, and the business is well positioned to continue securing additional work in the near term as more than AUD1 billion worth of tenders have ECI status. Key projects won during the period include:

- Tuas Water Reclamation Project for the Public Utilities Board in Singapore;
- Jane Street and Mulgoa Road Infrastructure Upgrade for roads and maritime services;
- Auckland City Mission which saw the specialist building business expand into New Zealand; and
- Wynyard Edge Alliance in New Zealand to design and construct the infrastructure to support the iconic 36th America's Cup in 2021.

The Moolmans order book decreased by 24% or R1,3 billion, due largely to completion and termination of projects during the previous year. Although current market conditions remain competitive, Moolmans is pursuing several near orders which the Group expects to announce during the second half of the year. These will have a positive impact on Moolmans' two-year order book.

Non-core assets

Grinaker-LTA's order book at 31 December 2018 decreased by 27% compared to June 2018. Subsequently, the Mtentu Bridge contract was terminated on 30 January 2019.

Commentary continued

OUTLOOK AND PROSPECTS

A positive outlook for McConnell Dowell is supported by growing markets that will sustain robust demand for new infrastructure. The economies of Australia and New Zealand are expected to be strong and stable in 2019 and 2020 as a result of several large-scale infrastructure projects that are underway and strong demand in the road and rail transport infrastructure sectors along the east coast of Australia, driven largely by higher levels of public spending by the Australian government.

Against this background, McConnell Dowell will grow and diversify its order book in selected markets. The ECI status ensures that McConnell Dowell is well positioned to secure additional work in the near term. The business continues to focus on improving the consistency of its project execution.

Moolmans' immediate focus is on fully implementing the remedial actions of the Group-led turnaround intervention. Moolmans is also focused on optimising and extending contracts in its current portfolio to restore planned operational and financial performance.

Moolmans continues to pursue selected new opportunities in improving market conditions.

Grinaker-LTA has a limited order book and prospects for acquisition of new work in subdued operating conditions. Businesses earmarked for disposal within the operating group continue to be right-sized to achieve the financial objectives of potential new shareholders.

Commentary continued

Based on a low GDP growth outlook for 2019, the manufacturing businesses are not forecast to grow significantly in the second half of the financial year.

Trident Steel continues to focus on sales optimisation and efficiency improvements to strengthen profitability. The business expects to benefit from sound prospects in the automotive market.

Management is focused on completing the majority of the non-core asset disposals by June 2019 and equipping the core businesses to execute the Group's longer-term strategy.

Disclaimer

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

By order of the Board

EK Diack
Executive Chairman

SJ Flanagan
Chief Executive Officer

AH Macartney
Chief Financial Officer

Date of release: 25 February 2019

Corporate information

DIRECTORS
EK Diack (Executive Chairman), SJ Flanagan (Group CEO), MA Hermanus*#, (Lead Independent Director), PA Hourquebie*#, MJ Kilbride*#, AH Macartney (Group CFO)

**Non-executive #Independent*

COMPANY SECRETARY
Edinah Mandizha

BUSINESS ADDRESS AND REGISTERED OFFICE
Aveng Park
1 Jurgens Street, Jet Park
Boksburg, 1459
South Africa
Telephone +27 (0) 11 779 2800

COMPANY REGISTRATION NUMBER
1944/018119/06

SHARE CODES
(Incorporated in the Republic of South Africa)
(Registration number 1944/018119/06)
Share code: AEG
Share ISIN: ZAE 000194940
("Aveng", "the Company" or "the Group")

WEBSITE
www.aveng.co.za

AUDITORS
Ernst & Young Incorporated
Registration number: 2005/002308/21
102 Rivonia Road
Sandton, Johannesburg, 2196
Private Bag X14
Northlands, 2146
South Africa
Telephone +27 (0) 11 772 3000
Telefax +27 (0) 11 772 4000

PRINCIPAL BANKERS
Absa Bank Limited
Australia and New Zealand Banking Group Limited
FirstRand Bank Limited
HSBC Bank plc
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
United Overseas Bank Limited

CORPORATE LEGAL ADVISERS
Baker & McKenzie

SPONSOR
UBS South Africa Proprietary Limited
Registration number: 1995/011140/07
64 Wierda Road East
Wierda Valley, Sandton 2196
PO Box 652863
Benmore, 2010
South Africa
Telephone +27 (0) 11 322 7000
Facsimile +27 (0) 11 322 7380

REGISTRARS
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196, South Africa
PO Box 61051
Marshalltown, 2107
South Africa
Telephone +27 (0) 11 370 5000
Telefax +27 (0) 11 688 5200

BUSINESS ADDRESS AND REGISTERED OFFICE
Aveng Park, 1 Jurgens Street,
Jetpark, Gauteng, 1469

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

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

www.aveng.co.za