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## Our code of business conduct

The law will not be violated when conducting business for or on behalf of the Group.

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

The Aveng Group is committed to compliance with the provisions of the Competition Act 89 of 1998. Any effort to manipulate the markets, in which the Group is active, including collusion with competitors, will result in disciplinary action.

The Aveng Group has a zero-tolerance policy on bribery and any unethical payments to clients or business associates will result in disciplinary action.

Any possible conflict of interest in handling group affairs will be avoided and employees will perform their duties conscientiously, honestly and in accordance with the best interests of the Group and its shareholders.

Employees will not derive personal advantage from their position in the Group, nor will they acquire any business interest which could divert their energy from group responsibilities. They will not participate in an activity that is potentially in conflict with group interests or which could be perceived to impair their independence. Employees will not accept gifts, hospitality, or other favours from suppliers or potential suppliers of goods or services which, in the view of their immediate line superior or colleagues would be unwise, potentially sending the wrong message to subordinates and / or placing the recipient or the Group under a perceived obligation.

Group funds, property and assets will be used only for legitimate business purposes. Strict internal controls and governance procedures of the highest order will be introduced and enforced to discourage fraud and safeguard the Group.

Accurate and reliable records will be kept which fairly reflect all business transactions in terms of statements of International

Financial Reporting Standards, for the Group to properly manage its affairs and meet its legal, financial and reporting obligations.

Personal and business information gained in the course of business dealings will be safeguarded and its privacy respected.

The Aveng Group will uphold its employment equity policy which requires that equal opportunity be offered to all employees. The individuality of each person, their right to freedom of association and to absolute privacy in this regard will be respected.

Harassment of any form, including sexual harassment, will be viewed in a very serious light and appropriate disciplinary action taken.

The Aveng Group's people are unquestionably its most important asset. Through careful selection, ongoing development, performance-based management and fair reward, every person in our Group will be encouraged to realise their full potential. Exceptional commitment to the Group's core values of integrity, quality and entrepreneurship will be appropriately rewarded.

The Aveng Group will strive to be a leading corporate citizen, working with employees, their families, local communities and society at large to improve the overall quality of life and to achieve sustainable economic development at all levels.

The Aveng Group will promote policies and operating procedures that conserve resources and minimise the environmental impact of its business activities.

Finally, the Aveng Group, its subsidiaries and officers will seek to build an atmosphere of openness and trust through regular, timeous and courteous communication with all stakeholders.

## Letter to shareholders

### Dear Shareholder

We present to you our 2017 results through an extract from our summarised financial results.

In addition to the extract of the summary of our audited financial statements, this document contains the detailed notice to our 73rd Annual General Meeting to be held at 10h00 on Friday, 24 November 2017 in the boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg.

If you are unable to attend the Annual General Meeting, you may vote by proxy in accordance with the instruction on the Annual General Meeting notice and the form of proxy. The enclosed form of proxy, which is also available on our website at [www.aveng.co.za](http://www.aveng.co.za), includes comprehensive instructions on how to complete it. Should you have any questions, please contact our offices.

As we have previously indicated, the changing financial reporting requirements and corporate governance demands over the past few years have resulted in voluminous annual reports. In order to promote sustainability, we will not be posting the integrated report to our shareholders.

Our comprehensive integrated report will be on the Company's website for viewing and may be downloaded from [www.aveng.co.za](http://www.aveng.co.za) on 20 October 2017. Printed copies of the integrated report will be made available to shareholders on request. If you would prefer to receive a printed copy, please contact Michelle Nana, on +27 (11) 779 2800 or at [michelle.nana@avenggroup.com](mailto:michelle.nana@avenggroup.com).

Yours sincerely



**Michelle Nana**  
Company secretary  
20 October 2017

## Shareholders' diary

Financial year-end  
Annual General Meeting

**Publication of results**

– Half-year ended 31 December 2017  
– Year ended 30 June 2018

30 June  
24 November 2017

27 February 2018  
31 August 2018

## Salient features – financial performance

for the period ended 30 June 2017

### Adjusted revenue

**R27,4 billion**

Decrease from R33,8 billion at June 2016

### Operating costs decreased by

**R503 million (18%)**

From R2,8 billion at June 2016

### Operating free cash flow

**R308 million outflow**

Improvement from R1 125 million outflow at June 2016

### Adjusted operating loss

**R113 million**

Decrease from R146 million earnings at June 2016

### Two-year order book

**R29,9 billion**

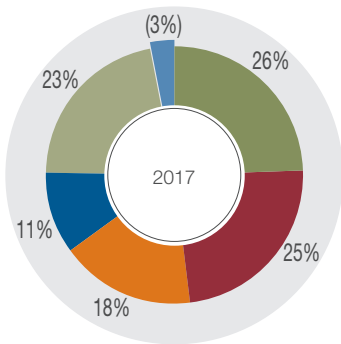
Improvement from R27,7 billion at December 2016

### South African government settlement

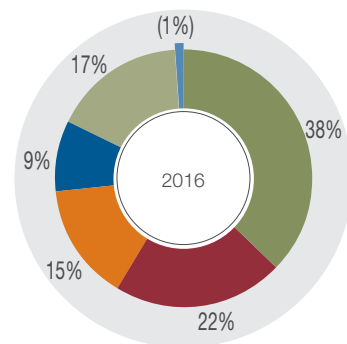
**R165 million**

R21,25 million payment per annum for 12 years

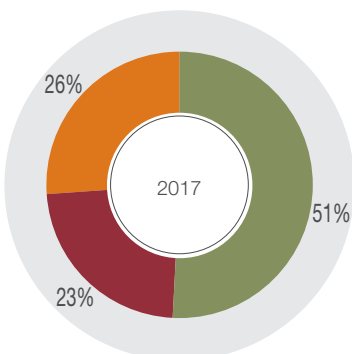
### Revenue per operating group



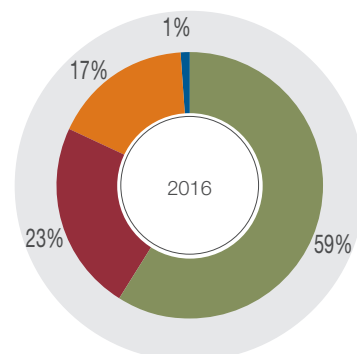
- McConnell Dowell
- Aveng Grinaker-LTA
- Aveng Mining
- Aveng Manufacturing
- Aveng Steel
- Other and Eliminations



### Two-year order book per operating group



- McConnell Dowell
- Aveng Grinaker-LTA
- Aveng Mining
- Aveng Manufacturing



# Commentary

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017 AND RESIGNATION OF CHIEF EXECUTIVE OFFICER

### Overview

#### Salient features

- ▶ Net loss of R6,7 billion and headline loss of R6,4 billion
- ▶ Non-cash impairments and write-downs on long-outstanding uncertified revenue of R5,9 billion
- ▶ Headline loss of R630 million excluding non-recurring write-downs and charges
- ▶ Queensland Curtis Liquefied Natural Gas Pipeline Project ("QCLNG") award of R508 million (AUD50,5 million)
- ▶ Fixed overhead expenses reduced by R503 million or 18%
- ▶ Unacceptable operating performance, hence operational intervention
- ▶ Net asset value ("NAV") reduced to R14,56 per share
- ▶ Contracting businesses' order book for FY18 100% secured
- ▶ Agreement reached with major funding banks to renew and extend facilities
- ▶ Mr Kobus Verster has resigned as Chief Executive Officer with immediate effect and Mr Eric Diack will assume the duties of Chief Executive Officer and Executive Chairman

### Write-offs and derisking

#### QCLNG award

Aveng received R508 million (AUD50,5 million) from the QCLNG award. Given that this was well below expectation and the amount was recognised as a receivable, the Group has recorded a non-cash write-down of R2,4 billion (AUD235 million) in relation to the QCLNG award in its reported results for the year ended 30 June 2017.

### Other long-outstanding uncertified revenue

As announced in the trading statement of 20 September 2017, Aveng continuously assesses its recognised uncertified revenue. The progress on the various outstanding claims and project performance is assessed in the context of current performance of the business, the current business environment, and expected future market conditions.

The following factors have guided the assessment:

- ▶ Certain unfavourable claim settlement awards, most notably the recent QCLNG award, which realised substantially less than the carrying value, as well as the previously reported Kenmare Resources and Mokolo Crocodile Water Augmentation awards in South Africa
- ▶ The current economic climate, which has resulted in a highly litigious environment and a protracted and costly process in bringing long-outstanding claims to commercial conclusion
- ▶ The complexity of the claims and the associated commercial challenges
- ▶ The limitations such a process places on management's ability and flexibility to balance the value of commercial settlements with the associated costs, business disruptions, client relationships and impact on the Group's reputation.

The Board has therefore decided to write-down long-outstanding uncertified revenue and claims in an amount of R2,7 billion for the year ended 30 June 2017.

This change of approach has resulted in six major commercial settlements and arbitration awards being concluded, resulting in positive cash inflows and further reducing uncertainty.

### Liquidity

Net debt of R1,07 billion (June 2016: R534 million).

Post-year-end, the proceeds from the QCLNG award improved the Group's net cash position by R508 million.

The QCLNG award and write-downs remove significant risk and uncertainty from the Group's balance sheet. The NAV of the business is now R14,56 per share after recognising the various write-downs and impairments.

Subsequent to the year-end, and following the reported outcome of the QCLNG award, the Group engaged with its major funding banks who currently provide various facilities under existing agreements. This engagement resulted in the conclusion of an overarching term sheet, renewing and extending these facilities.

Following credit approval by all the major funding banks, this term sheet has been approved by the Board, and the Group will now commence the process of formalising same with these major funding banks and expects this to be completed in due course.

Following the QCLNG award and the re-evaluation of the long-outstanding uncertified revenue, the Group executed a recapitalisation and working capital injection into its Australian-based operating subsidiaries through McConnell Dowell. The purpose of the plan is to ensure an adequate capital base and working capital.

### Aveng Capital Partners: proceeds from sale of infrastructure investments

On 12 December 2016, Aveng successfully disposed of Steelmetals' N3TC equity interest for a purchase price of R195 million.

## Commentary continued

On 6 February 2017, the conditions precedent were fulfilled in respect of the Blue Falcon equity interest and the Windfall equity interest. R600 million from these disposals was received on 13 February 2017. A total amount of R821 million was received in respect of the sale of these assets.

### Genrec award

Following the long-outstanding dispute between Genrec Engineering Proprietary Limited (“Genrec”) and the Aveng Steel Fabrication division, and which relates to Aveng’s entitlement to compensation as determined by an arbitration award in August 2014, the Dispute Adjudication Board (“DAB”) ordered Genrec to pay to Aveng the sum of R123 million; and in addition, to pay interest on such sum at the simple interest rate of 15,5% from 1 September 2011 to date of payment.

The DAB is currently curing calculation errors in its award, which amended award has not yet been delivered to the parties. The parties have agreed that the final value of the award is R124 million (excluding interest).

In terms of the initial award, the total cash award payable to Aveng is R238 million. Genrec is obliged to promptly give effect to the terms of the award and make payment. The award will remain binding unless and until overturned by way of an arbitration process which may follow.

### Strategic review

With a view to the medium- and long-term sustainability of the Group’s overall financial and operational structure, an independent professional advisor has been engaged to undertake an overall strategic review of the

Group. This review began during August 2017, and incorporates the consideration and evaluation of all key requirements to both support and enhance the future sustainability of the Group, including amongst others:

- ▶ The identification of operating businesses and assets that are core to the Group and support the overall Group long term strategy; and
- ▶ Recommending a sustainable future capital and funding model for the Group over the medium term, including recommendations specific to the Australian-based operating structure and planning for funding options required to fund the repayment of the Group’s convertible bonds maturing in July 2019.

The Group has identified certain assets as non-core, and will embark on a plan during the current financial year to realise value from the disposal of these assets. Once the disposal of non-core assets has been executed and the strategic review has been concluded, the objectives will be to reduce debt in South Africa and to further enhance the working capital structure of the Group.

The outcomes of the strategic review are expected to be completed by 30 November 2017.

### Remedial actions to date

Aveng continuously assesses its recognised uncertified revenue. This review resulted in a significant write-down, which has derisked the Group’s balance sheet. The Group has further enhanced its internal controls regarding the recognition of uncertified revenue and renewed its focus on cash flow and performance monitoring across the Group.

Furthermore, taking the current economic environment into account, the Group overheads were significantly downsized to reflect the current operating environment.

The Profit Improvement Programme initiated at Aveng Manufacturing, during the second half of the 2017 financial year, is expected to yield results in the next financial year.

The McConnell Dowell organisational reset has been completed and is now moving towards a stabilised operation preparing for growth. This reset process has resulted in:

- ▶ Simplified organisation with new operating model
- ▶ Empowered business units
- ▶ Strengthened technical and operational capabilities
- ▶ Structured project review process: improved project and business governance
- ▶ Increased connectivity and collaboration – enhanced efficiency
- ▶ Strengthened client focus
- ▶ Enhanced and refreshed the executive leadership of the business.

Eric Diack was appointed as Executive Chairman on 23 August 2017. Eric’s extensive commercial experience will support the management team as it enhances its strategy to enable the Company to realise its significant underlying value.

### Operational review

There is an enhanced focus on cash flow and performance monitoring across the Group. An operational review will commence immediately, focused on Aveng Manufacturing and Aveng Grinaker-LTA.

### Aveng Manufacturing

Over the course of the last year, the top management has been enhanced and strengthened. The Profit Improvement Plan was implemented and executive focus is now required on unlocking the identified benefits. This programme is focused on markets, procurement, production efficiency and the rationalisation of production capacity in line with market demand. The targeted improvements will be quantified and reported at half-year.

### Aveng Grinaker-LTA

The appointment of a managing director is a priority and a search is currently under way. An appointment is expected to be made early in the new calendar year. In the interim, the organisational design will be reviewed in order to achieve an efficient and effective operating structure. In addition, a comprehensive review of major Civil Engineering projects will be conducted and the Building and Coastal divisions will be subject to a margin enhancement intervention. The Mechanical & Electrical, Aveng Water and Aveng Rand Road divisions are performing according to plan. The results of these interventions will be fully reported at half-year.

### Market review

The South African infrastructure market remains subdued, reflecting the marginal economic growth experienced in the country. Aveng Grinaker-LTA continues to operate in a tough market environment, with its financial performance adversely affected by low revenue and continued underperformance in project execution, mainly in the Civil Engineering division. Despite current building projects under construction, it is expected that building activity will reduce and shift to demand in healthcare facilities, student accommodation and other smaller projects.

The civil engineering industry remains competitive, with limited new opportunities coming to market. Road rehabilitation work remains dominant. Current public infrastructure spend is focused on the transportation, energy and water segments.

The pace of expansion in the Australia and Asia Pacific construction industry steadied over the past 12 months; however, the Australian construction industry is expected to grow at a steady rate over the next five years. Despite the limited growth in the mining and energy sectors, the outlook remains positive. The growth will largely be driven by significant private and public sector investments in road, rail and power infrastructure projects. The Australian building industry remains robust with spending set to expand on affordable housing programmes and commercial projects. The growth in Southeast Asia remains very healthy and driven by investments in infrastructure, water utilities and energy projects. In addition, the market in New Zealand continues to gain momentum, with government investment in large-scale transport and water projects which will continue to fuel growth for the region and expansion of the construction industry.

The mining industry in South Africa and globally is cautiously optimistic, with mining companies looking to increase output and make new investments in assets. The current rally in commodity prices provides opportunities for Aveng Mining.

The South African manufacturing industry is experiencing some headwinds due to weak economic activities and difficult trading conditions. The sector had negative annual growth over the past 12 months and it is not expected to improve in the short term. However, having access to a diverse

product portfolio, with multiple manufacturing facilities and the ability to access markets in various geographies, provides an opportunity to improve the overall performance of Aveng Manufacturing.

The economic environment facing the steel industry continues to be challenging. Oversupply continues to weigh on the steel sector. The improvements experienced in the current year were mainly due to the increase in raw material prices and increased protection measures rather than any significant improvement in the demand for steel. The recently announced safeguard duties on imports of certain steel products will improve the local market and should benefit Aveng Steel during the next financial year.

### Financial performance

Aveng reported a headline loss of R6,4 billion and a net loss of R6,7 billion. This loss included the impairments and write-downs on long-outstanding uncertified revenue of R5,1 billion, and resultant deferred tax asset write-downs of R531 million. In order to better understand the underlying performance of the Group, a discussion of the result excluding the adjustments is required.

**Basic loss per share** was 1 690,6 cents loss per share compared to a 25,4 cents earnings per share in the comparative period and **headline loss per share** increased to 1 625,3 cents loss per share (2016: 75,2 cents loss per share).

### Statement of comprehensive earnings

**Adjusted revenue** decreased by 19% to R27,4 billion (2016: R33,8 billion). Revenue reduced in the majority of segments due to weak market conditions in the South African market and reduced activity at McConnell Dowell. However, this was partially offset by

## Commentary continued

some growth in activity levels in Aveng Mining.

The **adjusted gross margin** of 7,2% for the Group remained largely in line with the prior year.

### Adjusted net operating earnings

decreased from a profit of R146 million in 2016 to a loss of R113 million, due to:

- ▶ resolution of some major commercial claims at Aveng Grinaker-LTA relating to the Mokolo Water Augmentation and Majuba Rail contracts
- ▶ operational underperformance in relation to Civil Engineering and a disappointing performance in Building and Coastal on certain contracts
- ▶ completion of work and commercial matters in relation to legacy and historic projects at McConnell Dowell
- ▶ weak performance in the Manufacturing businesses in the second half
- ▶ separation costs relating to Aveng Mining's contract with Wesizwe's Bakubung mine and poor performance on a project in Burkina Faso

though partially offset by:

- ▶ the realisation of R503 million savings in overhead expenses throughout the Group, which resulted in an 18% reduction in operating costs compared to June 2016
- ▶ improved performance in Aveng Mining's open cut business during the second half of the year
- ▶ continued improved operating performance at Aveng Steel due to efficiencies and improved margins.

The **adjusted headline loss** increased to R630 million from a R299 million loss in the comparative period.

**Net losses** of R6,7 billion include the following non-recurring items:

- ▶ a present value charge of R165 million (R255 million payable over 12 years) for the expense pertaining to the Settlement Agreement concluded on 11 October 2016 with the South African government
- ▶ Aveng previously reflected a debt of R206 million from Kenmare Resources pertaining to work performed in 2011/12. During December 2016, the Arbitration Tribunal issued their partial ruling, with Aveng being awarded their debt of R206 million in full, together with interest. The Tribunal awarded a counterclaim in favour of Kenmare in the amount of R150 million. This amount, together with associated legal costs, is the subject of an insurance claim which has not been recognised as an asset
- ▶ a non-cash impairment of uncertified revenue that reduces the risk and uncertainty of R5,1 billion, comprising the QCLNG award settlement that was lower than the carrying value (R2,4 billion) and long-outstanding uncertified revenue (R2,7 billion). In addition, a resultant impairment of deferred tax assets in the Group of R531 million was recognised, which aligns to the expected future utilisation of the deferred tax asset.

An **impairment charge** of R278 million was recognised during the year mainly relating to underutilised assets in Aveng Steel as a result of the continued subdued trading

conditions in the steel market. This includes a R225 million charge against Plant & Equipment and R53 million against intangible assets.

**Net finance charges** of R444 million increased by 30% (2016: R341 million) in relation to the comparative period due to higher utilisation of facilities.

### Statement of financial position

The Group incurred **capital expenditure** of R955 million (2016: R510 million) applying R820 million (2016: R323 million) to replace and R135 million (2016: R187 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- ▶ R168 million at McConnell Dowell, relating to specific projects in Australia and Southeast Asia
- ▶ R123 million at Aveng Manufacturing to increase capacity and optimise efficiencies of its factories
- ▶ R557 million at Aveng Mining, mainly to replace older fleet.

### Equity-accounted investments

increased by 234% to R334 million (2016: R100 million), recognising the 30% investment in Steeledale.

**Assets held-for-sale** decreased due to the conclusion of both the Aveng Capital Partners and Steeledale transactions.

### Amounts due from contract customers

(non-current and current) decreased by 53% to R4,5 billion (2016: R9,5 billion). This balance was impacted by the non-cash impairment on uncertified revenue and the QCLNG award was well below expectations.



**Payables other than contract-related**

increased by R154 million pertaining to the Settlement Agreement with the South African government.

**Deferred tax asset** write-off of

R531 million. Following the QCLNG award and the impairments and write-downs disclosed above, an assessment was performed to evaluate the expected future utilisation of the deferred tax assets in various jurisdictions. Although assessed losses in South Africa and Australia do not expire, management's estimate reflects the expected utilisation of the deferred tax asset within the foreseeable future.

**Operating free cash flow** for the period amounted to an outflow of R308 million and included:

- ▶ significant cash outflow, albeit less than the prior period, for McConnell Dowell, associated with the completion of work and commercial matters in relation to legacy and historic projects
- ▶ Aveng Grinaker-LTA cash outflow as a result of project losses during the second half of the year and retrenchment costs related to the restructuring of the Civil Engineering business unit
- ▶ a cash outflow of R41 million at Aveng Mining due to capital expenditure
- ▶ a cash inflow of R58 million at Aveng Steel due to improved working capital management
- ▶ a cash outflow at Aveng Manufacturing of R76 million due to capital expenditure and late payments received from debtors
- ▶ net capital expenditure of R640 million
- ▶ inflows of R821 million and R104 million from the sale of infrastructure investments
- ▶ net finance charges of R316 million
- ▶ taxation paid of R182 million.

**Cash and bank balances** decreased to R2,0 billion (2016: R2,4 billion) resulting in a net debt position of R1,07 billion, compared to R534 million net debt at 30 June 2016.

**Operating review****Safety**

Safety remains a core value for Aveng and is integral to the way in which its operating groups conduct their business. Aveng prioritises the wellbeing of its people, clients and the communities in which it operates. The Group remains fully committed to delivering on its safety vision of "*Home Without Harm, Everyone, Everyday*". As a result, the Aveng safety strategy has been revised and a clear set of safety requirements has been developed for implementation.

The all injury frequency rate ("AIFR") for the period was 3,28. This indicator includes all types of injuries and is calculated using 200 000 man-hours as the baseline for its frequency rate. Although the AIFR for the period was marginally weaker, Aveng is still showing a longer term improvement trend over the past few years. Total man-hours have decreased over this period, also impacting the frequency rates.

Regrettably, two fatalities were recorded in the current financial year. A fatal incident occurred at McConnell Dowell's Barangaroo Project in Sydney, Australia, on 1 March 2017. The deceased, Timothy MacPherson, was a labour hire worker for a marine subcontractor. The second fatal incident occurred when Johannes Qhanya, a jumbo drill operator for Aveng Shafts & Underground, fell approximately 14 metres to the shaft bottom at Aveng Mining's operation in Limpopo. Sadly, Mr Qhanya

passed away from his injuries six months later in June 2017.

The Aveng Board and executive leadership remain concerned with the current levels of unsafe behaviour demonstrated by road users, especially given that the Group works on various public road projects across its operations. For this reason, the Group has extended its reporting to include "monitored incidents" to ensure that the fatal risks associated with circumstances outside the control of Aveng, such as on public roads, are duly recognised and properly understood. Efforts to address such risks include increasing safety controls on road closures, enhancing employee vigilance during work activities inside a road closure or in close proximity to public vehicles, and monitoring employee driver behaviour. Regrettably, two lives were lost in the reporting period in a single monitored road traffic accident that was caused by a third party.

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

**Construction & Engineering: South Africa and rest of Africa**

*This operating segment comprises Aveng Grinaker-LTA (including Aveng Water) and Aveng Capital Partners.*

Adjusted revenue decreased by 17% to R6,1 billion (2016: R7,3 billion) primarily due to lower work volumes in the Civil Engineering and Mechanical & Electrical business units and the discontinuation of the Aveng Engineering business.

## Commentary continued

Adjusted net operating loss increased to R188 million (2016: R187 million). This result includes the adverse effect of the Mokolo Crocodile Water Augmentation project claim, which resulted in earnings being reduced by R110 million.

### Civil Engineering

Adjusted revenue decreased by 41% to R1,3 billion (June 2016: R2,3 billion) reflecting lower activity in the civil infrastructure market. The business made an operating loss of R388 million on contracts with state-owned entities, compared to an operating profit of R24 million in 2016.

Under-recovery of overheads negatively impacted margins. The business overheads were restructured by 30 June 2017.

Construction of the Majuba Rail contract is complete and final accounts have been concluded on the Majuba Rail and Mokolo Crocodile Water Augmentation projects.

### Mechanical & Electrical

Revenue decreased by 14% to R1,2 billion (June 2016: R1,5 billion) as a result of reduced work on some of the major power projects. The operating margin benefited from the lower overhead cost structure as the business focused its efforts on shutdown and maintenance work. A substantial turnaround contributed to an operating profit of R68 million (June 2016: R143 million loss).

### Buildings and Coastal

Revenue was stable at R3,1 billion with a net operating loss of R75 million (2016: R83 million profit) due to a once-off gain in the prior period as well as the close-out of several complex and fast-tracked projects. Progress continued on the Dr Pixley Ka Isaka Seme Memorial Hospital in KwaZulu-Natal and Leonardo Towers and 129 Rivonia Road in Sandton.

### Aveng Water

Revenue increased by 15% to R356 million (June 2016: R309 million) due to the successful running of operational contracts

and the upgrade of operational components on plants. The completion of loss-making projects and careful management of the cost on the eMalahleni contract, resulted in the business unit turning around from a loss of R273 million in 2016 to a profit of R32 million in 2017. The focus of the Aveng Water business is to leverage on the significant advantage in acid mine drainage, water treatment processes and operational maintenance. The South African mining and municipal water sectors offer attractive opportunities for growth.

### Aveng Capital Partners

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

Aveng Capital Partners continues to manage the remaining assets in the portfolio, including the co-management of the SANRAL rehabilitation project on the N1 highway between Polokwane and Bela Bela and a 30% interest in the Dimopoint property portfolio. Aveng Capital Partners is undergoing a period of restructuring under new management, following the sale of the majority of its operational infrastructure assets. A number of opportunities, which are at an early stage of evaluation, have been identified in the water, transport and government accommodation sectors which could be beneficial to the wider Group.

### Construction & Engineering: Australasia and Asia

*This operating segment comprises four business units – Australia, New Zealand and Pacific, Southeast Asia and Built Environs. The Middle East business remains a joint venture operated in partnership with Dutco.*

Adjusted revenue for FY17 decreased by 25% to AUD912 million (2016: AUD1,2 million), and reflects the reduced level of activity across all business units.

Over the course of FY17, overheads were reduced by 20% to AUD79 million (2016: AUD98 million) and the cost structures were effectively adjusted and are commensurate

to the revenue profile of the Company. The costs associated with sales and tendering were in line with budget.

### Australia

Adjusted revenue declined by 38% to AUD328 million (2016: AUD525 million) due to the more selective approach to bidding. The Webb Dock project was completed during the year and performed in line with expectations. The operating earnings were negatively impacted by margin slippage on a few loss-making contracts, most of which were completed in 2017. The new contracts secured in FY17 are being executed at tendered margins.

### Southeast Asia

Revenue decreased by 32% to AUD237 million (2016: AUD346 million) as a result of a major transmission pipeline in Thailand being completed in the prior year. The operational results were negatively impacted by underperformance on two infrastructure projects in Singapore. Both these projects are scheduled for completion during the first half of 2018. The Tangguh LNG export jetty contract, which was awarded to the business in 2017, is being executed at tendered margins.

### New Zealand and Pacific Islands

Revenue reduced by 16% to AUD270 million (2016: AUD323 million) as the business unit successfully delivered the Waterview tunnel project and its work on the Christchurch infrastructure rebuild programmes. Even though some projects exceeded tendered margins within the business, these performances were not sufficient to compensate for the adverse impacts of the underperformance on the NOIC and Kawarua Falls Bridge projects, resulting in an overall operating loss for this business. These two loss-making contracts are scheduled for completion during 2018.

### Built Environs

Built Environs has experienced a more than 100% increase in work in-hand compared to the same time last year, increasing revenue by 5%. New contract awards

include the West Franklin Residential Development, Midvale Shopping Centre and Urbanest Student Housing projects. All projects are performing to tendered margin and there is a good pipeline of work opportunities in both Australia and New Zealand.

### Aveng Mining

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

The segment reported a decrease in revenue to R4,1 billion (June 2016: R5,0 billion). Net operating earnings decreased by 21% to R219 million (June 2016: R276 million). The gross margin remained at 5% against the comparative period. The pressures experienced by clients due to the downturn in the commodity cycle are still evident in the current year's results; however, the second half has seen significant improvement in the open cut business.

Equipment underperformance has negatively impacted a contract in Burkina Faso. However, new drill rigs have been deployed in the last quarter and have been effectively commissioned. High-level meetings have been held in July with the client to mitigate any further losses and agree a revised scope.

The Bakubung platinum mine separation agreement was concluded on 20 September 2016 with full site evacuation in mid-June 2016. The impact is accounted for in the current year's results. The finalisation of this agreement removes significant risk from the business.

The Shondoni mine contract was terminated in April 2017. Aveng Mining and Sasol Mining entered into an unsuccessful mediation process and the business will proceed with arbitration in order to resolve the dispute.

The Gamsberg (South Africa) and Karowe (Botswana) mine contracts that commenced in the second half have been mobilised and are progressing to plan. Due to the upturn in

the commodity prices, existing contracts have also started to increase their volumes.

The mining operating group has made significant investments in the business through various financing type arrangements to effectively demonstrate the ability to lower its cost of capital and maintain an effective mixture of on versus off-balance sheet arrangements. The balance sheet of the mining business continues to remain conservative to allow for any new projects to be capitalised.

### Manufacturing and Processing

*This operating segment comprises Aveng Manufacturing and Aveng Steel.*

Revenue decreased by 10% to R7,9 billion (2015: R8,8 billion). Net operating loss improved significantly to a loss of R3 million (2016: R70 million loss).

#### Aveng Manufacturing

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

Revenue decreased by 18% to R2,4 billion (2016: R3,0 billion). Net operating earnings (EBIT) decreased by 47% to R51 million (2016: R96 million). Top line decline is evident in rail, mining, infrastructure and oil & gas sectors in South Africa. Profit has decreased substantially in the second half of the year. Low GDP growth has seen the traditional manufacturing customer base struggle to gain traction, resulting in lower turnover. Projects and tenders have been slow to be awarded or are subsequently being delayed. Furthermore, key customers are holding back capital expenditure and expansions.

**Aveng ACS:** Revenue decreased by 7% to R408 million (2016: R441 million) due to lower project activity in the oil & gas sector.

**Aveng DFC:** Revenue increased by 3% to R481 million (2016: R469 million) due to higher turnover from the foreign subsidiaries. Lower local market demand

was prevalent in the water, mining, and projects markets. While South Africa, and European markets remained subdued, the Americas showed an increased growth trend.

**Aveng Duraset:** Revenue decreased by 7% to R454 million (2016: R487 million). Turnover decline can be attributed to a downturn in market demand from both local and export mines.

**Aveng Infraset:** Revenue decreased by 13% to R744 million (2016: R851 million). Market demand has declined in both the infrastructure and rail maintenance sectors. Consequently, there have been lower sleeper, pipes and paving tile sales.

**Aveng Rail:** Revenue decreased by 52% to R372 million (2016: R770 million). Rail maintenance and rail construction continues to remain sluggish in terms of sales for the second half of the year. Tenders have been slow to be awarded and the timelines are constantly being pushed out.

#### Aveng Steel

*This operating group consists of Aveng Trident Steel and Aveng Steeledale.*

Revenue decreased by 6% for Aveng Steel compared to the previous reporting period mainly as a result of the inclusion of six months' trading activities relating to Aveng Steeledale, which is being equity accounted from 1 January 2017. This was after a 70% beneficial interest was sold to Kutana Steel.

#### Aveng Trident Steel

Revenue increased by 10% compared to the previous reporting period. Volumes were flat; however, the business achieved a higher selling price per ton. Exchange rate volatility has had a negative impact on the business earnings. Aveng Steel continues to contribute positively to the Group's liquidity through improved working capital management. Its EBITDA improved to a R22 million loss compared to a R106 million loss for June 2016.

## Commentary continued

### Two-year order book

The Group's two-year order book amounted to R29,9 billion at 30 June 2017, increasing by 8% from the R27,7 billion reported at 31 December 2016. This includes a 1% increase in AUD terms in McConnell Dowell's book, translating into a 3% increase in Rand terms. The Aveng Mining order book increased by 29% or R1,7 billion, in line with increased activity in the commodities sector. Aveng Grinaker-LTA's order book increased by 2%. Securing quality work at targeted margins remains a priority.

The geographic split of the order book at 30 June 2017 was 51% Australasia and Asia (December 2016: 53%), 41% South Africa (December 2016: 41%) and 8% other (December 2016: 6%).

A number of new projects have been awarded in the period under review, these include:

- ▶ Aveng Grinaker-LTA has been awarded various Mechanical & Electrical maintenance contracts, the Mtentu bridge in the Eastern Cape, the Pampoennek road project in North West, and the

Fincorp office development in Mbabane, Swaziland

- ▶ McConnell Dowell was awarded the Murray Basin rail upgrade in Australia, Level Crossing Removal Authority, Western Programme Alliance, Australia, Dryandra Road in Australia, Australia Swanson dock east rehabilitation works in Melbourne, and the U2 on Waymouth development in Australia
- ▶ Aveng Mining was contracted to the Karowe (Botswana) and Gamsberg (South Africa) mines.

### Outlook and prospects

The markets serviced by McConnell Dowell are expected to offer growth opportunities over the medium-term. In Australia, the continued roll-out of large- and medium-sized projects in the major cities is set to continue. In Southeast Asia, opportunities exist in infrastructure in Singapore, Malaysia, Thailand and the Philippines. Government investment in large-scale transport and water projects will fuel growth in the New Zealand market.

Domestically the outlook for the infrastructure market remains subdued with limited visibility on large-scale projects. The muted outlook is expected to extend into the manufacturing sector. However, there are opportunities to increase the penetration into selected international markets.

The local construction and manufacturing businesses will remain focused on improving financial performance in what is expected to be a continuously difficult market environment.

The improved contract mining environment and some notable contract wins place the operating group in a strong position to pursue its longer term growth strategy in selected international markets.

Furthermore, the focus will remain on optimisation efforts in Aveng Steel to deliver a break-even result in the current depressed market conditions, which are expected to persist.

The immediate priority for the Group will be the completion of the strategic and operational reviews. Non-core assets have been identified and a disposal process has commenced.

The improvement of liquidity headroom will remain a key focus in the immediate term.

### Resignation of Aveng CEO

In compliance with paragraph 3.59 of the Listings Requirements of the JSE, Aveng wishes to announce that Mr Kobus Verster has informed the Company's Board of directors of his resignation as Chief Executive Officer and Executive Director, with immediate effect.

Kobus has made the decision to step down as CEO of the Company to pursue other opportunities.

Mr Eric Diack will assume the duties of CEO, until such time as a new CEO has been appointed.

### Financial assistance: Notice to shareholders in terms of section 45(5) of the Companies Act

In terms of the special resolution that was adopted by the Company at the Company's annual general meeting on 21 October 2016, the shareholders of the Company authorised the Company to provide financial assistance to all related and inter-related companies within the Group.

The Company will be providing loan funding to Aveng Australia Holdings Proprietary Limited. These loans constitute "financial assistance" as defined in section 45(1) of the Companies Act, 2008.

Accordingly, notice is hereby given that, in terms of the provisions of section 45(5) of the Companies Act, and pursuant to the special resolution referred to above, the Board of directors of the Company has adopted resolutions to approve the provision of financial assistance to Aveng Australia Holdings Proprietary Limited. The financial assistance will exceed one-tenth of 1% of the Company's net worth at the time of passing the resolution.

Having considered all reasonable financial circumstances of the Company in terms of and pursuant to the provisions of section 45 as read with section 4 of the Companies Act, the Board satisfied itself that:

- (a) immediately after providing the financial assistance referred to above, the Company would satisfy the solvency and liquidity test contemplated in section 4 of the Companies Act;
- (b) all relevant conditions and restrictions relating to the granting of such financial assistance by the Company contained

- in the Company's memorandum of incorporation are satisfied; and
- (c) the terms and conditions on which such financial assistance is to be given are fair and reasonable to the Company.

### 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



**AH Macartney**  
Chief Financial Officer

Date of release: 26 September 2017

# Summarised consolidated statement of financial position

as at 30 June 2017

	Notes	2017 Rm	2016 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill arising on consolidation		342	342
Intangible assets		271	325
Property, plant and equipment		4 611	4 843
Equity-accounted investments		334	100
Infrastructure investments		265	177
Deferred taxation	9	1 290	1 858
Amounts due from contract customers	10	756	1 417
		<b>7 869</b>	9 062
<b>Current assets</b>			
Inventories		2 085	2 211
Derivative instruments		2	20
Amounts due from contract customers	10	3 712	8 047
Trade and other receivables		1 840	2 058
Taxation receivable		61	–
Cash and bank balances		1 996	2 450
		<b>9 696</b>	14 786
Non-current assets held-for-sale		122	1 484
<b>TOTAL ASSETS</b>		<b>17 687</b>	25 332
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital and share premium		2 009	2 009
Other reserves		1 060	1 821
Retained earnings		2 981	9 689
Equity attributable to equity-holders of parent		6 050	13 519
Non-controlling interest		8	37
<b>TOTAL EQUITY</b>		<b>6 058</b>	13 556
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred taxation	9	319	266
Borrowings and other liabilities	11	1 945	1 770
Payables other than contract-related	12	133	–
Employee-related payables		312	379
		<b>2 709</b>	2 415
<b>Current liabilities</b>			
Amounts due to contract customers	10	1 351	1 322
Borrowings and other liabilities	11	1 121	1 214
Payables other than contract-related	12	21	–
Employee-related payables		501	559
Derivative instruments		17	27
Trade and other payables		5 909	5 886
Taxation payable		–	106
		<b>8 920</b>	9 114
Non-current liabilities held-for-sale		–	247
<b>TOTAL LIABILITIES</b>		<b>11 629</b>	11 776
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17 687</b>	25 332

## Summarised consolidated statement of comprehensive earnings

for the year ended 30 June 2017

	Notes	2017 Rm	2016 Rm
Revenue		23 456	33 755
Cost of sales		(26 591)	(31 260)
<b>Gross earnings</b>		<b>(3 135)</b>	2 495
Other earnings		206	591
Operating expenses		(2 305)	(2 808)
Earnings / (loss) from equity-accounted investments		4	(132)
<b>Operating (loss) / earnings</b>		<b>(5 230)</b>	146
South African government settlement		(165)	–
<b>Net operating (loss) / earnings</b>		<b>(5 395)</b>	146
Impairment / loss on derecognition of property, plant and equipment and intangible assets	7	(278)	(333)
Profit on sale of property, plant and equipment		4	592
<b>(Loss) / earnings before financing transactions</b>		<b>(5 669)</b>	405
Finance earnings		198	211
Interest on convertible bonds		(237)	(225)
Other finance expenses		(405)	(327)
<b>(Loss) / earnings before taxation</b>		<b>(6 113)</b>	64
Taxation	13	(626)	(129)
<b>Loss for the period</b>		<b>(6 739)</b>	(65)
<b>Other comprehensive earnings</b>			
<b>Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):</b>			
Exchange differences on translating foreign operations		(773)	786
<b>Other comprehensive (loss) / earnings for the period, net of taxation</b>		<b>(773)</b>	786
<b>Total comprehensive (loss) / earnings for the period</b>		<b>(7 512)</b>	721
<b>Total comprehensive (loss) / earnings for the period attributable to:</b>			
Equity-holders of the parent		(7 481)	676
Non-controlling interest		(31)	45
		<b>(7 512)</b>	721
<b>(Loss) / earnings for the period attributable to:</b>			
Equity-holders of the parent		(6 708)	(101)
Non-controlling interest		(31)	36
		<b>(6 739)</b>	(65)
<b>Other comprehensive earnings for the period, net of taxation</b>			
Equity-holders of the parent		(773)	777
Non-controlling interest		–	9
		<b>(773)</b>	786
<b>Results per share (cents)</b>			
Loss – basic		(1 690,6)	(25,4)
Loss – diluted		(1 668,2)	(25,1)
<b>Number of shares (millions)</b>			
In issue		416,7	416,7
Weighted average		396,8	397,4
Diluted weighted average		402,1	402,1

EBITDA for the Group, being net operating earnings before interest, tax, depreciation and amortisation is R (4 740) million (June 2016: R969 million).

## Summarised consolidated statement of changes in equity

for the year ended 30 June 2017

	Share capital Rm	Share premium Rm	Total share capital and premium Rm
<b>Balance at 1 July 2015</b>	20	2 003	2 023
Loss for the period	-	-	-
Other comprehensive earnings for the period (net of taxation)	-	-	-
<b>Total comprehensive earnings for the period</b>	-	-	-
Purchase of treasury shares	-	(23)	(23)
Equity-settled share-based payment release	-	9	9
Equity-settled share-based payment charge	-	-	-
Transfer of convertible bond option to convertible	-	-	-
Recognition of deferred tax on convertible bond	-	-	-
Decrease in equity investment	-	-	-
Dividends paid	-	-	-
<b>Total contributions and distributions recognised</b>	-	(14)	(14)
<b>Balance at 1 July 2016</b>	<b>20</b>	<b>1 989</b>	<b>2 009</b>
Loss for the period	-	-	-
Other comprehensive loss for the period (net of taxation)	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>
Equity-settled share-based payment charge	-	-	-
Decrease in equity investment	-	-	-
Dividends paid	-	-	-
<b>Total contribution and distributions recognised</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2017</b>	<b>20</b>	<b>1 989</b>	<b>2 009</b>



Foreign currency trans- lation reserve Rm	Equity- settled share- based payment reserve Rm	Conver- tible bond equity reserve Rm	Total other reserves Rm	Retained earnings Rm	Total attri- butable to equity- holders of the parent Rm	Non- controlling interest Rm	Total equity Rm
757	15	390	1 162	9 790	12 975	23	12 998
-	-	-	-	(101)	(101)	36	(65)
777	-	-	777	-	777	9	786
777	-	-	777	(101)	676	45	721
-	-	-	-	-	(23)	-	(23)
-	(9)	-	(9)	-	-	-	-
-	13	-	13	-	13	-	13
-	-	(122)	(122)	-	(122)	-	(122)
-	-	-	-	-	-	(29)	(29)
-	-	-	-	-	-	(2)	(2)
-	4	(122)	(118)	-	(132)	(31)	(163)
<b>1 534</b>	<b>19</b>	<b>268</b>	<b>1 821</b>	<b>9 689</b>	<b>13 519</b>	<b>37</b>	<b>13 556</b>
-	-	-	-	(6 708)	(6 708)	(31)	(6 739)
(773)	-	-	(773)	-	(773)	-	(773)
(773)	-	-	(773)	(6 708)	(7 481)	(31)	(7 512)
-	12	-	12	-	12	-	12
-	-	-	-	-	-	5	5
-	-	-	-	-	-	(3)	(3)
-	12	-	12	-	12	2	14
<b>761</b>	<b>31</b>	<b>268</b>	<b>1 060</b>	<b>2 981</b>	<b>6 050</b>	<b>8</b>	<b>6 058</b>

# Summarised consolidated statement of cash flows

for the year ended 30 June 2017

	Notes	2017 Rm	2016 Rm
<b>Operating activities</b>			
Cash (utilised) / retained from operations		(5 681)	529
Non-cash and other movements	14	4 490	(403)
<b>Cash (utilised) / retained from operations after non-cash movements</b>			
Depreciation		627	793
Amortisation		28	30
<b>Cash (utilised) / generated by operations</b>			
Changes in working capital:			
Decrease in inventories		163	150
Decrease in amounts due from contract customers		27	825
Decrease in trade and other receivables		198	206
Increase / (decrease) in amounts due to contract customers		29	(1 240)
Increase / (decrease) in trade and other payables		28	(782)
QCLNG advance repayment (trade and other payables)		–	(1 072)
Increase in derivative instruments		8	46
Movements in held-for-sale assets		(106)	–
Increase / (decrease) in payables other than contract-related		144	(102)
Decrease in employee-related payables		(79)	(254)
<b>Total changes in working capital</b>			
		412	(2 223)
<b>Cash utilised by operating activities</b>			
		(124)	(1 274)
Finance expenses paid		(531)	(458)
Finance earnings received		215	214
Taxation paid		(182)	(316)
<b>Cash outflow from operating activities</b>			
		(622)	(1 834)
<b>Investing activities</b>			
Acquisition of property, plant and equipment – expansion		(135)	(175)
Acquisition of property, plant and equipment – replacement		(793)	(319)
Proceeds on disposal of property, plant and equipment		315	161
Proceeds on disposal of other assets		104	–
Proceeds on disposal of ACP assets		821	–
Net proceeds on disposal of Steeledale assets		50	–
Proceeds on disposal of properties		–	1 127
Acquisition of intangible assets – expansion		–	(12)
Acquisition of intangible assets – replacement		(27)	(4)
<b>Capital expenditure net of proceeds on disposal</b>			
		335	778
Loans advanced to equity-accounted investments net of dividends received		(27)	(63)
Increase in equity-accounted investments		(11)	–
Net loans advanced / (repaid) to infrastructure investment companies		9	(13)
Dividend earnings		8	7
<b>Cash inflow from investing activities</b>			
		314	709
<b>Operating free cash outflow</b>			
		(308)	(1 125)
<b>Financing activities with equity-holders</b>			
Shares repurchased		–	(23)
Loans advanced / (repaid) by non-controlling interest		5	(20)
Dividends paid		(3)	(2)
Net (repayment of) / proceeds from borrowings		(25)	429
Net decrease in cash and bank balances before foreign exchange movements		(331)	(741)
Foreign exchange movements on cash and bank balances		(123)	315
Cash and bank balances at the beginning of the period		2 450	2 856
Cash related to assets held-for-sale		–	20
<b>Total cash and bank balances at the end of the period</b>			
		1 996	2 450
Borrowings excluding bank overdrafts		3 066	2 984
Net cash position		(1 070)	(534)

# Summarised consolidated accounting policies

for the year ended 30 June 2017

## 1. CORPORATE INFORMATION

The summarised audited consolidated financial statements (“results”) of Aveng Limited (the “Company”) and its subsidiaries (the “Group”) for the period ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 22 September 2017.

### 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.

## 2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

### Basis of preparation

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

These summarised audited consolidated financial statements are presented in South African Rand (“ZAR”) and all values are rounded to the nearest million (“Rm”) except where otherwise indicated. The summarised audited consolidated financial statements are prepared in accordance with IAS 34 *Interim Financial Statements* and the Listings Requirements of the Johannesburg Stock Exchange Limited (“JSE”). The accounting policies adopted are consistent with those of the previous year as well as the Group’s interim results as at 31 December 2016, except as disclosed in note 3: *New accounting standards and interpretations adopted, changes in accounting policies and other reclassifications*.

The summarised audited consolidated financial results do not include all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as at 30 June 2017 that are available on the Company’s website, [www.aveng.co.za](http://www.aveng.co.za).

The Company’s integrated report for the year ended 30 June 2017 will be available by 23 October 2017.

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

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

### Assessment of significance or materiality of amounts disclosed in these summarised results

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

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

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

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

The **Africa Construction** business included in the Construction and Engineering: South Africa and rest of Africa segment has been reallocated to Other and Eliminations segment.

## Summarised consolidated accounting policies continued

for the year ended 30 June 2017

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

	Balance as previously reported Rm	Africa Construction reallocation Rm	Restated balance Rm
<b>Segmental report as at 30 June 2016</b>			
<b>Total assets</b>			
Construction and Engineering: South Africa and rest of Africa	3 466	(15)	<b>3 451</b>
Construction and Engineering: Australasia and Asia	10 699	–	<b>10 699</b>
Mining	3 952	–	<b>3 952</b>
Manufacturing and Processing	5 470	–	<b>5 470</b>
Other and Eliminations	1 745	15	<b>1 760</b>
	25 332	–	<b>25 332</b>
<b>Total liabilities</b>			
Construction and Engineering: South Africa and rest of Africa	2 022	22	<b>2 044</b>
Construction and Engineering: Australasia and Asia	4 410	–	<b>4 410</b>
Mining	1 425	–	<b>1 425</b>
Manufacturing and Processing	2 162	–	<b>2 162</b>
Other and Eliminations	1 757	(22)	<b>1 735</b>
	11 776	–	<b>11 776</b>
<b>Statement of comprehensive earnings</b>			
Construction and Engineering: South Africa and rest of Africa	(187)	39	<b>(148)</b>
Construction and Engineering: Australasia and Asia	14	–	<b>14</b>
Mining	276	–	<b>276</b>
Manufacturing and Processing	(70)	–	<b>(70)</b>
Other and Eliminations	113	(39)	<b>74</b>
	146	–	<b>146</b>

### 4. SIGNIFICANT CHANGE IN ESTIMATES

The Group continuously makes estimates and assumptions, particularly with regard to construction contract profit taking, onerous loss provisions, arbitrations and claims.

These estimates and judgements are evaluated and are based on historic experience and other factors, including expectations of future events. These estimates may differ to the actual results.

In continuously assessing its recognised uncertified revenue position, the progress on the various outstanding claims and project performance in the context of current performance, the Group approved a write-down of a number of these claims during the period.

The protracted arbitration process with regards to the QCLNG claim has been finalised and an award outcome provided that McConnell Dowell was entitled to receive compensation from the customer. The award of AUD50,5 million (R508 million) was however less than the amount recognised as a receivable, resulting in a write-down of AUD235 million (R2,4 billion).

In assessing the estimates relating to long-outstanding uncertified revenue and claims, the Board has decided to write-down long-outstanding uncertified revenue and claims amounting to R2,7 billion, this has resulted in reduced revenue for the period. The write-down of the uncertified revenue and claims had an impact on the recoverability of the deferred tax asset resulting in a derecognition of R531 million.

The following factors guided the decision to write-down the uncertified revenue and claims:

- ▶ Certain unfavourable claim settlement awards most notably the recent QCLNG award, which realised substantially less than the carrying value, as well as the previously reported Kenmare Resources and Mokolo Crocodile Water Augmentation awards in South Africa.
- ▶ The current economic climate has resulted in an ever-increasing and protracted litigious environment, and costly process in bringing long-outstanding claims to commercial conclusion
- ▶ The increasing complexity of the claims and the associated commercial challenges
- ▶ The increasing limitation such a process has placed on management's ability and flexibility to balance the value of commercial settlements with the associated costs, business disruptions, client relationships and impact on the Group's reputation.

## 5. GOING CONCERN AND LIQUIDITY

As detailed in note 2 and note 17 to the financial statements, in determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The directors have considered these plans and forecasts, including all available information, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

In the 2017 financial year, the Company reported a loss after tax of R6,7 billion as a result of impairments, uncertified revenue and claims written-down and weak trading conditions in the market.

As a result of these losses, and continued difficult trading conditions in the wider industry, the Company's available cash resources in the foreseeable future have been negatively impacted. The Company continues to focus on improving operational efficiencies and reducing the overhead cost base across all businesses. A number of key initiatives have been implemented by the Company which include:

- ▶ 92% secured order book for the next 12 months
- ▶ Closing out loss-making projects
- ▶ Closing out contract claims positions
- ▶ Completion of optimisation processes
- ▶ Continued implementation of the Profit Improvement Programme at Aveng Manufacturing
- ▶ Disposal of non-core assets.

At the date of the statement of financial position, the Company had R1,4 billion in unutilised borrowing facilities and R2,0 billion in cash. Management has prepared a budget for the 2018 financial year and the following two years, as well as cash flow forecasts covering a minimum of 12 months from the date of these financial statements. Based on these forecasts and plans that are being implemented by management, these indicate that the Company will have sufficient cash resources for the foreseeable future.

Following the year-end, the Company re-negotiated its borrowings and operational and working capital funding positions with its major funding banks. These major funding banks have indicated that they remain supportive of the Group, and management believe that these facilities will provide adequate financial resources to enable the Group to meet its obligations over the next twelve months and beyond.

The directors have considered all of the above, including detailed consideration of all plans and forecasts, including all available information, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements, and that sufficient liquidity will be available to support the ongoing operations of the Company.

## 6. SEGMENTAL REPORT

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

These segments are components of the Group:

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

The Group's reportable segments are categorised as follows:

### 6.1 Construction and Engineering

#### 6.1.1 Construction and Engineering: South Africa and rest of Africa

This segment includes: Aveng Grinaker-LTA 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.

#### 6.1.2 Construction and Engineering: Australasia and Asia

This segment comprises McConnell Dowell and is divided into the following business units: Australia, New Zealand and Pacific, Built Environ, 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 & mineral construction.

### 6.2 Mining

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

### 6.3 Manufacturing and Processing

This segment comprises Aveng Manufacturing and Aveng Steel.

The revenues from this segment comprise the supply of products, services and solutions to the mining, construction, Oil & Gas, water, power and rail sectors across the 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 Steel business units include: Aveng Trident Steel and Aveng Steeledale (70% equity stake sold effective 1 January 2017).

### 6.4 Other and Eliminations

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

# Notes to the summarised consolidated financial statements

for the year ended 30 June 2017

## 6. SEGMENTAL REPORT continued

### Statement of financial position

	Construction and Engineering: South Africa and rest of Africa			Construction and Engineering: Australasia and Asia		
	2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%
<b>ASSETS</b>						
Goodwill arising on consolidation	–	–	–	100	100	–
Intangible assets	–	–	–	–	–	–
Property, plant and equipment	398	433	(8,1)	602	805	(25,2)
Equity-accounted investments	(40)	75	>(100,0)	52	56	(7,1)
Infrastructure investments	123	49	>100,0	–	–	–
Deferred taxation	143	79	81,0	551	940	(41,4)
Derivative instruments	–	–	–	–	–	–
Amounts due from contract customers	876	1 169	(25,1)	3 029	7 167	(57,7)
Inventories	40	9	>100,0	9	10	(10,0)
Trade and other receivables	112	243	(53,9)	86	96	(10,4)
Taxation receivable	12	–	100,0	10	–	100,0
Cash and bank balances	237	534	(55,6)	1 237	1 441	(14,2)
Non-current assets held-for-sale	4	860	(99,5)	–	84	(100,0)
<b>Total assets</b>	<b>1 905</b>	<b>3 451</b>	<b>(44,8)</b>	<b>5 676</b>	<b>10 699</b>	<b>(47,9)</b>
<b>LIABILITIES</b>						
Deferred taxation	–	149	(100,0)	–	104	(100,0)
Borrowings and other liabilities	–	–	–	921	905	1,8
Payables other than contract-related	–	–	–	–	–	–
Employee-related payables	173	200	(13,5)	298	372	(19,9)
Derivative instruments	–	–	–	–	–	–
Trade and other payables	966	1 240	(22,1)	2 304	2 209	4,3
Amounts due to contract customers	394	435	(9,4)	854	753	13,4
Taxation payable	–	20	(100,0)	–	67	(100,0)
Non-current liabilities held-for-sale	–	–	–	–	–	–
<b>Total liabilities</b>	<b>1 533</b>	<b>2 044</b>	<b>(25,0)</b>	<b>4 377</b>	<b>4 410</b>	<b>(0,7)</b>

Mining			Manufacturing and Processing			Other and Eliminations			Total		
2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%
-	-	-	10	10	-	232	232	-	342	342	-
28	20	40,0	95	142	(33,1)	148	163	(9,2)	271	325	(16,6)
2 539	2 294	10,7	766	976	(21,5)	306	335	(8,7)	4 611	4 843	(4,8)
4	4	-	(1)	-	(100,0)	319	(35)	>100,0	334	100	>100,0
-	-	-	-	-	-	142	128	10,9	265	177	49,7
47	129	(63,6)	19	(74)	>100,0	530	784	(32,4)	1 290	1 858	(30,6)
2	19	(89,5)	-	1	(100,0)	-	-	-	2	20	(90,0)
764	675	13,2	86	223	(61,4)	(287)	230	>(100,0)	4 468	9 464	(52,8)
211	244	(13,5)	1 825	1 949	(6,4)	-	(1)	100,0	2 085	2 211	(5,7)
93	115	(19,1)	1 413	1 405	0,6	136	199	(31,7)	1 840	2 058	(10,6)
25	-	100,0	(1)	-	(100,0)	15	-	100,0	61	-	100,0
410	452	(9,3)	505	424	19,1	(393)	(401)	2,0	1 996	2 450	(18,5)
-	-	-	-	414	(100,0)	118	126	(6,3)	122	1 484	(91,8)
4 123	3 952	4,3	4 717	5 470	(13,8)	1 266	1 760	(28,1)	17 687	25 332	(30,2)
184	257	(28,4)	2	5	(60,0)	133	(249)	>100,0	319	266	19,9
317	340	(6,8)	4	7	(42,9)	1 824	1 732	5,3	3 066	2 984	2,7
-	-	-	-	-	-	154	-	100,0	154	-	100,0
187	217	(13,8)	75	95	(21,1)	80	54	48,1	813	938	(13,3)
-	-	-	17	27	(37,0)	-	-	-	17	27	(37,0)
677	528	28,2	1 757	1 720	2,2	205	189	8,5	5 909	5 886	0,4
85	70	21,4	1	47	(97,9)	17	17	-	1 351	1 322	2,2
-	13	(100,0)	-	(2)	100,0	-	8	(100,0)	-	106	(100,0)
-	-	-	-	263	(100,0)	-	(16)	100,0	-	247	(100,0)
1 450	1 425	1,8	1 856	2 162	(14,2)	2 413	1 735	39,1	11 629	11 776	(1,2)

## Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2017

### 6. SEGMENTAL REPORT continued

#### Statement of comprehensive earnings

	Construction and Engineering: South Africa and rest of Africa			Construction and Engineering: Australasia and Asia		
	2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%
Gross revenue	5 876	7 344	(20,0)	6 183	12 828	(51,8)
Cost of sales	(5 843)	(7 117)	17,9	(9 767)	(11 737)	16,8
<b>Gross earnings</b>	<b>33</b>	227	(85,5)	<b>(3 584)</b>	1 091	>(100,0)
Other earnings	60	315	(81,0)	9	18	(50,0)
Operating expenses	(481)	(632)	23,9	(810)	(1 022)	20,7
Earnings from equity-accounted investments	(4)	(58)	93,1	15	(73)	>100,0
<b>Net operating (loss) / earnings</b>	<b>(392)</b>	(148)	>(100,0)	<b>(4 370)</b>	14	>(100,0)
South African government settlement	–	–	–	–	–	–
<b>Net operating (loss) / earnings</b>	<b>(392)</b>	(148)	>(100,0)	<b>(4 370)</b>	14	>(100,0)
Impairment / loss on derecognition of property, plant and equipment and intangible assets	33	–	100,0	–	–	–
Profit on sale of property, plant and equipment	–	–	–	–	–	–
<b>(Loss) / earnings before financing transaction</b>	<b>(359)</b>	(148)	>(100,0)	<b>(4 370)</b>	14	>(100,0)
Net finance earnings / (expenses)	14	35	(60,0)	(179)	(109)	(64,2)
<b>(Loss) / earnings before taxation</b>	<b>(345)</b>	(113)	>(100,0)	<b>(4 549)</b>	(95)	>(100,0)
Taxation	93	(90)	>100,0	(209)	3	>(100,0)
<b>(Loss) / earnings for the period</b>	<b>(252)</b>	(203)	(24,1)	<b>(4 758)</b>	(92)	>(100,0)
Capital expenditure	80	42	90,5	168	150	12,0
Depreciation	(69)	(75)	8,0	(175)	(248)	29,4
Amortisation	–	(1)	100,0	–	–	–
<b>(Loss) / earnings before interest, taxation, depreciation and amortisation (EBITDA)</b>	<b>(323)</b>	(72)	>(100,0)	<b>(4 195)</b>	262	>(100,0)



Mining			Manufacturing and Processing			Other and Eliminations			Total		
2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%	2017 Rm	2016 Rm	%
<b>4 184</b>	5 026	(16,8)	<b>7 936</b>	8 794	(9,8)	<b>(723)</b>	(237)	>(100,0)	<b>23 456</b>	33 755	(30,5)
<b>(3 774)</b>	(4 586)	17,7	<b>(7 444)</b>	(8 289)	10,2	<b>237</b>	469	(49,5)	<b>(26 591)</b>	(31 260)	14,9
<b>410</b>	440	(6,8)	<b>492</b>	505	(2,6)	<b>(486)</b>	232	>(100,0)	<b>(3 135)</b>	2 495	>(100,0)
<b>6</b>	72	(91,7)	<b>108</b>	130	(16,9)	<b>23</b>	56	(58,9)	<b>206</b>	591	(65,1)
<b>(197)</b>	(235)	16,2	<b>(603)</b>	(705)	14,5	<b>(214)</b>	(214)	–	<b>(2 305)</b>	(2 808)	17,9
<b>–</b>	(1)	100,0	<b>–</b>	–	–	<b>(7)</b>	–	(100,0)	<b>4</b>	(132)	>100,0
<b>219</b>	276	(20,7)	<b>(3)</b>	(70)	95,7	<b>(684)</b>	74	>(100,0)	<b>(5 230)</b>	146	>(100,0)
<b>–</b>	–	–	<b>–</b>	–	–	<b>(165)</b>	–	(100,0)	<b>(165)</b>	–	(100,0)
<b>219</b>	276	(20,7)	<b>(3)</b>	(70)	95,7	<b>(849)</b>	74	>(100,0)	<b>(5 395)</b>	146	>(100,0)
<b>1</b>	(38)	>100,0	<b>(273)</b>	(295)	7,5	<b>(39)</b>	–	(100,0)	<b>(278)</b>	(333)	16,5
<b>–</b>	–	–	<b>3</b>	22	(86,4)	<b>1</b>	570	(99,8)	<b>4</b>	592	(99,3)
<b>220</b>	238	(7,6)	<b>(273)</b>	(343)	20,4	<b>(887)</b>	644	>(100,0)	<b>(5 669)</b>	405	>(100,0)
<b>(20)</b>	(10)	(100,0)	<b>(46)</b>	(21)	>(100,0)	<b>(213)</b>	(236)	9,7	<b>(444)</b>	(341)	(30,2)
<b>200</b>	228	(12,3)	<b>(319)</b>	(364)	12,4	<b>(1 100)</b>	408	>(100,0)	<b>(6 113)</b>	64	>(100,0)
<b>(90)</b>	(123)	26,8	<b>70</b>	120	(41,7)	<b>(490)</b>	(39)	>(100,0)	<b>(626)</b>	(129)	>(100,0)
<b>110</b>	105	4,8	<b>(249)</b>	(244)	(2,0)	<b>(1 590)</b>	369	>(100,0)	<b>(6 739)</b>	(65)	>(100,0)
<b>557</b>	151	>100,0	<b>142</b>	139	2,2	<b>8</b>	28	(71,4)	<b>955</b>	510	87,3
<b>(269)</b>	(336)	19,9	<b>(102)</b>	(123)	17,1	<b>(11)</b>	(11)	–	<b>(626)</b>	(793)	21,1
<b>(1)</b>	–	(100,0)	<b>(13)</b>	(13)	–	<b>(15)</b>	(16)	6,3	<b>(29)</b>	(30)	3,3
<b>489</b>	612	(20,1)	<b>112</b>	66	69,7	<b>(823)</b>	101	>(100,0)	<b>(4 740)</b>	969	>(100,0)

## Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2017

### 6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	<b>2017 Revenue Rm</b>	2016 Revenue Rm	<b>2017 Segment assets Rm</b>	2016 Segment assets Rm	<b>2017 Capital expen- diture Rm</b>	2016 Capital expen- diture Rm
South Africa	<b>15 281</b>	18 511	<b>11 172</b>	12 850	<b>684</b>	353
Rest of Africa including Mauritius	<b>1 717</b>	1 743	<b>1 157</b>	1 416	<b>102</b>	6
Australia	<b>1 193</b>	5 794	<b>2 751</b>	7 933	<b>94</b>	56
New Zealand	<b>2 580</b>	3 514	<b>798</b>	1 050	<b>25</b>	35
Southeast Asia	<b>2 427</b>	3 542	<b>1 631</b>	1 752	<b>49</b>	58
Middle East and other regions	<b>258</b>	651	<b>178</b>	331	<b>1</b>	2
	<b>23 456</b>	33 755	<b>17 687</b>	25 332	<b>955</b>	510

### 7. IMPAIRMENTS

As at 30 June 2017, it was necessary to impair assets due to the subdued economic conditions affecting the Aveng Steel, Aveng Mozambique and Aveng Mining businesses, as well as unused assets at Aveng Grinaker-LTA. An impairment charge totalling R225 million was recognised against ancillary operations comprising property, plant and equipment in the *Manufacturing and Processing* (R220 million charge), *Construction and Engineering: South Africa and rest of Africa* (R2 million charge), *Mining* (net recoverability of R1 million) and *Other and Eliminations* (R4 million charge) segments respectively.

A further impairment charge totalling R53 million relating to intangible assets was recognised comprising the *Manufacturing and Processing* (R52 million charge) segment and *Other and Eliminations* segment (R1 million charge) during the period ended 30 June 2017.

During the period ended 30 June 2016, impairment charge totalling R333 million was recognised against ancillary operations comprising property, plant and equipment in the *Manufacturing and Processing* (R295 million charge) and *Mining* (R38 million charge) segments respectively.

#### Impairments recognised during the year

	<b>2017 Rm</b>	2016 Rm
Intangible assets	<b>(53)</b>	–
Property, plant and equipment	<b>(225)</b>	(333)
	<b>(278)</b>	(333)

	2017		2016	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
<b>8. HEADLINE LOSS</b>				
<b>Determination of headline loss</b>				
Loss for the period attributable to equity holders of parent		(6 708)		(101)
Impairment of property, plant and equipment	225	221	333	302
Impairment of intangible assets	53	53	–	–
Gain on Steeledale transaction	(2)	(2)	–	–
Profit on sale of property, plant and equipment	(14)	(13)	(610)	(500)
<b>Headline loss</b>		<b>(6 449)</b>		<b>(299)</b>
			<b>2017</b>	2016
			<b>Rm</b>	<b>Rm</b>
<b>9. DEFERRED TAXATION</b>				
<b>Reconciliation of deferred taxation asset</b>				
At the beginning of the year			1 858	1 580
Recognised in earnings or loss – current year*		(433)		165
Recognised in earnings or loss – adjustment for prior year*		(38)		4
Effect of change in foreign tax rate*		–		(7)
Foreign currency translation movement		(85)		158
Reallocation from deferred taxation liability		(10)		(42)
Disposal of subsidiary		(2)		–
			<b>1 290</b>	<b>1 858</b>
<b>Reconciliation of deferred taxation liability</b>				
At the beginning of the year			(266)	(221)
Recognised in earnings or loss – current year*		(77)		60
Recognised in earnings or loss – adjustment for prior year*		13		(23)
Accounted for directly in equity		–		(122)
Reallocation to deferred taxation asset		10		42
Foreign currency translation movement		1		(2)
			<b>(319)</b>	<b>(266)</b>

\* The net movement on deferred taxation amounts to R535 million (2016: R199 million) in the statement of comprehensive earnings.

## Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2017

	2017 Rm	2016 Rm
<b>9. DEFERRED TAXATION</b> <small>continued</small>		
<b>Deferred taxation asset balance at the year-end comprises:</b>		
Accelerated capital allowances	(229)	(5)
Provisions	256	231
Contracts	51	(93)
Other	44	(38)
Assessed losses carried forward	1 168	1 763
	<b>1 290</b>	1 858
<b>Deferred taxation liability balance at the year-end comprises:</b>		
Accelerated capital allowances	(418)	(375)
Provisions	17	16
Contracts	(4)	6
Other	(85)	74
Convertible bond	(62)	(84)
Assessed losses carried forward	233	97
	<b>(319)</b>	(266)

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

As at June 2017 the Group had unused taxation losses of R13 201 million (2016: R7 480 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R4 949 million (2016: R5 854 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R8 252 million (2016: R1 626 million) due to the uncertainty of future taxable profits in the related legal entities.

### Unused tax losses

The Group performed a five-year forecast for the financial years 2018 to 2022, which is the key evidence that supports the recognition of the deferred taxation assets. This forecast specifically focused on Aveng (Africa) Proprietary Limited and Aveng Australia Holdings. Certain restructuring and corporate actions, including sale of 70% of Steeledale and sale of investments held by Aveng Capital Partners have been effected. In addition, the Aveng Grinaker-LTA transaction is expected to be effective during the 2018 financial year.

The write-off of uncertified revenue resulted in an additional tax loss in McConnell Dowell, a subsidiary of Aveng Limited. No additional deferred tax asset which would have amounted to R1 305 million has been recognised in this regard.

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

	2017 Rm	2016 Rm
<b>10. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS</b>		
Uncertified claims and variations (underclaims)** <sup>1</sup>	1 760	6 584
Contract contingencies**	(701)	(390)
Progress billings received (including overclaims) <sup>2</sup>	(1 205)	(1 014)
<b>Uncertified claims and variations less progress billings received</b>	<b>(146)</b>	5 180
Contract receivables <sup>3</sup>	3 262	3 146
Provision for contract receivables	(2)	(2)
Retention receivables <sup>4</sup>	149	126
	<b>3 263</b>	8 450
Amounts received in advance <sup>5</sup>	(146)	(308)
<b>Net amounts due from contract customers</b>	<b>3 117</b>	8 142
<b>Disclosed on the statement of financial position as follows:</b>		
Uncertified claims and variations**	1 760	6 584
Contract contingencies	(701)	(390)
Contract and retention receivables	3 411	3 272
Provision for contract receivables	(2)	(2)
<b>Amounts due from contract customers</b>	<b>4 468</b>	9 464
Progress billings received	(1 205)	(1 014)
Amounts received in advance	(146)	(308)
<b>Amounts due to contract customers</b>	<b>(1 351)</b>	(1 322)
<b>Net amounts due from contract customers</b>	<b>3 117</b>	8 142

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

<sup>1</sup> Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.

<sup>2</sup> Progress billings are amounts billed for work performed above revenue recognised.

<sup>3</sup> Amounts invoiced still due from customers.

<sup>4</sup> 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.

<sup>5</sup> Advances are amounts received from the customer before the related work is performed.

	Uncertified claims and variations Rm	Provision for amounts due from contract customers Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
<b>2017</b>						
Amounts due from contract customers						
Non-current assets	756	–	–	–	–	756
Current assets	1 004	(701)	3 262	(2)	149	3 712
	<b>1 760</b>	<b>(701)</b>	<b>3 262</b>	<b>(2)</b>	<b>149</b>	<b>4 468</b>
<b>2016</b>						
Non-current assets	1 417	–	–	–	–	1 417
Current assets	5 167	(390)	3 146	(2)	126	8 047
	6 584	(390)	3 146	(2)	126	9 464
Amounts due from contract customers includes R908 million (2016: R4,7 billion) which is subject to protracted legal proceedings.						

## Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2017

	2017 Rm	2016 Rm
<b>11. BORROWINGS AND OTHER LIABILITIES</b>		
<b>Borrowings held at amortised cost</b>		
Interest-bearing borrowings comprise:		
<b>Payment profile</b>		
– within one year	1 121	1 214
– between two to five years	1 945	1 770
	<b>3 066</b>	2 984
<b>Interest rate structure</b>		
<b>Fixed and variable (interest rates)</b>		
Fixed – long term	1 901	1 635
Fixed – short term	348	285
Variable – long term	48	136
Variable – short term	769	928
	<b>3 066</b>	2 984

For more information on the funding confirmations from major funding banks refer to note 17.

For the full list of borrowings including terms and rate of interest refer to the Borrowings note in the consolidated financial statements available on the Group's website.

	2017 Rm	2016 Rm
Finance lease liabilities are payable as follows:		
<b>Minimum lease payments due</b>		
– within one year	206	321
– in two to five years	184	194
Less: future finance charges	(38)	(30)
<b>Present value of minimum lease payments</b>	<b>352</b>	485

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 AUD6 million (2016: AUD12 million). The amount outstanding on these facilities as at year end was AUD3 million (2016: AUD10 million) and is equivalent to R31 million (2016: R96 million). These asset-based arrangements were secured by plant and equipment with a net carrying amount of R52 million (2016: R109 million).

The **Mining** operating segment entered into various asset-based finance lease agreements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in November 2021. The total amount outstanding on these facilities amounted to R317 million (2016: R335 million). Equipment with a net carrying amount of R494 million (2016: R471 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 R3 million (2016: R7 million) has been pledged as security.

**12. PAYABLES OTHER THAN CONTRACT-RELATED**

	Opening balance Rm	Additions Rm	Utilised Rm	Un- winding of discount Rm	Total Rm
<b>Reconciliation of payables other than contract related 2017</b>					
Payables other than contract-related	-	165	(21)	10	154
				<b>2017 Rm</b>	2016 Rm
Current liabilities				21	-
Non-current liabilities				133	-
				154	-

**South African government settlement**

Following an extensive period of negotiation, the South African government and the participating construction companies have concluded the settlement agreement which addresses outstanding legacy issues and commits to a plan which will ensure the repositioning of the South African construction sector. All parties to the settlement agreement acknowledge the need to foster a better relationship between the government and the construction industry going forward.

A provision has been made for the annual payment of R21,25 million over 12 years. This provision was discounted to a value of R165 million. The first payment was made during the current financial year.

	2017 Rm	2016 Rm
<b>13. TAXATION</b>		
<b>Major components of the taxation expense</b>		
<b>Current</b>		
Local income taxation – current period	42	20
Local income taxation – recognised in current taxation for prior periods	21	18
Foreign income taxation or withholding taxation – current period	30	346
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	(2)	(56)
	91	328
<b>Deferred</b>		
Deferred taxation – current period	510	(225)
Deferred taxation – foreign tax rate change	-	7
Deferred taxation – arising from prior period adjustments	25	19
	535	(199)
	626	129
	<b>2017 %</b>	2016 %
<b>Reconciliation of the taxation expense</b>		
<b>Effective taxation rate on earnings</b>		
Exempt income and capital profits	(10,2)	201,0
Deferred taxation asset not recognised	0,1	328,5
Disallowable charges*	37,6	(144,6)
Prior year adjustment	1,7	(303,1)
Foreign tax rate differential and other	0,3	29,2
Withholding taxation	(1,6)	130,8
	0,1	(213,8)
	28,0	28,0

\* This relates mainly to the impact of the VRR payment which is treated as a non-deductible expense and foreign exchange differences recognised in other comprehensive income.

South African income taxation is calculated at 28% (2016: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

## Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2017

	2017 Rm	2016 Rm
<b>14. NON-CASH AND OTHER MOVEMENTS</b>		
Earnings from disposal of property, plant, equipment and vehicles	(147)	(648)
Gain on Steeledale transaction	(2)	–
Impairment of goodwill, property, plant and equipment and intangible assets	278	333
Fair value adjustments	(56)	(306)
Movements in foreign currency translation	(562)	205
Movement in equity-settled share-based payment reserve	12	13
Claims write-down*	4 967	–
	<b>4 490</b>	<b>(403)</b>

\* Claims write-down includes QCLNG R2,4 billion and Other uncertified revenue and claims R2,7 billion, refer note 4 Significant change in estimates.

<b>15. CONTINGENT LIABILITIES</b>		
<b>Contingent liabilities at the reporting date, not otherwise provided for in the consolidated financial statements, arise from performance bonds and guarantees issued in:</b>		
<b>South Africa and rest of Africa</b>		
Guarantees and bonds (ZARm)	3 014	3 615
Parent company guarantees (ZARm)	507	516
	<b>3 521</b>	<b>4 131</b>
<b>Australasia and Asia</b>		
Guarantees and bonds (AUDm)	326	409
Parent company guarantees (AUDm)	588	521
	<b>914</b>	<b>930</b>

### 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

In the current period, a counter claim against the Group was awarded to Kenmare Resources to the value of R150 million for professional indemnity insurance. The Group has lodged a claim against the insurer to recover this amount.

## 16. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- ▶ Infrastructure investments; and
- ▶ Forward exchange contracts.

The Group has reassessed the fair value of its infrastructure investments and those transferred to held-for-sale as at 30 June 2017, R56 million (2015: R251 million) of unrealised gains have been recognised during the current financial year.

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



## 17. EVENTS AFTER THE REPORTING PERIOD AND PENDING TRANSACTIONS

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

### **QCLNG claims settlement update**

Following various contractual disputes and a protracted arbitration process, the International Chamber of Commerce (“ICC”) has determined that McConnell Dowell has received an amount of AUD50,5 million (R508 million) (including interest), being 50% of the total award to the joint venture.

The key features of the award include:

- ▶ AUD50,5 million (R508 million) to be settled immediately;
- ▶ Each party is accountable for its own legal expenses; and adequate provision has been made for McConnell Dowell’s legal fees to date; and
- ▶ The QCLNG award is binding and final, with very limited appeal rights.

Given that the quantum of the QCLNG award is below the value of the claims, we have recorded a write-down of AUD235 million (R2,4 billion) in the reported results for the year ended 30 June 2017.

### **Liquidity, solvency, Group-wide funding, strategic review, and going concern assertion**

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

#### ***Funding confirmation from major South African funding banks***

Subsequent to the year-end and following the reported outcome of the QCLNG award, the Group engaged with its major funding banks who currently provide various facilities to the Group under existing agreements. Refer to note 11. This engagement resulted in the conclusion of an overarching term sheet between the Group and these major funding banks providing for:

- ▶ All banking facilities with the major funding banks that were in place at the year-end, will remain in place under similar terms until at least 31 October 2018;
- ▶ An additional facility will be made available by The Standard Bank of South Africa Limited, in the amount of R150 million on similar terms to those agreed with other funding banks;
- ▶ To the extent permitted under the Group’s convertible bond, the security position of the major funding banks for their new and existing funding arrangements will be enhanced by granting security over certain currently unencumbered assets; and
- ▶ Ongoing compliance with financial covenants including an EBITDA covenant, a liquidity headroom covenant, and a guarantee cover ratio.

Following credit approval by all the major funding banks, this term sheet has been approved by the Board and the Group will now commence the process of formalising these term sheets with the major funding banks and expects this to be completed in due course.

#### ***Recapitalisation of Australian-based operating subsidiary***

In conjunction with the above and following the QCLNG award and the re-evaluation of the long outstanding uncertified revenue, the Group has executed a recapitalisation and working capital injection into its Australian-based operating subsidiaries through Aveng Australia Holdings and McConnell Dowell Corporation Limited. The recapitalisation process included the settlement of loans at Aveng Australia Holdings and the subscription for shares by Aveng Australia Holdings Proprietary Limited in McConnell Dowell Corporation Limited.

This action is sufficient to establish a renewed capital base and working capital structure, as well as to provide the appropriate liquidity availability for these operations to execute their financial plans in the foreseeable future. The Australian-based operating subsidiary will continue to receive financial and operational support and has been provided with adequate liquidity to execute its business plan.

#### ***Strategic review – medium and long term planning***

With a view to the medium and long term strategy of the Group’s overall financial and operational structure, an independent professional adviser has been engaged to undertake an overall strategic review of the Group. This review began during August 2017, and incorporates the consideration and evaluation of all key requirements to both support and enhance the future sustainability of the Group, including among others:

- ▶ Recommending a sustainable future capital and funding model for the Group over the medium term, including recommendations specific to the Australian-based operating structure and planning for funding options required to fund the repayment of the Group’s R2 billion convertible bond maturing in July 2019, refer to note 11.
- ▶ The identification of operating businesses and assets that are core to the Group and support the overall Group long term strategy.

The outcome of the strategic review is expected to be completed by 30 November 2017.

## Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2017

### 17. **EVENTS AFTER THE REPORTING PERIOD AND PENDING TRANSACTIONS** continued

#### ***Disposal planning for non-core assets***

Post the year-end, the Group has identified certain assets as non-core, and will embark on a plan during the financial year to 30 June 2018 to realise value from the disposal of these assets. These assets comprise various non-core fixed properties and other non-core minority interests.

Once the plan has been executed, and the non-core assets have been disposed of, a portion of the net proceeds received will be either earmarked or applied as part of a plan to reduce debt in the South Africa, and a portion will be utilised to further enhance the working capital structure of the Group.

#### ***Aveng Grinaker-LTA empowerment transaction***

Following overwhelming shareholder support for the Aveng Grinaker-LTA empowerment transaction, which will result in the sale of 51% beneficial interest in the business to Kutana Construction. The Group has received unconditional approval from both the South African Competition Commission and competition authorities in Namibia, Botswana and Swaziland. The effective date of the transaction is 1 October 2017 subject to all the conditions precedent being met.

#### ***Genrec award***

Following the long outstanding dispute between Genrec Engineering Proprietary Limited ("Genrec") and the Aveng Steel Fabrication division, and which relates to Aveng's entitlement to compensation as determined by an arbitration award in August 2014, the Dispute Adjudication Board ("DAB") ordered Genrec to pay to Aveng the sum of R123 million; and in addition, to pay interest on such sum at the simple interest rate of 15,5% from 1 September 2011 to date of payment.

The DAB is currently curing calculation errors in its award, which amended award has not yet been delivered to the parties. The parties have agreed that the final value of the award is R124 million (excluding interest).

In terms of the initial award, the total cash award payable to Aveng is R238 million. Genrec is obliged to promptly give effect to the terms of the award and make payment. The award will remain binding unless and until overturned by way of an arbitration process which may follow.

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# Notice of Annual General Meeting

for the year ended 30 June 2017

## Aveng Limited

(Incorporated in the Republic of South Africa) (Registration number: 1944/018119/06) ISIN: ZAE000111829  
Share code: AEG (Aveng or Company)

Notice is hereby given that the 73rd Annual General Meeting (the AGM) of the shareholders of Aveng Limited will be held in the boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg, on Friday, 24 November 2017 at 10h00 to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008 (the Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements), which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 17 November 2017. Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

In terms of the provisions of the Act and the Company's memorandum of incorporation, ordinary resolutions require the approval of more than 50% of the votes cast by shareholders present or represented by proxy at the AGM while special resolutions require approval by at least 75% of such votes.

Shareholders are also referred to the explanatory notes on the AGM on pages 39 and 40.

## Presentation of annual financial statements

The consolidated audited annual financial statements of the Company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the year ended 30 June 2017 have been distributed as required and will be presented to shareholders as required in terms of section 30(3)(d) of the Act.

## Report of the social, ethics and transformation committee

In accordance with Companies Regulation 43(5)(c), issued in terms of the Act, the chairman of the social, ethics and transformation committee or, in his absence, any member of the committee, will present a report to shareholders at the AGM.

## Ordinary resolutions 1.1 to 1.3:

### Re-election of directors

To re-elect, by way of separate resolutions, directors who are retiring by rotation in terms of the provisions of the Company's memorandum of incorporation. The directors retiring by rotation are:

- ▶ Mr Peter Erasmus
- ▶ Ms Kholeka Mzondeki
- ▶ Mr Adrian Macartney
- ▶ Ms Thoko Mokgosi-Mwantembe\*
- ▶ Mr Mahomed Seedat\*

*\*It should be noted that both non-executive directors, Ms Thoko Mokgosi-Mwantembe and Mr Mahomed Seedat, are retiring by rotation in accordance with the Memorandum of Incorporation. Further, both of these non-executive directors have confirmed that they will not be making themselves available for re-election. The Board of directors would like to thank them for their contributions made during their tenure.*

## Ordinary resolutions 2.1 to 2.3:

### Appointment of audit committee

To elect, by way of separate resolutions, the following independent non-executive directors as members of the audit committee from the end of this AGM until the conclusion of the next AGM in terms of section 94(2) of the Act:

- ▶ Mr Peter Erasmus – subject to re-election
- ▶ Mr Philip Hourquebie
- ▶ Ms Kholeka Mzondeki

### Ordinary resolution 3: Reappointment of auditors

To reappoint, on recommendation of the current audit committee, Ernst & Young Inc. as independent auditors of the Company, the auditor meeting the requirements of section 90(2) of the Act, until conclusion of the next AGM.

### Ordinary resolution 4: Approval of remuneration policy

To approve, through a non-binding advisory vote, the remuneration policy of the Company as set out on pages 90 to 99 of the integrated report at [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

### Ordinary resolution 5: Approval of remuneration report

To approve, through a non-binding advisory vote, the remuneration report of the Company as set out on pages 88 to 110 of the integrated report at [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

## Notice of Annual General Meeting continued for the year ended 30 June 2017

### Special resolution 1: General authority to repurchase shares

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

“RESOLVED, by way of a special resolution, that the mandate given to the Company in terms of its memorandum of incorporation (or one of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company’s own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide subject to the JSE Listings Requirements, be extended, subject to the following:

- ▶ This general authority be valid until the Company’s next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this resolution (whichever period is shorter)
- ▶ The repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty
- ▶ Repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected
- ▶ An announcement being published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of issued share capital, and for each 3% (three percent) in aggregate of the initial number of issued share capital repurchased thereafter, containing full details of such repurchases
- ▶ The number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) of the Company’s issued share capital as at the date of passing of this special resolution or 10% (ten percent) of the Company’s issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company
- ▶ The Company and / or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period
- ▶ At any point in time the Company only appointing one agent to effect any repurchases on its behalf
- ▶ The Board of directors passing a resolution that they authorised the repurchase and that the Company passed the solvency and liquidity test set out in section 4 of the Companies Act of 2008 and that since the test was done there have been no material changes to the financial position of the Group.”

The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the AGM and at the actual date of the repurchase:

- ▶ the Company and the Group will be able, in the ordinary course of business, to pay its debts
- ▶ the working capital of the Company and the Group will be adequate for ordinary business purposes
- ▶ the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the Company and the Group
- ▶ the Company’s and the Group’s ordinary share capital and reserves will be adequate for ordinary business purposes.

**Special resolution 2: Non-executive directors' remuneration**

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

“RESOLVED, as a special resolution:

- ▶ that the Company be and is hereby authorised to pay remuneration to its non-

executive directors for their services as directors, as contemplated in section 66(8) and 66(9) of the Companies Act of 2008

- ▶ that the remuneration structure and amounts as set out below, be and are

hereby approved, for implementation from the period commencing 1 January 2018 until such time as rescinded or amended by shareholders by way of a special resolution

Board / committee	Category	2017 Fees (R)	2018 Proposed increase (%)	2018 Proposed fees* (R)
Main board	Chairperson	976 000	0	976 000
	Lead independent director**			450 000
	Director	321 400	0	321 400
	Ad hoc meetings****	28 200	0	28 200
Subsidiary boards	Director	170 800	0	170 800
	McConnell Dowell travel allowances***	78 000	0	78 000
Remuneration and nomination committee	Chairperson	216 600	0	216 600
	Member	86 100	0	86 100
Safety, health and environmental committee	Chairperson	187 000	0	187 000
	Member	80 800	0	80 800
Social, ethics and transformation committee	Chairperson	187 000	0	187 000
	Member	80 800	0	80 800
Risk committee	Chairperson	216 600	0	216 600
	Member	86 100	0	86 100
Audit committee	Chairperson	286 400	0	286 400
	Member	161 200	0	161 200
	Subsidiaries member	87 300	0	87 300
Investment committee	Chairperson***	11 400	0	11 400
	Member***	8 700	0	8 700
Tender risk committee	Member***	11 200	0	11 200
Ad hoc committee meetings	Member / invitee*****	18 300	0	18 300
Extraordinary services rendered	Per hour fee*****	4 500	0	4 500

\* The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.

\*\* Lead independent director fee for new position on the Aveng Board, to be retrospectively applied in line with the appointment date.

\*\*\* Per meeting attended.

\*\*\*\* Per meeting attended in excess of the five scheduled meetings per year.

\*\*\*\*\* Directors who are not members of a board committee are sometimes requested on an ad hoc basis to attend meetings of certain committees. The proposed fee structure as set out above includes a fee payable under these circumstances. The meeting attendance fee to directors who are not members of the relevant committee will only be paid if attendance is based on a formal invitation from the committee chairperson.

\*\*\*\*\* Per hour, not exceeding eight hours per day.

# Notice of Annual General Meeting continued

for the year ended 30 June 2017

## Non-resident UK-based non-executive director

Fee type	2017 Fees	2018 Proposed increase percentage****	2018 Proposed fees*
Composite fee**	£51 000	59	£81 250
Ad hoc meeting fee***	£2 550	0	£2 550

\* The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.

\*\* Fee paid for attendance at Aveng board meetings, attendance as Chairman of audit committee and as a member of three other board committees (being the SET, remuneration and nomination and investment committees).

\*\*\* Fee paid for any additional ad hoc board or committee meetings attended.

\*\*\*\* Fee increase following appointment as Chairman of the audit committee and appointments to the SET and remuneration and nomination committees.

The Board fees noted above exclude any VAT which is authorised to be paid, in addition to the above board fees, to qualifying non-executive directors.

### Special resolution 3: Non-executive directors' remuneration

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, that the Company be and is hereby authorised to pay additional applicable VAT to qualifying non-executive directors following the application of changes in legislation effective from 1 June 2017, as contemplated in sections 66(8) and 66(9) of the Companies Act of 2008."

### Special resolution 4: Financial assistance to related and inter-related companies

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, by way of a special resolution, that the authority of the directors of the Company as previously approved by

shareholders as required in terms of sections 44 and / or 45(2) of the Companies Act of 2008 and the Company's memorandum of incorporation to provide financial assistance to all related and inter-related companies within the Aveng Group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, be and is hereby renewed, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted AGM of the Company."

### Ordinary resolution 6: Signing authority

To authorise any one director or the secretary of the Company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution will be considered and approved at such meeting.

### Additional information

The following additional information, some of which may appear in the integrated report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the Company's shares set out in special resolution 1 above:

- ▶ Directors and management – pages 12 to 15
- ▶ Major shareholders – pages 111 to 112
- ▶ Directors' interests in ordinary shares – [www.aveng.co.za/financials/annual\\_reports](http://www.aveng.co.za/financials/annual_reports)
- ▶ Share capital of the Company – [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports)
- ▶ Directors' report – [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

**Litigation statement**

The directors in office, whose names appear on pages 12 to 15 of the integrated report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 (twelve) months from the date of this integrated report, a material effect on the Group's financial position.

**Directors' responsibility statement**

The directors in office, whose names appear on pages 12 to 15 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

**Material changes**

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year-end and the date of signature of the integrated report.

**Directors' intention regarding the general authority to repurchase the Company's shares**

The directors have no specific intention, at present, for the Company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the Company and its shareholders.

**Electronic participation**

Should any shareholder of the Company wish to participate in the AGM by way of electronic participation, such shareholder shall make application in writing (including details as to how the shareholder or its representative can be contacted) to participate, to the transfer secretaries at the applicable address set out below at least 5 (five) business days prior to the AGM in order for the transfer secretaries to arrange for the shareholder (or its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

**Proxies and voting**

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the AGM, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. It is requested that forms of proxy be forwarded to the transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107), by no later than 48 (forty-eight) hours before the commencement of the AGM for administrative purposes. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the AGM do not deliver forms of proxy to the transfer secretaries by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the AGM, in accordance with the instructions therein, with the chairman of the meeting.

## Notice of Annual General Meeting continued for the year ended 30 June 2017

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with “own-name” registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker to:

- ▶ furnish them with their voting instructions or
- ▶ in the event that they wish to attend the AGM, obtain the necessary letter of representation to do so.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

Shareholders or proxies are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the AGM as required in terms of section 63(1) of the Act. Forms of identification that will be accepted include original and valid identity documents, driver’s licences and passports.

For the purpose of resolutions proposed in terms of the JSE Listings Requirements wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

By order of the Board



**Michelle Nana**  
Company secretary

Jet Park

20 October 2017



# Explanatory notes: Annual General Meeting

for the year ended 30 June 2017

## Presentation of annual financial statements

At the Annual General Meeting (AGM), the directors must present the annual financial statements for the year ended 30 June 2017 to shareholders, together with the reports of the directors, the audit committee and the auditors. These are contained at [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

## Presentation of report by social, ethics and transformation committee

In terms of Regulation 43(5)(c), one of the statutory functions of a social and ethics committee constituted in terms of the Act is to report, through one of its members, to shareholders at the Company's AGM on the matters within the committee's mandate. The chairman of the social, ethics and transformation committee, or in his absence one of the members of the committee, shall provide a report to shareholders at the AGM on the statutory matters within the committee's mandate in compliance with this requirement.

## Resolutions

### Ordinary resolutions 1.1 to 1.3: Re-election of directors

In accordance with the Company's memorandum of incorporation, one-third of the directors are required to retire at each AGM and may, if eligible, offer themselves for re-election.

The following directors, retiring by rotation and being eligible, have offered themselves for re-election:

- ▶ Mr Peter Erasmus
- ▶ Ms Kholeka Mzondeki
- ▶ Mr Adrian Macartney

Non-executive directors, Ms Thoko Mokgosi-Mwantembe and Mr Mahomed Seedat, are retiring by rotation in accordance with the Memorandum of

Incorporation. Further, both of these non-executive directors have confirmed that they will not be making themselves available for re-election. The Board of directors would like to thank them for their contributions made during their tenure.

The profiles of the directors up for re-election are contained at [www.aveng.co.za/group/directors/board\\_of\\_directors](http://www.aveng.co.za/group/directors/board_of_directors).

### Ordinary resolutions 2.1 to 2.3: Appointment of audit committee

In terms of section 94(2) of the Act, a public company must at each AGM elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Act. Regulation 42 to the Act specifies that one-third of the members of the audit committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The Board of directors of the Company is satisfied that the proposed members of the audit committee meet all relevant requirements.

### Ordinary resolution 3: Reappointment of auditors

Ernst & Young Inc. external auditor of the Company, has indicated its willingness to continue in office and ordinary resolution 3, based on the recommendation of the audit committee, proposes the reappointment of that firm as the Company's auditors until conclusion of the next AGM.

### Ordinary resolution 4: Approval of remuneration policy

King IV on Corporate Governance for South Africa, recommends that the remuneration philosophy of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material

provisions of the remuneration philosophy and policy of the Company.

### Ordinary resolution 5: Approval of remuneration report

King IV on Corporate Governance for South Africa, recommends that the remuneration report of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration report of the Company.

### Special resolution 1: General authority to repurchase shares

Section 48 of the Act authorises the Board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the shareholders of the Company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the AGM for special resolution 1 to become effective.

### Special resolution 2: Non-executive directors' remuneration

In terms of section 66(8) and section 66(9) of the Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the memorandum of incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company.

## Explanatory notes: Annual General Meeting continued for the year ended 30 June 2017

Pursuant to the binding rulings of the South African Revenue Service dated 10 February 2017, with effect from 1 June 2017, a non-executive director who earns in excess of R1 million in non-executive directors' fees from all appointments in any 12-month consecutive period is required to register for VAT, and charge VAT on such fees, subject to certain exceptions. Accordingly, the amounts noted within the tables represent the Board fees exclusive of VAT which will be charged by any qualifying non-executive director, at the prevailing rate.

### **Special resolution 3: Non-executive directors' remuneration**

The reason for special resolution 3 is to retrospectively seek authorisation for the payment of VAT on Board fees to qualifying non-executive directors.

Pursuant to a binding ruling of the South African Revenue Service dated 10 February 2017, with effect from 1 June 2017, a non-executive director, who earns in excess of R1 million in non-executive directors' fees from all appointments in any 12-month period, is required to register for and charge VAT on such fees, subject to certain exceptions.

Following the application of the binding ruling and applying the VAT act, Board fees previously approved are deemed to be inclusive of VAT. This has the effect of placing qualifying non-executive directors in a worse-off position than their non-qualifying peers.

Accordingly, approval is sought for the company to pay the additional applicable VAT to qualifying non-executive directors following the application of changes in legislation effective from 1 June 2017.

### **Special resolution 4: Financial assistance to related and inter-related companies**

Section 45(2) of the Act authorises the Board to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of section 45 of the Act and unless otherwise provided in the Company's memorandum of incorporation. In terms of section 45(3) of the Act, a special resolution of shareholders is required in these instances. The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well-known practice, details of which are also set out in the notes to the annual financial statements.

### **Ordinary resolution 6: Signing authority**

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the AGM. It is proposed that the company secretary and / or directors be authorised accordingly.

### **General**

Shareholders and proxies attending the AGM on behalf of shareholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

## Form of proxy



### Aveng Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1944/018119/06) (Aveng or Company)

For use by the registered holders of certificated Aveng shares and the holders of dematerialised Aveng shares in their own name at the Annual General Meeting (AGM) of the Company to be held in the boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg, on Friday, 24 November 2017 at 10h00.

Holders of Aveng shares (whether certificated or dematerialised) through a nominee must not complete this form of proxy, but should timeously make the necessary arrangements with that nominee or, if applicable, Central Securities Depository Participant or broker, to enable them to attend and vote at the AGM or to enable their votes in respect of their Aveng shares to be cast at the AGM by that nominee or a proxy or a representative.

I/We

(please print)

of (address)

being the registered

holder(s) of

ordinary shares in the capital of the Company do hereby appoint:

1. \_\_\_\_\_ or failing him / her,

2. \_\_\_\_\_ or failing him / her,

the chairman of the AGM, as my / our proxy to vote on my / our behalf at the AGM which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed at the AGM and at each adjournment of the AGM and to vote for or against the special and ordinary resolutions or to abstain from voting in respect of the shares in the issued share capital of the Company registered in my / our name / s, in accordance with the following instructions (see note 2):

#### Proposed resolutions

	For	Against	Abstain
1. Ordinary resolution 1.1: Re-election of director – Mr Peter Erasmus			
Ordinary resolution 1.2: Re-election of director – Ms Kholeka Mzondeki			
Ordinary resolution 1.3: Re-election of director – Mr Adrian Macartney			
2. Ordinary resolution 2.1: Election of audit committee member – Mr Peter Erasmus			
Ordinary resolution 2.2: Election of audit committee member – Mr Philip Hourquebie			
Ordinary resolution 2.3: Election of audit committee member – Ms Kholeka Mzondeki			
3. Ordinary resolution 3: Reappointment of external auditors			
4. Ordinary resolution 4: Approval of remuneration policy			
5. Ordinary resolution 5: Approval of remuneration report			
6. Special resolution 1: General authority to repurchase shares			
7. Special resolution 2: Non-executive directors' remuneration			
8. Special resolution 3: Non-executive directors' remuneration			
9. Special resolution 4: Financial assistance to related and inter-related companies			
10. Ordinary resolution 6: Signing authority			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2017

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Each member is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in place of that member at the AGM.

Please read the notes on the reverse side hereof.

## Notes to the form of proxy

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the AGM" but any such deletion must be initialled by the member. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he / she deems fit. A member may instruct the proxy to vote fewer than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the AGM.
3. Forms of proxy must be lodged with or posted to the Company's share registrar, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), to be received by no later than 10h00 on Wednesday, 22 November 2017 for administrative purposes. Alternatively, such forms of proxy may be handed to the company secretary or chairman of the AGM before the appointed proxy exercises any of the relevant shareholder's rights at the AGM.
4. The completion and lodging of this form of proxy will not preclude the member from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointment in terms thereof, should each member wish to do so.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the Company's share registrar or waived by the chairman of the AGM.
6. An alteration or correction made to this form of proxy must be initialled by the signatory / ies.
7. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrar of the Company.
8. Where there are joint holders of shares in the Company, any one of such persons may, alone, sign this form of proxy in respect of such shares as if such person was the sole holder but, if more than one of such joint holders submits a form of proxy, the form of proxy, if accepted by the chairman of the AGM, submitted by the holder whose name appears first in the Company's share register will be accepted to the exclusion of any other forms of proxy submitted by any other joint holder / s.
9. The chairman of the AGM may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the AGM is satisfied as to the manner in which the member wishes to vote.
10. A proxy need not be a member of the Company.
11. On a show of hands every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he / she represents or holds.
12. On a poll, every shareholder present in person or represented by proxy or a duly authorised representative shall have one vote for every share held by such shareholder.
13. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the AGM. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

# Shareholders' analysis

as at 30 June 2017

## REGISTERED SHAREHOLDER SPREAD

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	1 894	48,99	626 978	0,15
1 001 – 10 000 shares	1 221	31,58	4 591 521	1,10
10 001 – 100 000 shares	422	10,92	15 528 999	3,73
100 001 – 1 000 000 shares	258	6,67	89 411 744	21,46
1 000 001 shares and above	71	1,84	306 511 689	73,56
<b>Total</b>	<b>3 866</b>	<b>100</b>	<b>416 670 931</b>	<b>100</b>

## BENEFICIAL SHAREHOLDER CATEGORIES

Category	Total shareholding	% of issued capital
Unit trust / mutual fund	188 444 133	45,23
Pension funds	115 545 198	27,73
Trading position	17 963 390	4,31
Insurance companies	15 994 616	3,84
Private investor	15 046 803	3,61
Employees	14 604 979	3,51
Sovereign wealth	9 860 372	2,37
Black economic empowerment	8 586 593	2,06
Aveng LTIP	5 248 854	1,26
Hedge fund	4 702 772	1,13
Other managed funds	4 612 646	1,11
University	3 974 162	0,95
Medical aid scheme	2 321 560	0,56
Local authority	1 012 456	0,24
Custodians	946 049	0,23
Charity	829 949	0,20
Remainder	6 976 399	1,67
<b>Total</b>	<b>416 670 931</b>	<b>100,00</b>

## PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	8	0,13	28 645 887	6,87
Aveng Community Investment Trust	1	0,03	8 586 593	2,06
Aveng Limited Share Purchase Trust	1	0,03	6 018 386	1,44
Aveng Management Company	1	0,03	8 586 593	2,06
Aveng LTIP	2	0,03	5 248 854	1,26
Directors	2	0,03	205 461	0,05
Public shareholders	3 858	99,87	388 025 044	93,13
<b>Total</b>	<b>3 866</b>	<b>100,00</b>	<b>416 670 931</b>	<b>100,00</b>

Shareholders' analysis continued**BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 3%**

<b>Beneficial shareholdings</b>	<b>Total shareholding</b>	<b>%</b>
Allan Gray Balanced Fund	26 764 753	6,42
Investec Value Fund	25 535 012	6,13
Investment Solutions Limited	23 974 794	5,75
Eskom Pension Fund	14 486 849	3,48
<b>Total</b>	<b>90 761 408</b>	<b>21,78</b>

**INVESTMENT MANAGEMENT SHAREHOLDINGS MORE THAN 3%**

<b>Investment manager</b>	<b>Total shareholding</b>	<b>%</b>
Allan Gray Investment Council	103 861 025	24,93
Coronation Asset Management Proprietary Limited	62 583 834	15,02
Investec Asset Management	45 252 282	10,86
Visio Capital Management	34 851 550	8,36
Mazi Capital Proprietary Limited	20 592 178	4,94
Dimensional Fund Advisers	18 906 244	4,54
<b>Total</b>	<b>286 047 113</b>	<b>68,65</b>

**GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY-RELATED HOLDINGS**

<b>Region</b>	<b>Total shareholding</b>	<b>% of issued capital</b>
South Africa	371 099 141	89,06
United States of America and Canada	39 462 806	9,47
United Kingdom	1 291 517	0,31
Rest of World <sup>1</sup>	4 817 467	1,16
<b>Total</b>	<b>416 670 931</b>	<b>100,00</b>

**GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS**

<b>Region</b>	<b>Total shareholding</b>	<b>% of issued capital</b>
South Africa	345 639 107	83,08
United States of America and Canada	39 298 950	9,40
United Kingdom	1 291 521	0,32
Rest of Europe	18 466 656	4,43
Rest of World <sup>1</sup>	11 974 697	2,77
<b>Total</b>	<b>416 670 931</b>	<b>100,00</b>

<sup>1</sup> Represented all shareholding except those in the above regions.

## Corporate information

### Directors

EK Diack (executive chairman and interim CEO),  
 KW Mzondeki\*# (lead independent director),  
 PJ Erasmus\*#, SJ Flanagan\*#, MA Hermanus\*#,  
 PA Hourquebie\*#, MJ Kilbride\*#, AH Macartney (group CFO),  
 JJA Mashaba (group executive director), TM Mokgosi-  
 Mwantembe\*, MI Seedat\*#  
 (\*non-executive) (#independent)

### Company secretary

Michelle Nana

### Business address and registered office

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

### Company registration number

1944/018119/06

### Share codes

JSE: AEG  
 ISIN: ZAE 000111829

### Website

[www.aveng.co.za](http://www.aveng.co.za)

### Auditors

Ernst & Young Inc.  
 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  
 Norton Rose Fulbright  
 Webber Wentzel

### Sponsor

UBS South Africa Proprietary Limited  
 Registration no 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  
 PO Box 61051  
 Marshalltown, 2107 South Africa  
 Telephone +27 (0) 11 370 5000  
 Telefax +27 (0) 11 688 5200



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