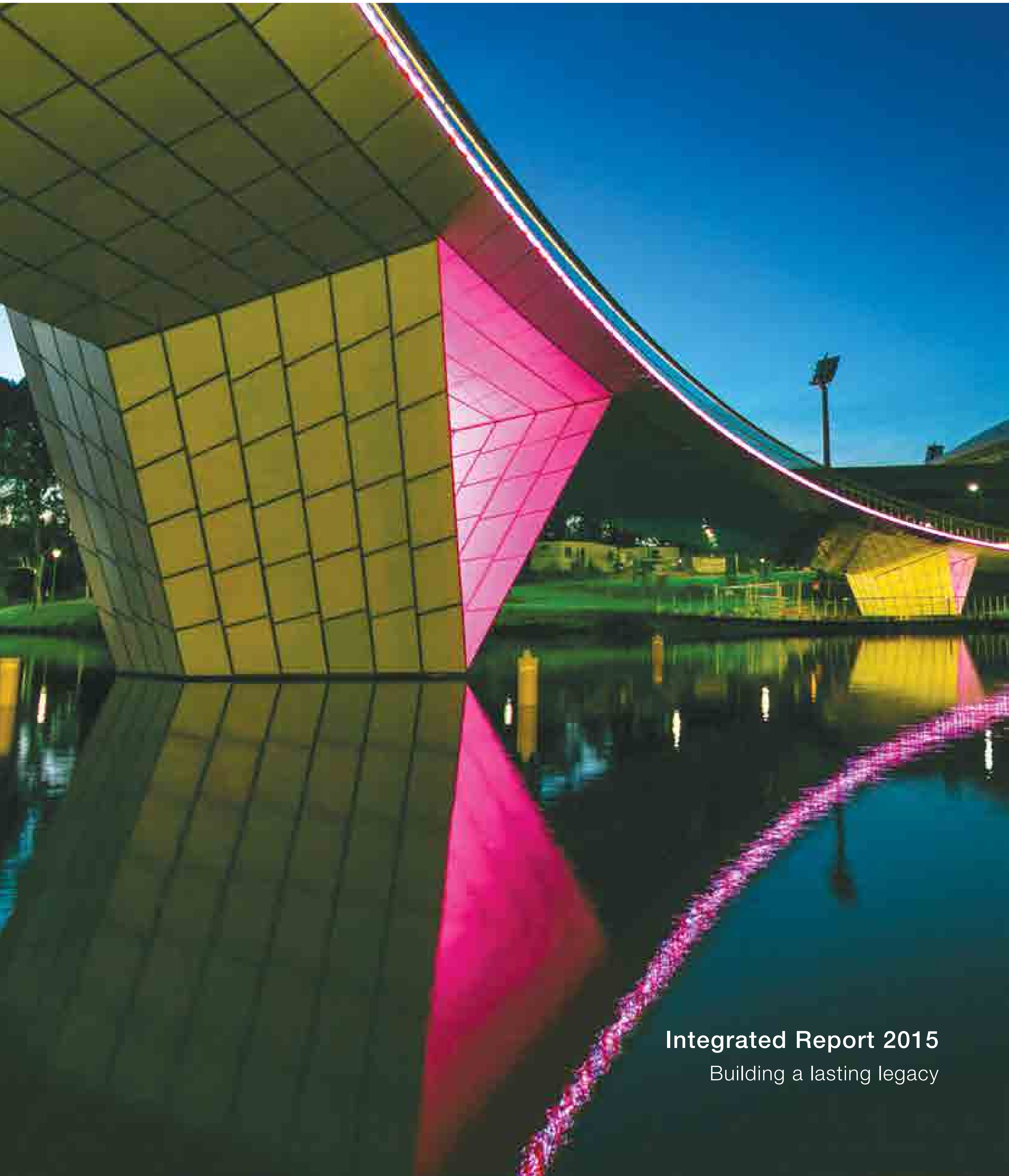
AVENG
Leaders in infrastructure



Integrated Report 2015

Building a lasting legacy

Contents

Cover: Adelaide Oval bridge, Australia

Vision

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

Mission

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

Achieved through:

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

Values

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

HOME WITHOUT HARM
EVERYONE EVERYDAY

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

Forward-looking statements

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

Reporting philosophy

As with many companies that have adopted integrated reporting, we consider the integrated reporting journey a process to transform the way we effectively communicate information that is material to the way we create and sustain value with our stakeholders.

Reporting on what matters

Key elements of our reporting transformation in 2015 are the clarification of Aveng's strategy in response to the Group's material issues (risk and opportunities), and more clearly defined accounts of how we are executing our strategy in the executive review on pages 42 to 51 and the operational reviews on pages 52 to 75.

We welcome any feedback on our suite of reports to ensure that we continue to disclose information that is pertinent. Please refer questions or suggestions to info@avenggroup.com

Key features of 2015

Focus on core values

Our core values of safety, honesty and accountability are at the heart of the Aveng DNA and underpin everything we do.

> see www.aveng.co.za. @

Maintaining financial discipline

Aveng has taken decisive steps to strengthen liquidity, adapt to market conditions and preserve its balance sheet.

> see pages 18 to 21 and 42 to 51.

Setting clear long term priorities

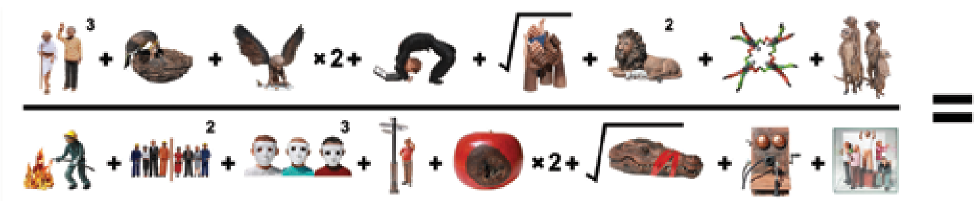
Our six-year strategy is stabilising Aveng and restoring areas of underperformance, while optimising the Group to position it for future growth.

> see pages 30 to 39.

Building a balanced business

Aveng has a strong foundation and a diverse range of operations and resources from which to achieve growth.

> see pages 12 and 13.



Reporting approach

This is Aveng's fifth integrated report, and is a marked step forward in our corporate reporting journey. Our suite of reports for the 2015 financial year is identified and explained in the table on the next page for ease of reference.

This report covers the financial period 1 July 2014 to 30 June 2015 and includes the performance of all of the Group's operations across all the geographies it operates in. Where external entities substantially influence Aveng's business, their real and potential impacts are also discussed in this report. Key issues have been identified in line with accepted best practice, and the issues regarded as being most material for Aveng and its stakeholders are shown on pages 28 and 29. Aveng defines the materiality of issues for reporting purposes as those issues that substantially affect the Group's ability to create and sustain value over the short, medium and long term. For more information on the material issues determination process undertaken, refer to pages 22 to 29.

Assurance and comparability

Changes to Aveng's operational structure are discussed on pages 13, 55, 60 and 66. No significant changes have been made in the scope, boundary or measurement methods applied in this report and the rest of the suite of reports. There have been no restatements to comparatives unless otherwise stated in the relevant section.

The summarised audited consolidated financial statements contained in this report are extracted from the audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act 71 of 2008, as amended, and the Listings Requirements of JSE Limited, and independently audited by Ernst & Young Inc.

Refer to http://www.financialresults.co.za/2015/aveng-additional for the respective unqualified audit opinions as it relates to the financial statements.

Stay informed

This report is complemented by our online information and resources at www.aveng.co.za

This icon indicates where further information or supplementary reports can be found online.

This icon indicates where further information on a matter can be found elsewhere in this report.

Pursuant to the Group's commitment to transparency and effective communication, Aveng has provided disclosures in this report as well as the sustainability overview on the website in line with best practice and internationally accepted standards, where possible. Certain sustainability information included in this report has been correctly extracted from the online sustainability overview and should be read together with the online review to obtain a fully comprehensive view. The Group has sought independent assurance on selected non-financial metrics.

Refer to the sustainability overview at http://www.financialresults.co.za/2015/aveng-additional for the limited assurance report of Ernst & Young Inc.

Aveng's combined risk management assurance model is well encapsulated in its "three lines of defence" approach and is continuously being improved, as reported on pages 23 and 24.

Board responsibility and approval statement

The Board, assisted by its audit committee and other sub-committees, is ultimately responsible for overseeing the integrity of the integrated report. The Board has applied its collective mind to the preparation and presentation of the integrated report and concluded that it is presented in accordance with the International Integrated Reporting Framework V1.0.

The integrated report was approved by the Board and signed on its behalf by:

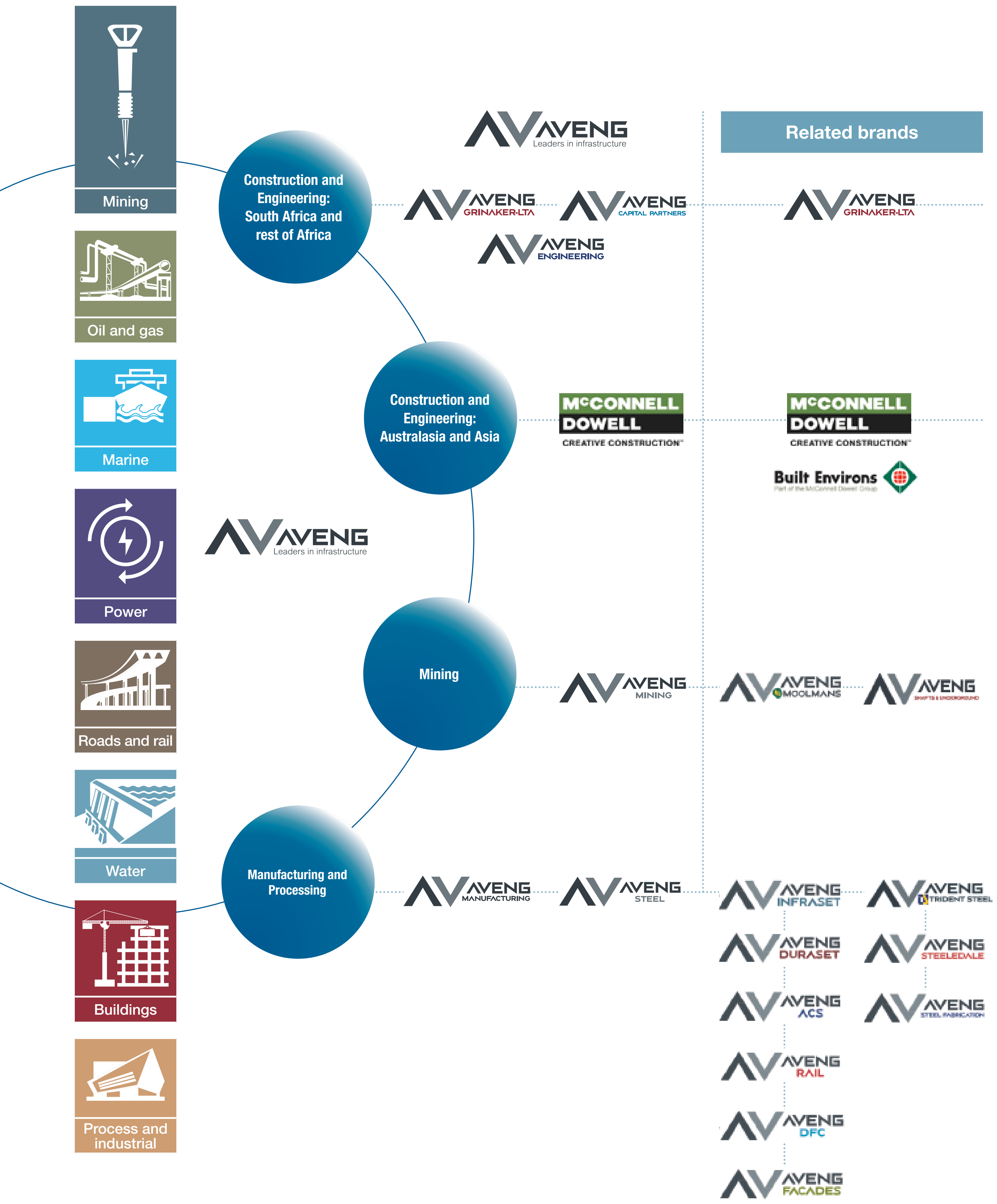
Mahomed Seedat
Chairman

Aveng 2015 suite of reports

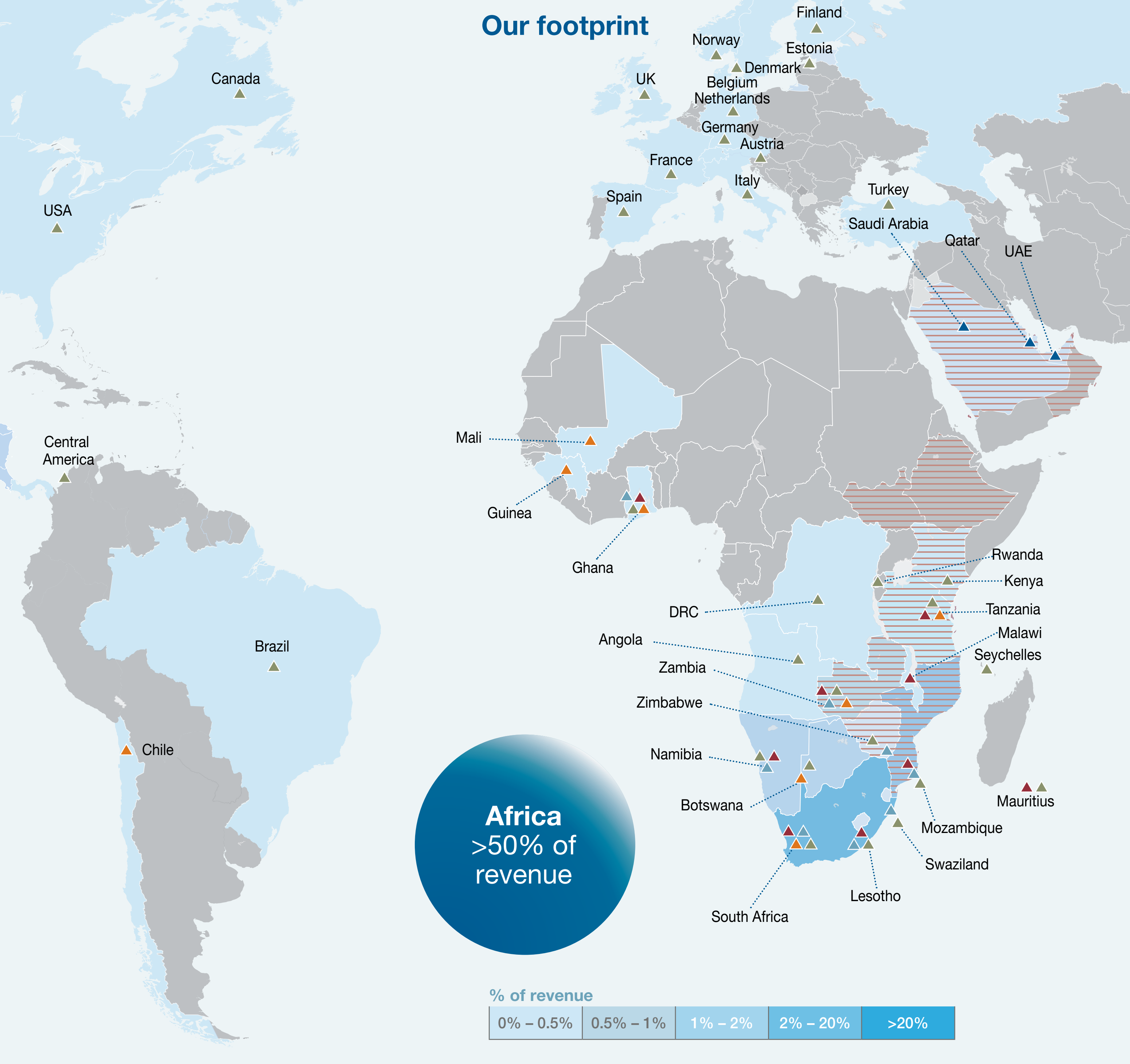
	Integrated report	Audited consolidated annual financial statements	Sustainability overview	Corporate governance	Annual general meeting documents
Contents	Concise communication focused on Aveng's material issues, performance and outlook for sustained value creation.	■ Audit committee report ■ Directors' report ■ Report of the independent auditors ■ Audited consolidated financial statements.	■ Safety ■ Health and wellness ■ Environment ■ Human resources ■ Transformation ■ Corporate social investment ■ Independent assurance report on selected sustainability information.	■ Full corporate governance report ■ King III compliance register.	■ Remuneration policy ■ Notice of annual general meeting ■ Explanatory notes: annual general meeting ■ Form of proxy ■ Notes to the form of proxy ■ Our code of business conduct ■ Shareholders' diary ■ Corporate information.
Relationship of information between suite of reports	Relevant cross-references to more comprehensive information across the suite of reports.	A summarised audited consolidated set of financial statements has been extracted from the audited consolidated financial statements and included in the integrated report as an appendix.	Key elements of the above information have been incorporated into the executive and operational reviews of the integrated report.	An abridged version of the full corporate governance report has been included in the integrated report.	This statutory information accompanies the integrated report and is posted to shareholders prior to the annual general meeting.
Frameworks and guidelines applied	■ The King Code of Governance for South Africa (2009) (King III) ■ IIRC International Integrated Reporting Framework V1.0 ■ Companies Act 71 of 2008 (Companies Act) ■ JSE Listings Requirements.	■ International Financial Reporting Standards (IFRS) ■ Companies Act ■ JSE Listings Requirements.	■ Aveng safety, health and environment and human resource policies and frameworks ■ Carbon Disclosure Project (CDP) and Greenhouse Gas (GHG) protocol ■ JSE Socially Responsible Investment Index (SRI) ■ B-BBEE Codes of Good Practice ■ Construction Sector Charter.	■ King III ■ Companies Act ■ JSE Listings Requirements.	■ King III ■ Companies Act ■ JSE Listings Requirements.
Assurance	The Board, assisted by the audit committee and other sub-committees, oversees the integrated reporting process.	■ External audit opinions ■ Internal audit ■ Internal controls ■ Management and governance oversight.	■ Internal audit ■ Limited assurance on selected metrics ■ BEE verification.	■ Internal audit ■ Annual board assessments.	■ Internal controls ■ Management and governance oversight.
Web link	@ http://www.financialresults.co.za/2015/aveng-additional				

Sishen solar plant, Northern Cape, South Africa

Group organogram



Our footprint



Aveng operates in a diverse range of sectoral and geographic markets. Our primary geographic markets are southern Africa and Australia and we leverage our presence in these markets to pursue growth opportunities in East Africa, Southeast Asia and the Middle East.

McCONNELL DOWELL CREATIVE CONSTRUCTION

AVENG GRINAKER-LTA

Construction and Engineering

Dynamic, innovative multidisciplinary engineering, construction, building, concessions and maintenance solutions

Key market differentiators

- McConnell Dowell **mega project capability and expertise, leveraging innovative experience**
- Aveng Grinaker-LTA **specialised project capability and expertise in a multitude of service offerings.**

Our business model

Business environment

Key drivers in economic, market, technology, social and environmental aspects that set the context within which Aveng operates – further analysis is available on page 26 and 27.

Aveng strives to ensure that the businesses within its portfolio are industry leaders based on market share and profitability. Operational performance is therefore reviewed on an ongoing basis, and where performance does not meet Aveng's targets, strategic and operational interventions are initiated to increase shareholder value.

The world changes constantly. To remain sustainable, businesses look ahead to understand the forces that shape their future and look within to remain relevant. As we adapt our strategy to this changing world, the core values that underpin our business, guiding best practice and building lasting relationships, remain firm.

Aveng serves the infrastructure needs of growing and developing societies in a range of geographic markets. This ensures our resilience in economic cycles and enables our operations to diversify in pursuit of growth.

Aveng strives to be responsible in the way it conducts its business, ensuring that its operations are not exposed to undue risk and facilitating economic growth and development in the markets in which it operates. From medical centres that promote healing and wellbeing to school buildings that house the ambitions of tomorrow's achievers, Aveng is building a lasting legacy.

Aveng believes that the key to effecting change through infrastructure development is to partner with governments through their programmes and initiatives. In South Africa, the National Development Plan (NDP) outlines a long term strategy to secure future growth, and Aveng has highlighted the need to align its objectives with those of the NDP, thereby participating in an ambitious vision to grow the economy, create jobs and develop society.

Inputs

- The key resources and relationships required to optimally operate the business
- Further analysis on current and desired state is available on pages 12 and 13.

Financial capital

- Cash flow efficiency and working capital management
- Access to affordable borrowings and credit rating strength
- Shareholder value generation and ability to pay dividends
- Order book quality and growth
- Operating margin.

Human capital

- Effective decisive leadership
- Company culture of responsibility and accountability
- Building management expertise
- Industry expertise (internal and external)
- Highly skilled project managers and an appropriately skilled workforce
- Sub-contractors
- South African transformation needs.

Social and relationship capital

Effective stakeholder engagement and entrenching relationships with:

- Business reputation, brand association and funding
- Shareholders, ratings agencies and investor community
- Suppliers and customers
- Employees and trade unions
- Government and regulatory bodies.

Intellectual capital

- Current technology application
- Expertise and process knowledge in the services and sectors operated in.

Manufactured capital

- Construction and mining fleets (owned and leased)
- Manufacturing equipment in steel, concrete products, control systems, valves and rail products and services.

Beneficiated natural capital

- Raw materials
- Energy needs for manufacturing.

Delivery mod

Mining

Oil and gas

Marine

Power

Road and rail

Water

Buildings

Process and industrial

- Intense market competition
- Delays in major infrastructure projects and order placement
- Downgrading of mining sector
- Depressed global economic environment
- Uncertain and disruptive South African labour market

Core business activities and processes and outputs

Key sectors that we operate in and how we are structured, our key products and services – further analysis is available on pages 52 to 75.

del	Engineering (Design and Construct)	Product supply
Mining Surface and underground	• Process plant design • Materials handling McConnell Dowell • Mining projects • Mine planning • Temporary works design Aveng Shafts & Underground • Mining project • Mine planning Aveng Moolmans • Process plant design • Water treatment design Aveng Grinaker-LTA	• Fabricated structural steel and plate work McConnell Dowell • Structural steel fabrication • Steel and concrete products Aveng Steel • Concrete products • Vertical and horizontal supports • Valves and submersible pumps • Automation and control systems Aveng Manufacturing
Oil and gas Plants and pipelines	• Oil and gas pipelines • Water treatment plant design • Gas compression and conditioning McConnell Dowell • Oil and gas project • Water treatment plant design Aveng Grinaker-LTA	• Fabricated structural steel and plate work • Fabricated modules (process and piping) McConnell Dowell • Concrete products • Automation and control systems Aveng Manufacturing • Pipe fabrication • Steel and concrete products Aveng Steel • Pipe fabrication Aveng Grinaker-LTA
Marine Ports and sea infrastructure	• Port and marine project • Marine pipelines McConnell Dowell	• Concrete products • Dredging pumps Aveng Manufacturing • Structural steel fabrication • Steel and concrete products Aveng Steel
Power Fossil fuel, renewables & hydroelectric transmissions	• Power project • Wind farms • Geothermal • Cooling water • Biomass / Biofuels McConnell Dowell • Power project • Water treatment plant design Aveng Grinaker-LTA	• Pipe fabrication Aveng Grinaker-LTA • Concrete products • Valves • Automation and control systems Aveng Manufacturing • Structural steel fabrication • Steel and concrete products • Pipe fabrication Aveng Steel
Road and rail Construction, tunnels and bridges	• Tunnel • Road project • Rail track • Bridges and underpass grade separation McConnell Dowell • Road project • Rail project Aveng Grinaker-LTA	• Asphalt and binders Aveng Grinaker-LTA • Concrete products • Concrete rail products • Rail machinery Aveng Manufacturing • Steel and concrete products • Concrete rail products Aveng Steel
Water Reticulation, effluent and dams	• Desalination • Water / waste treatment • Water / waste reticulation • Dam project • Dams irrigation McConnell Dowell • Water treatment plant design • Water reticulation project • Dam project Aveng Grinaker-LTA	• Fabricated structural steel and plate work • Fabricated modules (process and piping) McConnell Dowell • Concrete products • Valves and submersible pumps • Automation and control systems Aveng Manufacturing • Steel and concrete products • Pipe fabrication Aveng Steel • Pipe fabrication Aveng Grinaker-LTA
Buildings Commercial and civil	• Industrial • Commercial • Residential • Airports McConnell Dowell • Construction Aveng Grinaker-LTA	• Concrete products • Geotech products • Façades Aveng Manufacturing • Structural steel fabrication • Steel and concrete products Aveng Steel
Process and industrial Buildings and plant	• Petrochemical • Pharmaceutical McConnell Dowell • Construction project • Water treatment plant design Aveng Grinaker-LTA	• Concrete products • Automation and control systems • Instruments • Valves Aveng Manufacturing • Structural steel fabrication • Steel and concrete products Aveng Steel

Material issues

Issues that substantially affect Aveng's ability to create and sustain value over the short, medium and long term – further analysis is available on pages 28 and 29.

- Safety
- Liquidity and working capital
- Quality of execution of projects

Construction			Operate and maintain	
• Shafts and underground mine development • Specialised support work • Underground specialised operations AVENG SHAFTS & UNDERGROUND	• Automation and control installation • Rail construction and upgrading AVENG MANUFACTURING • Mining infrastructure and buildings • Surface mining AVENG MOOLMANS	• Mine infrastructure and buildings • Rail construction and upgrading AVENG GRINAKER-LTA	• Contract mining AVENG SHAFTS & UNDERGROUND	• Contract mining • Process plant O&M AVENG MOOLMANS
• Transmission pipelines • MEP installation McCONNELL DOWELL	• Oil and gas infrastructure and buildings • Oil and gas plants, and pipelines • MEP installation AVENG MANUFACTURING	• Automation and control installation AVENG GRINAKER-LTA	• Plant O&M AVENG GRINAKER-LTA	• Automation and control support • Valve repair AVENG MANUFACTURING
• Marine / port infrastructure • Port buildings • Container pavements • Subsea pipelines • Shore crossings McCONNELL DOWELL	• Rail track construction / upgrades • Automation and control installation AVENG MANUFACTURING	• Marine / port infrastructure • Port buildings • Oil and gas / water pipelines AVENG GRINAKER-LTA	• Concrete repairs AVENG GRINAKER-LTA	• Automation and control support AVENG MANUFACTURING
• Power infrastructure and industrial buildings • Cable tunnels and transmission • MEP installation • Automation and control installation AVENG GRINAKER-LTA McCONNELL DOWELL	• Automation and control installation AVENG MANUFACTURING		• Water treatment plant O&M AVENG GRINAKER-LTA	• Automation and control support • Valve repair AVENG MANUFACTURING
• Road and rail tunnels • Road and rail earthworks and infrastructure • Bridges / structures • Underpass grade separation McCONNELL DOWELL	• Road and rail tunnels • Road and rail earthworks and infrastructure AVENG GRINAKER-LTA	• Road and rail tunnels • Road and rail earthworks and infrastructure • Rail track construction / upgrades AVENG MANUFACTURING	• Road repairs and upgrades AVENG GRINAKER-LTA McCONNELL DOWELL	• Mechanised track maintenance • Rail life maintenance AVENG MANUFACTURING
• Hydro tunnels • Water supply / effluent pipelines • Dam infrastructure • Water treatment plants • Desalination plants McCONNELL DOWELL	• Automation and control installation AVENG MANUFACTURING	• Hydro tunnels • Water supply / effluent pipelines • Dam infrastructure AVENG GRINAKER-LTA	• Water treatment plant O&M • Concrete repairs AVENG GRINAKER-LTA	• Automation and control support • Valve repair AVENG MANUFACTURING
• Commercial and civil / governmental buildings • Airports • MEP installation McCONNELL DOWELL	• Piling and lateral support AVENG GRINAKER-LTA	• Façades AVENG GRINAKER-LTA	• Concrete repairs • Facilities management AVENG GRINAKER-LTA	
• Process plant building • Heavy industrial plant building • MEP installation • Petrochemical • Pharmaceutical McCONNELL DOWELL	• Process plant building • Heavy industrial plant building • MEP installation • Automation and control installation AVENG GRINAKER-LTA	• Automation and control installation AVENG MANUFACTURING	• Automation and control technical support • Valve repair AVENG MANUFACTURING	

- Securing adequate quality work
- Labour instability*
- Transformation*
- Stakeholder relationships and reputation
- Geographic and sector activity and growth trends
- Leadership / culture
- Skills and experience

** Specific to South Africa.*

- Automation and control support
- Valve repair
- Rail maintenance

AVENG MANUFACTURING

Support processes

Risk and commercial management

Procurement management

Human resource and leadership management

Financial reporting, taxation and treasury

Safety, health and environmental management

Compliance, legal and governance

Outcomes

Aveng has a resilient business model which it optimises through the effective execution of its strategy to achieve its business objectives and vision – further analysis is available on pages 30 to 39.

Strategic objectives

Recover and stabilise phase

- Baseline disciplines
  - Risk management
  - Communication
  - Strategy execution
  - Skills development
  - Manage performance.
- Performance initiatives
  - Culture management
  - Customer focus
  - Profitable order book
  - Cost management
  - Liquidity and cash management.

Position for growth

- Capital allocation and portfolio optimisation
- Africa strategy
- Strengthened businesses in South Africa and Australia.

Realise growth and sustain profitability

- Enhance profitability and cash flow
- Leverage the client and industry delivery model
- Market expansion: Africa and Southeast Asia.

Shareholder value

- Growth in key regions and key operating groups and business units
- Capital allocation to support growth and optimisation
- Increase focus on profitability and cash flow generation
- Develop client and industry delivery model
- Strengthened business in South Africa and Australia through optimisation and margin focus
- Reliable dividend payer
- Responsiveness relative to current market condition / commodity cycle.

Vision

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

East Africa, Middle East and Asia are a growth focus for Aveng

AVENG MINING

Mining

Surface, shaft sinking and underground mining projects, including design, construction, project management, contract mining and operations management

Key market differentiators

- Aveng Moolmans **is a leader in surface mining services in Africa**
- Aveng Mining Shafts & Underground **is one of only four deep-level shaft sinking businesses in the world** with the capability to sink vertical and decline / incline shafts in all ground conditions at various diameters and depths.

AVENG MANUFACTURING   AVENG STEEL

Manufacturing and Processing

Manufacture and supply of a diverse range of steel and concrete products, services and engineering solutions, andrail construction and maintenance

Key market differentiators

- **Automotive steel** capability
- Manufacturing **brands, patents and know-how**
- International **sales networks**
- **Rail** construction, maintenance and engineering capabilities.

Commentary to business model

Our capital capabilities

Our capital analysis provides insight into the resource capabilities and challenges that the Group faces to ensure that Aveng has the required resources to execute its strategy and adapt its business model accordingly. The analysis below sets out a synopsis of the current status of the capabilities of the Group and its aspirations to build the capabilities necessary to effectively execute the Group's strategy.

Financial capital

The measure of the Group's future success will be its ability to operate profitably and generate positive free cash flows for growth, servicing of borrowings and regular dividend payments to shareholders.

The current *recover and stabilise* phase of the strategy includes an intensive focus on cash management initiatives in the short, medium and long term to strengthen the financial position and improve the cash generative ability of the Group.

The issue of a convertible bond, disposal of Electrix and alternative funding structures have contributed to a reduction in overall borrowing levels and improved maturity and interest rate profiles on borrowings. The sale of the Group's property portfolio will further contribute to improved liquidity.

Reduction in borrowings have occurred due to the repayment of borrowings at McConnell Dowell.

Cash flow performance has been characterised by:

- Significant cash outflows for remedial work on certain legacy contracts
- Repayments of the advance payments on certain contracts and significant trade payable requirements associated with ongoing major contracts
- Decrease in trade finance
- Funding advanced to infrastructure investments by Aveng Capital Partners
- Capital expenditure.

Additional financial commentary is provided in the executive review on pages 42 and 51.

Human capital

The ability of the Group to effectively execute its strategic priorities will depend on the quality and decisiveness of leadership and the skills and experience of its people.

An intensive continuous process is in place to assess the leadership and skills requirements at each operating group and to develop action plans to identify leadership and skills gaps, including reward systems and the transformation needs of the Group.

There is also a drive to ensure that the right people are deployed in the right positions with roles that are compatible with their capabilities. Notwithstanding the challenge posed by the shortage of highly experienced and skilled staff required in the industry, there is a clear need for transformation of businesses. Aveng recognises the need to be sensitive to socio-economic development policies, while harnessing skills over a vast geographic spread of projects.

Instilling a revitalised Aveng culture across the Group is key to achieving the Group's strategy and vision. This includes analysing the latest culture baseline, setting goals for the ideal culture and implementing programmes to achieve these.

Initiatives require the development of a culture of performance and consequence management, with appropriate levels of accountability to empower management to make timely and decisive decisions.

A number of our strategic initiatives are focused on developing and retaining our people – communication, skills development, performance management and culture management (refer to pages 32, 33 and 34).

Further insight into our people, their wellbeing and transformation initiatives and performance is provided in the human resources, safety, health and wellness and transformation sections of the sustainability overview available at http://www.financialresults.co.za/2015/aveng-additional @

Social and relationship capital

Aveng recognises that a proactive and robust engagement process with stakeholders is critical in understanding their views and concerns. The ability to effectively identify material issues pertaining to stakeholders, including risks and opportunities, and effectively respond to these issues will enable us to create and maintain value.

Our stakeholder engagement and communication programmes are directed at re-establishing and building relationships and reputation with our key stakeholders.

More insight into our stakeholder engagement and relationship programmes is available on pages 24 and 25.

Intellectual capital

The corporate memory and know-how of Aveng's construction, engineering and manufacturing processes are at the cornerstone of the Group's competitive advantage in the industry. Over 125 years of continued development and innovation, the Group has established capabilities and expertise in the sectors in which it operates. These include the mega project capabilities of McConnell Dowell, specialised and broad-based project capability and expertise of Aveng Grinaker-LTA, deep-level shaft sinking and surface mining capabilities of Aveng Mining and the automotive, steel and other patents and brands of Aveng Steel and Aveng Manufacturing. The focus of the Group will be on the profitable commercialisation of these capabilities, areas of expertise and innovation.

Manufactured capital

The nature of the Group's construction and mining operations is such that the equipment requirements are not particularly specialised and thus barriers to entry are not formidable. However, the equipment requirements of the mining and certain construction operations are capital intensive and require significant cash investments. Alternative models of financing such equipment are being pursued.

Within the South African and Australian construction businesses most manufactured capital is project specific and therefore factored into project capital expenditure decisions. It is usually disposed of thereafter unless it can be used on other projects. For operations that require manufactured capital on an ongoing basis, such as Aveng Steel, these facilities are modern, well maintained and all still have considerable useful lives. Some facilities are quite specialised, designed to produce complex pipework for industrial plants and components for the new South African coal-fired power stations.

The Aveng Manufacturing operating group has a mixed variety of plant, with varying age, and a few examples of modern, state-of-the-art technology, such as paving and roof tile facilities. Similarly, mining assets operate within accepted life expectancy and maintenance levels. Where costs to run and maintain are not sustainable, these areas are reviewed for focused capital investment.

Natural capital

Access to construction and engineering materials is generally readily available. However, these input costs are volatile and change in response to underlying commodity price fluctuations.

Access to raw materials for the manufacturing and processing businesses, particularly automotive steel, is an imperative and similarly highly sensitive to commodity price fluctuations.

Aveng looks to strategically source many of the materials used in its operations and supply of services from suppliers that are aligned with the Group's transformation objectives.

Access to, and the cost of electricity and water is essential for the manufacturing and mining businesses as well as certain parts of the engineering and construction businesses. Security of supply, business interruption and efficiency programmes are in place throughout the Group to ensure critical areas are adequately managed.

Further insight into our environmental initiatives and performance is provided in the environmental section of the sustainability overview available at http://www.financialresults.co.za/2015/aveng-additional. @

Our operating model

A strong corporate centre focuses on strategic guidance and direction through close involvement in the underlying businesses and ensuring strong governance, compliance and ethical business conduct.

Operating groups and business units focus on the operational execution of their individual strategies in alignment and support of group objectives, with clearly defined accountability.

Our operating structure has undergone rigorous streamlining and restructuring in recent years to the current focused yet integrated group structure. Businesses are focused on their key service and product offerings, sectors and geographies, while seeking to ensure that a synergistic and integrated approach is taken to market opportunities.

All Aveng operations have undergone varying degrees of restructuring during the past two years to address areas of weakness, leverage synergies and optimise their financial performance and future growth prospects. The results of these interventions are evident in the performance of a number of operations that were underperforming, notably the Aveng Steeledale and Aveng Steel Fabrication businesses of Aveng Steel, and Aveng Rand Roads in Aveng Grinaker-LTA. Aveng Grinaker-LTA has taken longer than anticipated to stabilise.

We have also enhanced strategic guidance reinforcing our centre-led business operating structure, with a smaller optimised corporate office structure focused on strategic management of investments in underlying businesses, extracting synergies and providing selected group shared services and support.

Financial performance

Performance

Revenue
R43,9 billion
(2014: R53 billion)

Net operating loss
R288 million
(2014: R799 million profit)

Impairment of goodwill, PPE and related intangible assets
R621 million
(2014: R831 million)

Loss for the period
R518 million
(2014: R376 million loss)

Headline loss
R578 million
(2014: R421 million profit)

Profit on sale of subsidiary
R777 million
Sale of Electrix, subsidiary of McConnell Dowell

Loss per share
114,8 cents
(2014: 101,9 cents)

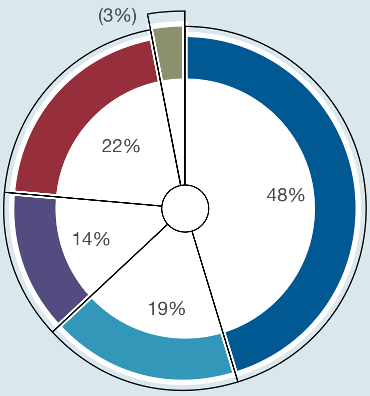
Headline loss per share
144,3 cents
(2014: 112,5 cents profit)

Two-year order book
R28,9 billion
(2014: R37,1 billion*)

Operating free cash flow
R1 billion outflow
(2014: R1,4 billion outflow)

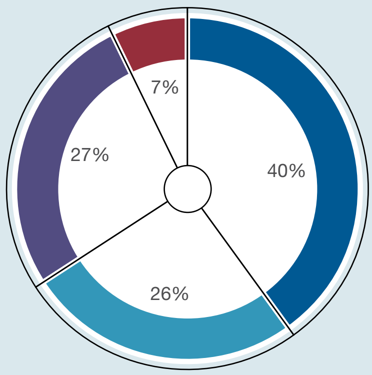
** Excluding Electrix*

Revenue by segment



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

Two-year order book by segment



Non-financial performance

Key safety achievements

- Aveng Grinaker-LTA Mechanical and Electrical fabrication facilities – **6 years without a lost-time injury (LTI)**
- Aveng Mining Tumelo Shaft operations – **4 years without LTI**
- Aveng Mining Sadiola gold mine in Mali – **5 million LTI-free hours**
- Aveng Steel Cape Town and Rosslyn branches – **4 years without LTI**
- Aveng Grinaker-LTA Civil Engineering Nacala Section 2 Rail Link in Mozambique – **4 million LTI-free hours**
- Mechanical and Electrical: Medupi Power Station – **3 million LTI-free hours**
- McConnell Dowell – **lowest LTIFR in the Group**

All injury frequency rate (AIFR)

3,5

(2014: 3,8)

OHSAS 18001 and ISO 14001 certified operations by revenue

70%

Resilience in near-miss reporting

29 555 reports

of which approximately 96% were addressed

Lives lost under Aveng supervision

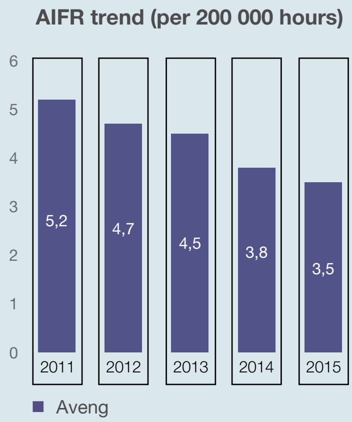
5

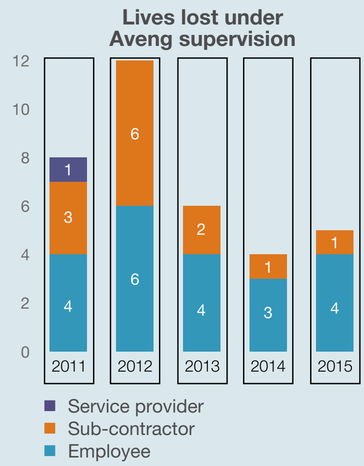
(2014: 4 lives lost)

B-BBEE rating

Level 2

Regained through notable improvement in management control and skills development





Board of directors

Mahomed Seedat (59)

Independent non-executive chairman

BEng (Electrical), PMD, GCC

Chairman of the Board
Chairman of social, ethics and transformation committee
Member of remuneration and nomination committee; safety, health and environmental committee; investment committee; risk committee and tender risk committee

Mahomed was appointed to the Board in July 2012.

Angus Band (63)

Independent non-executive director

BA, BAcc, CA(SA)

Member of investment committee; risk committee; remuneration and nomination committee; social, ethics and transformation committee and tender risk committee

Angus was appointed to the Board in July 2006.

Eric Diack (58)

Independent non-executive director

BAcc, CA(SA), AMP Harvard and UCT

Chairman of audit committee and investment committee
Member of risk committee and tender risk committee

Eric was appointed to the Board in December 2013.

Peter Erasmus (62)

Independent non-executive director

Pr Eng, BSc (Civil) (Hons), BCom *(cum laude)*, MSAICE

Chairman of risk committee
Member of tender risk committee

Peter was appointed to the Board in March 2011.

May Hermanus (55)

Independent non-executive director

BSc (Geology), MSc (Physical Metallurgy), Takemi Fellow, Harvard University

Chairman of safety, health and environmental committee

May was appointed to the Board in September 2009.

Philip Hourquebie (62)

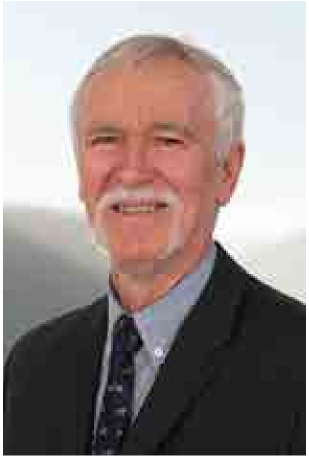
Independent non-executive director

CA(SA), BCom Finance, BAcc

Member of investment committee and audit committee

Philip was appointed to the Board on 5 August 2015.

Board and committee composition at 5 August 2015.



Michael Kilbride (63)

Independent non-executive director

BSc (Hons) Mining Engineering (RSM, London University), MDP (Unisa), SEP (London Business School)

Member of investment committee; safety, health and environmental committee and tender risk committee

Michael was appointed to the Board in July 2012.

Adrian Macartney (47)

Group finance director

BCom, BCompt (Hons), CA(SA)

Member of executive committee and tender risk committee

Adrian was appointed to the Board on 8 September 2014.

Juba Mashaba (49)

Group executive director

BA, LLB (Swaziland), Human Resources Executive Programme (University of Michigan Business School)

Member of executive committee

Juba was appointed to the Board in October 2007.

Thoko Mokgosi-Mwantembe (54)

Independent non-executive director

Dip Education (Swaziland), BSc (Swaziland), MSc (UK), SEP (Harvard), MCRP (IMD)

Chairman of remuneration and nomination committee
Member of social, ethics and transformation committee

Thoko was appointed to the Board in December 2010.

Kholeka Mzondeki (47)

Independent non-executive director

BCom ACCA (UK)

Member of audit committee and social, ethics and transformation committee

Kholeka was appointed to the Board on 1 January 2014.

David Robinson (61)

Managing director of McConnell Dowell Corporation Limited

BE (Civil), FIE Aust, CP Eng, FAICD

Member of executive committee

David was appointed to the Board in January 2005.

David retired from the Board with effect from 17 August 2015.

Kobus Verster (49)

Chief executive officer

BCom (Hons), MBL, EMP

Member of executive committee and tender risk committee

Kobus was appointed to the Board as financial director on 27 September 2010 and CEO on 11 February 2014.

Peter Ward (62)

Independent non-executive director

BCom, CA(SA)

Member of audit committee; risk committee and tender risk committee

Peter was appointed to the Board in July 2007.

Chairman's statement

Rebuilding shareholder value

Mahomed Seedat, Incoming chairman (1 July 2015)

My first responsibility as the incoming chairman of Aveng is to acknowledge the role of my predecessor Angus Band, particularly in guiding us into a new era of governance. On behalf of my colleagues on the Board, I thank Angus for the diligence, thoughtfulness, insight and energy with which he has served the Group for nine years. I also look forward to his continued participation on the Board.

Overview

2015 could be described as a perfect storm for Aveng with a combination of ongoing deterioration in our key markets, particularly steel, and internal issues, primarily relating to the completion of a number of projects which have placed substantial pressure on the Group's operating performance. In addition, management recommended to the Board that we provide for some claims relating to Aveng Grinaker-LTA which management believes are commercially valid but are taking a long time to resolve. The result of these factors is that Aveng incurred a headline loss of R578 million for the year to 30 June 2015.

The *recover and stabilise* phase of our strategy launched late last year has delivered results and by the end of the 2015 financial year virtually all of the historically underperforming contracts had been completed or allowance had been made for the full estimated costs to completion. Considerable progress has been made in stabilising underperforming business units through a combination of new management, cost reduction and greater attention to detail. Unfortunately, this has resulted in downsizing initiatives which have seen some 1 094 people leave the Group.

At a macro level, the decline in commodity prices and demand for commodities has resulted in a sharp contraction in all mining-related activities in what has historically been a growth market for Aveng. In South Africa we have seen mining projects cancelled and rephased, while significant pressure from existing customers to reduce rates has adversely affected margins.

Although in Australia, government and state government sponsored transport-related infrastructure projects have started to emerge, there has been a gap between completing existing projects and winning new work which will impact McConnell Dowell in the first half of the new financial year. The Australian market is fiercely competitive with a number of new foreign entrants and contracting terms are very onerous and not commercially sound. Tendering large projects is expensive with no recovery unless the tender is secured and the Group incurred material tender costs in Australia.

Unlike Australia there have been very few major government sponsored projects in South Africa and the civil engineering space in particular is suffering from a dearth of available work. The sharp reduction in the global oil price has resulted in a number of gas projects, particularly in Mozambique, being cancelled or rephased which has also adversely impacted future order books. Consequently Aveng Grinaker-LTA's order book is biased to lower margin building work.

Globally, the steel industry is under major pressure with prices still falling. The level of demand in South Africa is muted and price levels have been adversely affected by cheap imports from China, the combination of which has plunged the local steel sector into a survival crisis. Domestic competition in our markets is fierce, margins have been compromised as a result and Aveng's steel operations have experienced a collapse in profitability over the second half of the year. Although management has been aggressive in dropping the cost base in the steel operations it is proving to be insufficient to restore profitability and some tariff protection against dumped imported steel is an urgent necessity to avoid a complete collapse of this important industry. Labour unrest, as well as restructuring costs, also contributed to a substantial operating loss incurred by the steel operations for the year.

Aveng's manufacturing operations have performed well except for the mining-related operations which have also felt the impact of the mining slowdown. The rail operations are well positioned to continue to benefit from the roll-out of new railways in Africa as well as the maintenance of existing lines.

Looking internally, the Board was satisfied that the budgets presented by management in June 2014 were stretching, but achievable. However, it is clear now that we were too optimistic that the turnaround of Aveng Grinaker-LTA was going to be achieved in a year and although we have made progress in stabilising the business, it will take another 12 months for our interventions to be reflected in a break-even position. During the year, we rightsized the cost base of Aveng Grinaker-LTA, addressed loss-making projects and replenished the skills deficit that existed primarily in project management, but we incurred significant restructuring costs in the process, as well as higher than expected costs to complete in respect of some loss-making projects. The Board believes that this operation has bottomed based on its cash flow over the last quarter and the percentage of contracts which are achieving tender margin or better.

We have continued to experience internal and external challenges at McConnell Dowell where commendable performances on a number of contracts, particularly in Singapore and New Zealand, were offset by losses incurred on the Hay Point Berth project following a decision to close out the project and pay liquidated damages to mitigate further losses. Competition for lower levels of opportunity remains intense and McConnell Dowell has experienced a marked decline in its order book and incurred substantial expenses bidding for work that it has not secured. Although the order book is materially lower following the completion of the major pipeline projects, there are a number of large tenders pending which should, if McConnell Dowell is successful, replenish the order book. The resolution of the two large contract claims in respect of the Gold Coast Rapid Transit and Queensland Curtis Liquefied Natural Gas contracts is receiving urgent attention but neither is likely to be resolved in the short term.

Detailed information on the Group's operational performance and financial position is available in the executive review on pages 42 to 51 and the operational reviews on pages 52 to 75.

Material issues

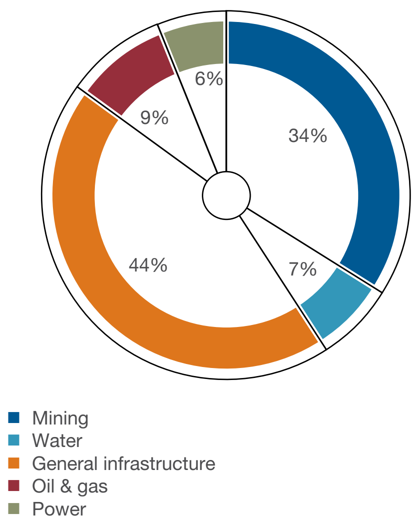
Safety

The safety and wellbeing of our people remains paramount and is critical to our ability to embed a culture of high performance. The Group continued to experience an overall reduction in safety incidents, with the AIFR at 3,5 compared to 3,8 in 2014. However, sadly Aveng did not meet its key safety objective of zero lives lost during the period under review. Five of our people (2014: four) were fatally injured at our operations during the year, all in mining operations. We deeply regret these deaths and offer our condolences to the families and colleagues of the deceased.

We have undertaken our normal practice of investigating each incident and sharing the lessons learnt across the Group. In addition, the Board has identified safety in our mining operations as an area of weakness and launched an in-depth investigation into the underlying causes of these lives lost. The outcome will guide

Aveng has a net cash position of R393 million and sufficient available facilities. Therefore, the Board is satisfied that there is no current need for additional capital.

Two-year order book by sector



Hard work lies ahead in difficult market conditions but the fundamentals are in place and as the strategy is further implemented and market conditions improve, I believe Aveng will deliver the required shareholder value and contribute valuably to the economies it serves.

Chairman's statement continued

the implementation of specific measures to address the causes.

Liquidity

Liquidity remains one of the Group's most pressing material issues. A primary focus of the Board during the year has been to implement urgent measures, including stringent cash management across the Group, pursuit of the resolution of outstanding commercial claims, the sale of non-core assets and the raising of the convertible bond to improve the financial position.

Based on the detailed cash projections provided by management, the Board believes that Aveng's existing facilities, together with the proceeds from the pending property sale, as well as the slowing cash requirements from operations ensure that the Group has sufficient liquidity and does not need to raise additional capital.

Operational performance

There has been a concerted effort in recent years to strengthen operational performance and this has required a significant overhaul of our risk management and project execution processes on the one hand and major changes in our operational leadership structures and the bench strength and talent pipeline of our skills across the organisation. While undergoing these transformations in critical areas of our organisation, we have been adapting our businesses to a sustained period of economic decline (compounded by challenges unique to South Africa such as electricity constraint and labour disruption), while ensuring that they remain resilient and positioned to capitalise on the growth opportunities we have identified in our strategic planning.

The Board is satisfied that with the management teams now in place, Aveng has the capacity and experience to return underperforming business units to profitability and deal with the difficult trading conditions that are expected to be evident over the medium term.

Transformation

Our vision is to make Aveng a company without divisions and boundaries that make people feel structurally excluded. In this regard, I am pleased to report that the Group regained its level 2 B-BBEE rating based on its 2014 performance. In particular, we achieved performance improvements in the areas of management control, employment equity, preferential procurement and skills development. We have implemented a three-year transformation strategy to ensure compliance with the revised codes of good practice. The strategy is underpinned by a robust operational governance protocol, knowledge and skills transfer to targeted key employees.

Stakeholder engagement

We have made a concerted effort to strengthen our interaction with our key stakeholders during the year in order to build stronger relationships with them. This process has been enhanced by the appointment of new operational leaders who have introduced valuable new stakeholders with whom they have established relationships.

A particular area of focus has been our ongoing engagement with government, in partnership with SAFCEC, the civil engineering employer organisation, in an effort to resolve the ongoing consequences of the Competition Commission's investigation into anti-competitive practices in our industry and the subsequent imposition of penalties.

Aveng has taken decisive steps through its training and compliance programme to ensure that such transgressions of governance do not recur. We remain hopeful that our ongoing efforts to engage with government will result in an amicable resolution that allows us to continue to participate as a leading driver of job creation, transformation and economic development in South Africa.

Strategy

In 2014, Aveng implemented a *recover and stabilise* strategy to address the Group's key material issues. This involved urgent measures to realign fixed overhead cost structures with envisaged levels of activity, resolve and settle major outstanding project claims to restore cash flow and liquidity, and improve operational issues. Most of these measures are now deeply embedded across the organisation, while others are ongoing and remain key focus areas.

The next phase of this multi-year strategy is the *position for growth* phase. In order to clearly define Aveng's strategic response to current and anticipated future changes in its markets, the Board reviewed and approved a revised client and industry delivery model at its annual strategy meeting in November 2014. This revised strategic approach will be a key driver of the Group's focus on optimising its performance to achieve long term sustainable growth and shareholder value. The client and industry delivery model defines the Group's targeted sectoral markets as infrastructure and transport development in the construction, mining, power and oil and gas markets, with South Africa as the base for expansion into selected markets in the SADC and East African regions and Australia as the base for opportunities in Southeast Asia, New Zealand and the Middle East. A more client-centric approach is defined for the way the Group initiates or responds to business opportunities, leveraging the full capacity of its extensive value chain to offer solutions to clients.

Risk management has been a key focus area of the *recover and stabilise* phase of the strategy and we have made significant progress in embedding the three lines of defence approach, particularly the strengthening of the roles and accountability of management representing the first line of defence at the project execution level. At board level, Eric Diack and Ian Luck, who were appointed members of the risk committee and McConnell Dowell's risk and audit committees respectively, have contributed their considerable expertise and industry experience to the strengthening of our risk management processes.

Ensuring that we have the right strategy in place to restore Aveng's financial position and enable the Group to fulfil its potential to grow and build shareholder value are matters that the Board has been intensively engaged with in 2015. We are confident not only that the strategy can achieve its purpose but also that it is being effectively executed by the Aveng leadership team.

Additional information on the Group's material issues and strategy is available on pages 22 to 29 and 30 to 39.

Board of directors

Angus Band decided in April 2015 that after nine years as chairman he would retire from this role with effect from 30 June 2015 but remain on the Board as a non-executive director. I succeeded Angus as chairman with effect from 1 July 2015. I was appointed a director of Aveng in July 2012 and serve as chairman of the social, ethics and transformation committee and a member of the safety, health and environment, remuneration and nomination investment, risk and tender risk committees. Prior to that I gained many years of large business experience both locally and internationally, primarily in the mining sector.

Peter Ward retired as chairman of the audit committee with effect from 30 June 2015 and was replaced by Eric Diack with effect from 1 July 2015. Peter will retire from the Board in 2016. I would like to thank him for his dedication as chairman of the committee over the past eight years.

In the 2014 report, we noted the retirement of Rick Hogben as a director and the appointment of Adrian Macartney as group finance director and chief financial officer, both of which occurred in the 2015 financial year.

Executive director David Robinson retired from the Aveng Board on 17 August 2015. The Board would like to extend its thanks to David for his valuable contribution to the Group over the past 10 years. David will be succeeded as managing director of McConnell Dowell by Scott Cummins with effect from October 2015. Scott is Australian and has extensive experience in the international construction and engineering industry.

Kholeka Mzondeki was appointed a member of the social, ethics and transformation committee with effect from 1 July 2015.

Philip Hourquebie was appointed an independent non-executive director in August 2015. Philip is a qualified chartered accountant with extensive operational and strategic experience following a successful career at Ernst & Young. He was appointed to the audit committee and investment committee.

On behalf of the Board, I welcome Philip and Scott to the Group and look forward to their contributions.

Acknowledgement

I would like to thank my colleagues on the Board for their wholehearted dedication as well as the wise counsel they have offered over the past year. I also express the Board's gratitude to management for its commitment and hard work during a challenging year.

Finally, I wish to thank all of our stakeholders, particularly the people of Aveng for their ongoing commitment to the repositioning of our business operations in difficult times and our clients, suppliers and business partners who enable us to continue delivering the projects that sustain the markets we serve.

Outlook

The Board remains deeply concerned about the macro-economic outlook for the majority of Aveng's markets. In South Africa, we urge the government to renew its focus on the implementation of the National Development Programme which has infrastructure development as a cornerstone. Without progress in this critical area, we anticipate further contractions in the revenue streams of industries dependent on infrastructure investment, with the consequential impact on employment. In Australia, we continue to broaden our sectoral and geographic focus to mitigate the declining levels of activity in infrastructure development.

Aveng has made considerable progress in restoring its internal operating engine and I am confident that the Board and management team have the capacity and the capability to execute the strategy effectively. Hard work lies ahead in difficult market conditions but the fundamentals are in place and as the strategy is further implemented and market conditions improve, I believe Aveng will deliver the required shareholder value and contribute valuably to the economies it serves.

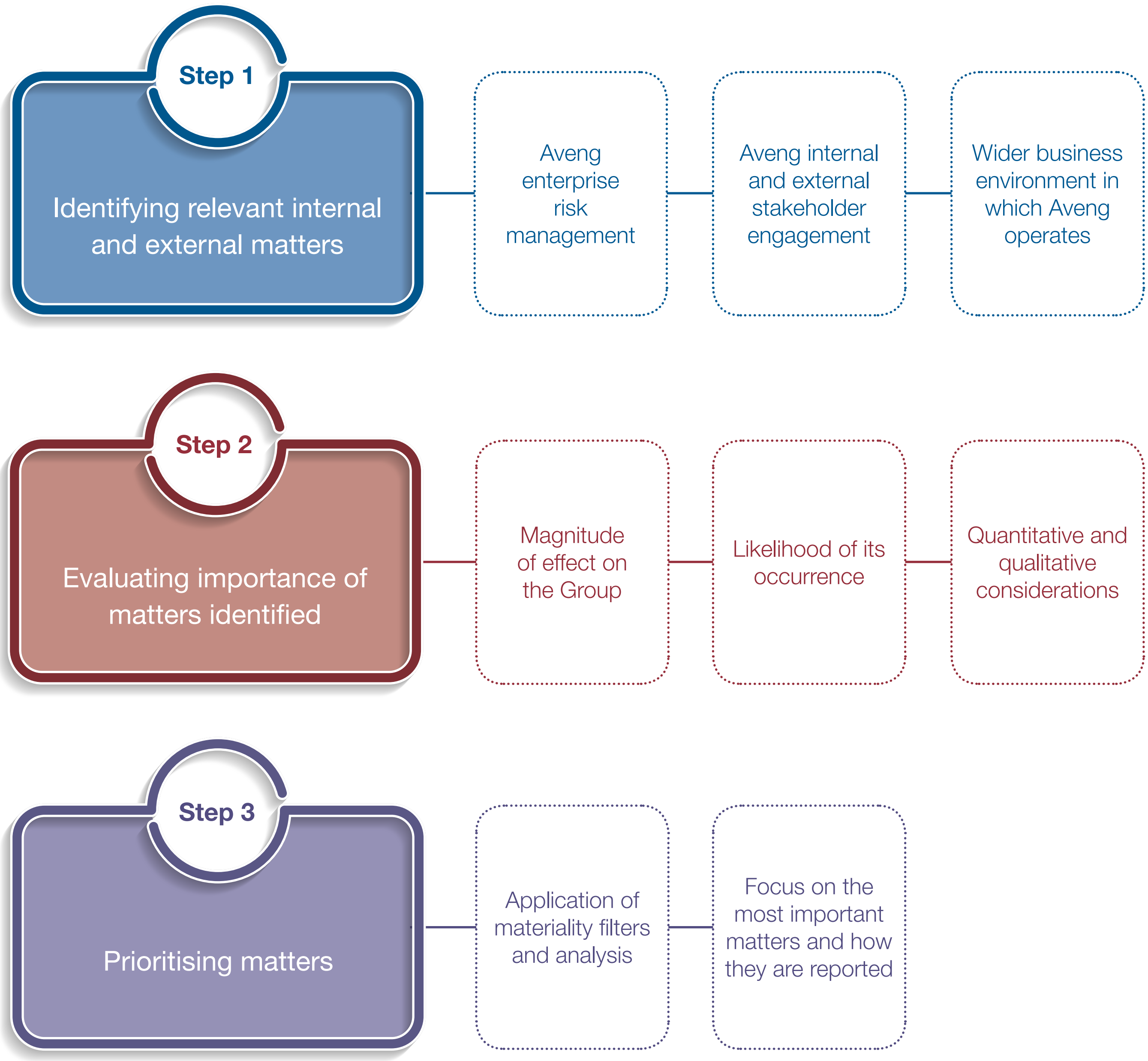
Mahomed Seedat
Chairman

Identifying material issues

Aveng defines materiality of issues for reporting purposes as: issues that substantially affect the Group's ability to create and sustain value[1] over the short, medium and long term.

Material issues determination process

Aveng's material issues determination process, largely informed by the International Integrated Reporting Council (IIRC) guidance, is illustrated below, followed by commentary on each element.



[1] Management's philosophy on value is centred around operating free cash flow generation and return on invested capital generated by the Group as well as the ability to continuously grow and evolve the Group to meet market needs, as manifested in real headline earnings growth.

Aveng enterprise risk management

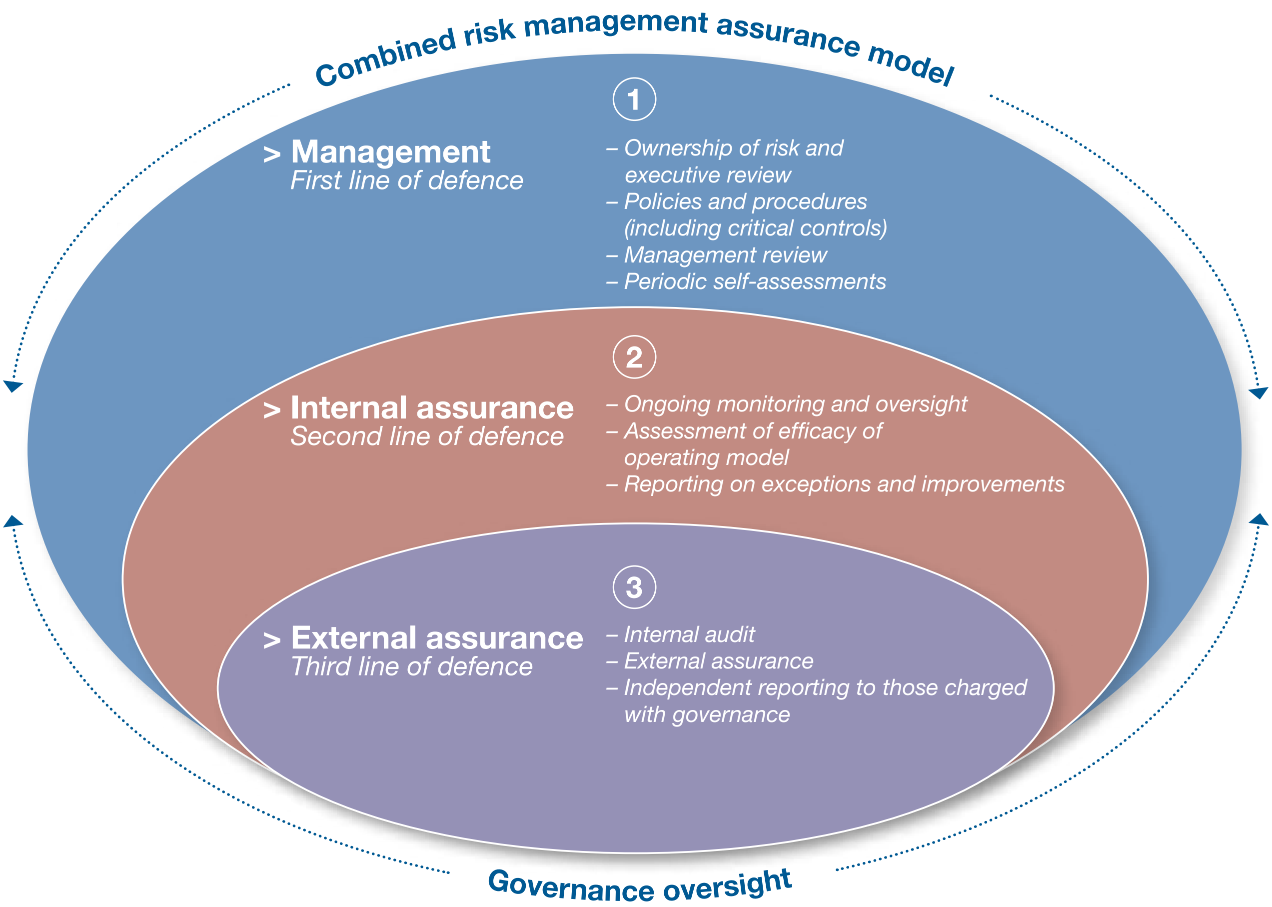
Risk is pervasive in all business activities. Our operational performance and the impact this has on our financial position is a critical risk focal point. Risk is also inherent in the way we manage our resources and relationships, the impact we have on the safety and wellbeing of people, and our impact on the communities and the natural environments within which Aveng operates.

Aveng continuously reviews and improves risk management processes and has recently, among other interventions, adopted the concept of "three lines of defence" particularly to strengthen risk management and ensure adequate assurance levels. The three lines of defence jointly form the combined risk management assurance model for Aveng. There is a need to optimally balance the levels of assurance obtained from each line of defence and there is currently a drive to shift assurance levels from the third line to second line in certain areas to enhance ownership and management of risk and control compliance by first line management.

Risk management approach

A review of our operations has identified that while we have a sound risk management framework that governs the Group's approach to the assessment and treatment of risk, the actual management of risk at the operational level has not been totally successful leading to a sub-optimal outcome in operational performance.

The adoption of a three lines of defence model of risk management with clearly defined roles and responsibilities to identify, evaluate and manage opportunities, threats and uncertainties that could influence the Group's results, ensures both regulatory compliance and compliance with group policies.



Combined risk management assurance model

- As the first line of defence, operational management has ownership, responsibility and accountability for assessing, controlling and mitigating risks, while maintaining effective internal controls to identify risks and ensure accurate financial reporting. This includes preparing documented project execution strategies, conducting rigorous management reviews of bids before submission, approving key project level appointments, conducting regular senior management reviews of ongoing projects, assuring adequate software systems to facilitate timeous project level reporting and identification of deviations from plan.

Material issues determination process continued

- As the second line of defence, the commercial and risk management functions monitor the effectiveness of the operating model and implementation of effective risk management practices by operational management. This assists the risk owners in reporting adequate risk-related information up and down the organisation and facilitates risk management processes and detailed peer reviews on key contracts when they are approximately 20% complete, to identify risks and opportunities and agree on improvement strategies. In addition, regulatory compliance is monitored and guidance provided on compliance requirements.
- As the third line of defence, the internal auditing function, through a risk-based approach, provides assurance on the effectiveness of governance, risk management and internal control to the committees of the Board, supplemented by the external audit function which independently verifies the accuracy of financial results and certain non-financial data.

Governance oversight

The Board's risk committee and audit committee act as the governing bodies for the combined risk management assurance model.

- The risk committee oversees the activities of all three lines of defence and receives reports from the third line of defence on the efficacy of management controls. The risk committee also satisfies itself through the activities of the tender risk committee that adequate business processes are followed in the preparation of major bids and that the risks have been considered and quantified.

  The risk committee reviews major and problematic projects with specific focus on changes in costs, commercial claims, margins and any other items of concern that occurred since the prior reporting period. Peer reviews and "breaking news" on underperforming contracts are brought to the attention of the risk committee. Concerns raised by the committee are communicated to the relevant operating groups for management actions.
- The tender risk committee reviews all major bids before submission to satisfy itself that appropriate business processes have been followed to prepare the bid and that risks have been considered and appropriately transferred or mitigated. Particular attention is paid to the key commercial terms. A mandate is given to the relevant operating group specifying the terms under which a contract may be accepted.
- The audit committee oversees the activities of the external and internal audit functions and receives input on the adequacy and accuracy of financial reporting and control mechanisms. It relies on the input of the risk committee on material risk issues that could impact the financial results.

@ *Additional information about the functioning of these structures is available in the full corporate governance report online http://www.financialresults.co.za/2015/aveng-additional.*

Key business risks

Key business risks are identified as internal or external risks that have the potential to cause significant financial loss, or affect the safety and wellbeing of our staff, matters which may fundamentally undermine the Group's competitive position and adversely impact its reputation. A risk register is updated quarterly and reported to the Board and the risk committee. This information is used to determine the strategic interventions and mitigation measures required to minimise the impact of risks.

The top business risks emerging from enterprise risk management (ERM) for the period were:

- Safety
- Management of working capital and liquidity, poor financial results
- Quality and execution of projects
- Macro-economic environment and securing profitable order book
- Talent management
- Reputational risk
- South Africa specific:
  – Transformation
  – Labour instability and costs.

Stakeholder engagement

Aveng recognises that a proactive and robust process of engagement with stakeholders is critical in understanding their views and concerns. The ability to effectively identify material issues relating to stakeholders, including risks and opportunities, and effectively respond to these issues will enable us to create and maintain value.

An intensive and responsive process has been undertaken to engage with affected Competition Commission investigation stakeholders to re-establish and build relationships and Aveng's reputation.

The Group's recent poor financial performance has had a negative impact on its reputation with investors and financiers. We continue to strive for clarity and transparency in the communication of progress with the *recover and stabilise, position for growth,* and *realise growth and sustain profitability* phases of the strategy. This will be core to rebuilding our reputation as a business with exceptional potential and a management team that can deliver on its commitments. Notwithstanding these, and other challenges, there has been an underlying improvement in the performances of many operations that underperformed in the past, reflecting Aveng's commitment to deliver tangible and sustainable improvements in its results.

Our primary stakeholders are employees, shareholders, the investment community and media, trade unions, customers and clients, sub-contractors, suppliers, service providers and business partners, and government, regulatory and industry bodies. We encourage dialogue and feedback at all levels in the business.

A stakeholder engagement plan and report-back process has been implemented in which operating groups identify their material stakeholders based on their current or prospective positive or negative impact on the business. Specific focus is paid to how we engage with each stakeholder and how to elevate the engagement to the next level to build stronger relationships, for example engagements on the African continent in line with the company's Africa Growth strategy.

The table below sets out existing methods of engagement with our key stakeholders and their issues and expectations:

Stakeholders	Nature of engagement	Stakeholder issues and expectations
Customers and clients Private and public across all sectors covered in the Group's business model. Refer to pages 8 to 11.	Customer meetings and site visits, conferences, events and exhibitions, written communication, contracts and service level agreements	■ Commercial issues / claims ■ Delivery on tenders / bids ■ Relationships ■ Reputation management (financial performance and negative coverage).
Employees 7 883 salaried 17 583 waged	Culture surveys and wellness days, engagement forums and training sessions, safety inspections, performance reviews, leadership conferences and senior management interaction	■ Employee engagement ■ Retention and talent identification ■ Cohesive high-performance culture and values.
Shareholders and investment community SA-based (74%), North America-based (13%), Europe-based (8%) **Lenders and analysts**	Financial reports, trading updates and statements, results presentations and roadshows, AGM, site visits, webcast sessions, individual meetings, the website, corporate newsletters and conferences	■ Return on investment ■ Claims recovery ■ Strength of balance sheet ■ More regular engagement ■ Brand positioning ■ Reputation management (financial performance.
Trade unions NUM, NUMSA, UASA, AMCU and Solidarity in South Africa AWU and CFMEU in Australia	Each operating group has its own agreements with its respective trade unions and engages through various methods and at various intervals	■ Tough labour relations environment ■ High propensity for strikes, including unprotected strikes ■ Proliferation of unions.
Contractors, suppliers, service providers and business partners Throughout the value chain across all sectors covered in the Group's business model. Refer to pages 8 to 11.	Supplier meetings, workshops, presentations, industry body meetings, events and exhibitions, project steering committees, site and project visits, contracts and service agreements and project process meetings	■ Impact of procurement, EE and SD decisions on the revised B-BBEE scorecard in South African environment ■ Repercussions of not complying with revised codes in South African environment ■ Open and fair tender process ■ On time payments ■ Sustainable business relationships.
Government and regulatory bodies National, provincial, state, regional and local government, parastatals, construction regulatory boards, Competition Commission, Construction Sector Charter Council, JSE, Fair Work Commission.	Submission of compliance reports, formal and informal meetings, consultations and workshops (e.g. SAFCEC-led industry CEO forum), conferences, seminars and presentations, and written communication	■ Compliance to legislation (i.e. labour relations, environmental, competition, etc) across various geographies and industries in which Aveng operates ■ Inconsistent application of legislation and policies at various levels of government structures.
Industry SAFCEC, MBSA and SEIFSA	Representation on key industry bodies, leadership meetings, correspondence, newsletters and sponsorships	■ Influence of industry bodies on public policy.

Material issues determination process continued

Business environment

Aveng operates in a challenging external environment. There is a poor economic outlook in South Africa, with concerns over government delays in implementing infrastructure investment programmes, a national electricity shortfall, low commodity prices and ongoing labour disputes.

Despite marginal growth in the Australian economy and market factors, such as low commodity prices, the sectors within which the Group operates have experienced a slow-down as a result of poor growth, especially in the mining sector. Trading conditions remain difficult with fierce competition which has increased risk and put extra pressure on margins. The continued involvement of large international construction companies may be tested over the coming period if their domestic markets improve relative to Australia.

There are a number of acute short term challenges, but attractive medium and long term prospects and opportunities for the markets that Aveng operates in. The following analysis sets out some of the key drivers in the business environment that affect the sectors and geographies in which we operate:

Intense market competition

There is a decline internationally in business confidence in South Africa. This will cause increased competition in the market among the entities vying for the limited number of available projects.

The Australian market remains difficult with strong competition for the significantly reduced volume of opportunities compared with recent years.

Increased competition continues to lead to unsustainable pricing and commercial terms, impacting negatively on profit margins, liquidity and growth.

Delays in major infrastructure projects and order placement

The construction sector has been underperforming. The delays in major infrastructure projects, along with intense market competition, have contributed to the underperformance. The South African Government is focusing on these key areas of capital expenditure: energy (through Eskom), and roads and water in the medium term. Eskom has announced the approval of Coal 3 and 4, two new coal power stations, which will commence after the completion of the Kusile and Medupi power stations. While an investment in new nuclear generation capacity appears likely, the timing remains uncertain.

In the 2015 State of the Nation address, President Zuma stated that R26 billion would be spent on roads, which would create several opportunities for new projects.

The improvement of water and sanitation infrastructure in South Africa is expected to become a critical factor in the near future. Demand is expected to outstrip supply by 2025, which creates several opportunities for construction companies in the upgrading and maintenance market of the water industry, as most of the impending crisis is due to poorly maintained infrastructure.

Downgrade of mining sector

South African and Australian mining challenges are worsened by significantly lower commodity prices. Accordingly several investors have downgraded their view of the industry.

In South Africa this is mainly due to the continuous decline in commodity prices, the negative effect of load shedding by Eskom and regulatory uncertainty in the mining industry. Regardless of the negative outlook, the mining sector remains one of the major driving forces for the country.

In Australia a collapse in commodity prices, especially in the last six months has had a significant impact on investment and a recovery is not expected until 2017/18.

Depressed global economic environment

There is continued deceleration in infrastructure investment in Australia but the Federal Government is aiming for increased expenditure over the medium term, to compensate for the expected fall in mining investment.

The lower oil prices are negatively impacting government revenue in several African countries, and we expect a delay in infrastructure investment as a result of this.

Infrastructure expenditure in Southeast Asia is expected to grow, especially in Singapore where the Land Transport Authority intends to double the current rail network by 2030.

Significant infrastructure investment and development opportunities are expected in the Middle East.

From a global context some regions offer more opportunities than others, but the fierce competition to win work will continue to increase among the top construction companies that are established in regions where opportunities are limited.

Uncertain and disruptive South African labour market

South Africa has a very volatile labour market, and currently the labour costs are outpacing its efficiency. Labour unrest in South Africa has once again been prevalent in the construction, mining, steel and motor industry sectors, affecting almost all of Aveng's businesses directly or indirectly.

The labour environment is still increasingly pressurised and construction site lock-outs have prevented work from being performed in the current year, even when Aveng's labour force was not on strike.

Evaluation and prioritisation

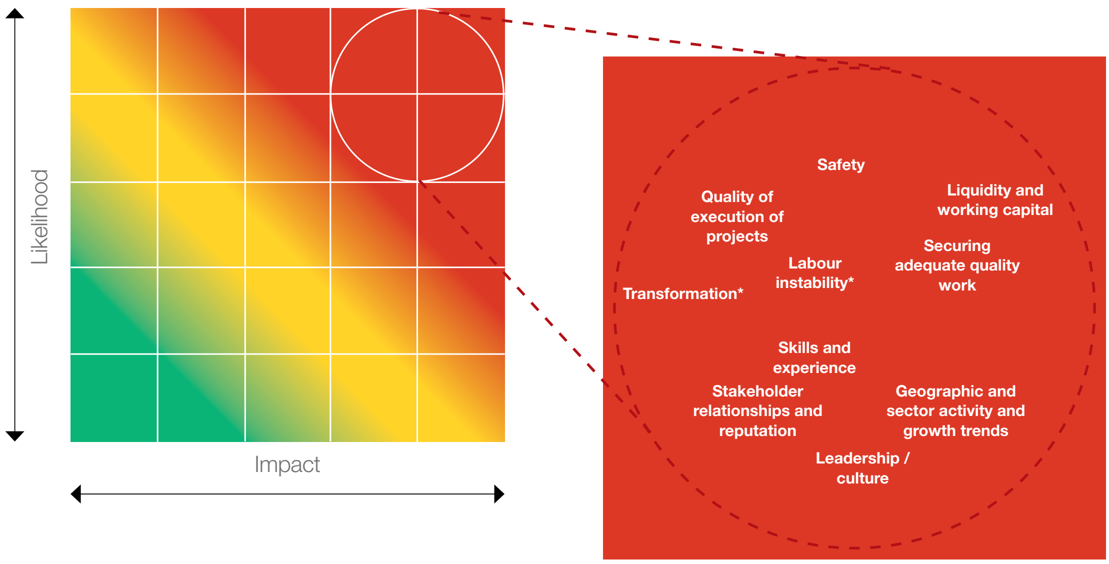
Perspectives informing relevant matters

- Risk management
- Stakeholder engagement
- Business environment.

Correlation of emerging and existing issues, trends and focus areas

- Once the relevant material issues were identified, these issues were assessed based on the likelihood that they would occur and their potential impact on Aveng.
- The impact assessment included the likelihood of identified issues occurring and the associated volatility.
- After identifying potential material issues, Aveng performed a correlation exercise. Several sources were consulted to determine how often the risks already identified appeared in other sources that relate to Aveng and the industries it operates in. These included: investor feedback, megatrends, emerging risks and opportunities, Aveng strategy and business model, and geographic and sector outlook. The more prevalent the risks and opportunities appeared in different sources, the greater the evaluation of these issues against qualitative and quantitative factors which informed the impact and likelihood of these matters on Aveng.
- The resultant matters were then plotted on a heat map below to demonstrate that only the most material issues emerge and are dealt with further in this report.

These material issues and their context are presented on pages 28 and 29.



** Specific to South Africa*

Material issues

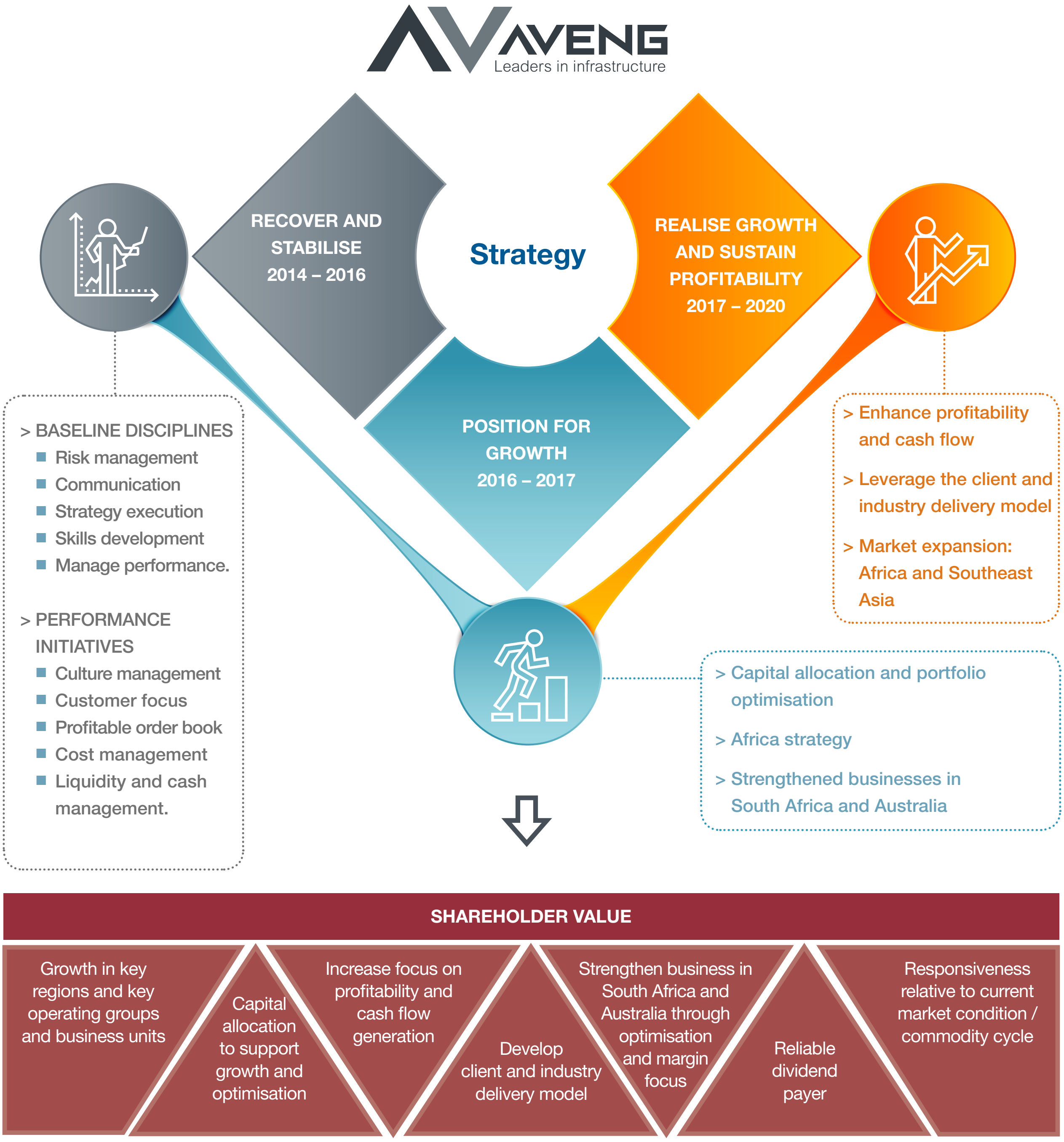
Material issue		Context
1	Safety	■ Significant physical harm caused to employees, sub-contractors and service providers ■ Continued occurrence of lives lost and potential high-consequence incidents ■ Poor health and safety performance weakens productivity and may attract regulatory sanction and penalties ■ Reputational damage as a result of poor health and safety performance may negatively impact prospects for future work ■ Unforeseen costs (direct and indirect) linked to health and safety incidents and as higher levels of risk being transferred to contractors by clients.
2	Liquidity and working capital	■ Operational underperformance and weak financial performance in certain areas ■ Increasing size and complexity of major projects and onerous commercial terms may increase our working capital requirements and put strain on liquidity ■ Credit risk ■ Exposure to refinancing and liquidity risk has the potential to impact credit ratings and ability to raise cost-effective borrowings ■ Adverse effect of unresolved commercial claims on working capital ■ Inaccurate forecasting leads to unforeseen short term swings in liquidity.
3	Quality of execution of projects	■ Limited availability of experienced project and commercial management results in poor project execution and ineffective execution of strategy in certain parts of the business ■ Non-adherence to (or inadequate) project selection, tendering, review and execution systems and processes results in unexpected substantial losses on projects ■ Limited sharing of knowledge and learning from mistakes, contributes to areas of weakness in operational performance.
4	Securing adequate quality work	■ Increased size and complexity of major infrastructure projects with higher levels of risk being transferred to contractors ■ Significant competitive pressures due to overcapacity in the construction industry ■ Entry of international contractors in African and Australian markets increases competition ■ Need for significant local content (labour and fabrication) in all markets complicates entry and execution ■ Uncertainty about cost base in new markets complicates pricing of projects ■ Vigilance required when exposed to questionable business practices in new markets ■ Insufficient key client relationships may lead to inability to negotiate contracts and the need to rely on competitive bids only.
5	Labour instability*	■ Current unstable domestic labour market provides a substantial risk ■ Violent nature and extended duration of strikes compound their impact ■ Labour disruption impacts contractors indirectly even if own labour force is not on strike ■ Inflexible labour codes coupled with lack of continuity of work leads to difficulty in ramp-up and ramp-down of resources for large projects ■ Decreasing labour efficiency.

** Specific to South Africa*

	Material issue	Context
6	Transformation*	■ Perceived lack of real transformation and accountability for transformation in the organisation. Low culture of transformation / visible leadership and / or lack of understanding of transformation objectives ■ Application of new B-BBEE codes and Construction Charter will have an impact on scorecard elements and resultant transformation rating ■ Significant investment required to develop empowered supply chain in South Africa for all entities concerned ■ Educational and construction experiential demographics do not adequately fulfil the Group's skills and experience requirements
7	Stakeholder relationships and reputation	■ A number of problem contracts experienced in South Africa and Australia during the past few years have resulted in protracted commercial negotiations with clients ■ Poor execution of projects tarnishes reputation of company and may negatively impact prospects for future work ■ Construction sector remains exposed to the potential of ongoing punitive actions for historic anti-competitive practices. Ongoing challenges in restoring trust with all affected and future stakeholders ■ Perceived lack of transformation leads to negative perception by key stakeholders
8	Geographic and sector activity and growth trends	■ Subdued outlook in South Africa due to delays in infrastructure and mining investment. Rail, water infrastructure and renewable energy markets offer better prospects ■ Sub-Saharan African growth prospects remain strong, particularly in transport (rail, road and ports), power and oil and gas markets ■ Subdued construction and mining markets in Australia ■ Asia and Middle East markets represent significant growth potential, with infrastructure investment continuing to fuel growth in Southeast Asia ■ Exposure to economic impacts across different geographies (foreign exchange and commodity price fluctuations, regulatory and political environments) ■ Exposure to business disruption due to unreliable power supply in South Africa
9	Leadership / culture	■ The greater leadership team has now settled under current management ■ First line of defence (direct line management) accountability and empowerment more settled ■ Strong executive leadership required to execute the strategy effectively and ensure efficient project execution at project management level. Availability of leadership skills in the organisation to address current needs
10	Skills and experience	■ Having the right skills capability and experience to deliver on our desired outputs ■ Having the right combination of skills sets at project management level to deliver at the coal face.

** Specific to South Africa*

Strategy



A responsive strategy

The Aveng strategy seeks to respond robustly and proactively to the material issues facing the Group in the short, medium and long term. The strategy is reviewed regularly and has been refined in the past year to take changing market conditions into account.

The short term *recover and stabilise* phase is at an advanced stage and continues to be executed, while further progress has been made in clarifying the medium term and longer term *position for growth*, and *realise growth and sustain profitability* phases.

Additional information on the execution of the strategy is provided in the executive review on pages 42 to 51.

Recover and stabilise

Progress was made in these key areas during the year under review:

- Diversification of Aveng's funding sources, including the sale of non-core assets, extension of the maturity profile of borrowings and reduction in their cash cost
- Implementation of performance contracts and responsibility management, with critical conversations taking place between managing directors and group executives
- Significant changes in leadership
- Realisation of R452 million in cost savings in the last 18 months during the first wave of cost optimisation and efficiency initiatives
- Broad-based improvements in customer focus and engagement
- General strengthening of risk management across wide-ranging processes, including contract and business reviews.

The eight work streams presented in the 2014 integrated report were refocused into five baseline disciplines and five performance initiatives. The baseline disciplines have been determined by progress made on key work streams that can now be moved from "project" to "process" level focus areas.

These baseline disciplines are:

- Risk management
- Communication
- Strategy execution
- Skills development
- Performance management.

They were embedded into the Group during the year and are now viewed as part of the underlying business processes and disciplines, although continued effort is required to optimise and enhance their efficacy and efficiency.

Performance initiatives which continue to receive attention include:

- Culture management
- Customer focus
- Profitable order book
- Cost management
- Liquidity and cash management.

These initiatives will continue to be driven on a project basis.

The baseline disciplines and performance initiatives that form part of the *recover and stabilise* phase, together with progress made in executing them and their future focus areas are detailed below and on pages 32 to 35.

An overview of the strategic initiatives being undertaken, progress and future focus areas follows.

Baseline disciplines

Work stream	Objectives and key activities	Progress	Continuing and future focus
Risk management	**Instil and improve risk management focusing on quality, budget and timing as a business imperative across Aveng** ■ Ensure that risk guidelines are easily understood ■ Define risk tolerance at operating group level ■ Streamline current tender risk process ■ Improve risk management culture and awareness ■ Implement the "three lines of defence".	■ General strengthening of risk management across wide-ranging processes, including contract and business reviews ■ Three lines of defence embedded with an initial focus on the accountability of the first line (business management) for the management of risks that may occur and can impact business objectives. Management is empowered and is held accountable for project and business performance ■ Quality and frequency of project reviews have improved ■ Standardised cost reporting on contracts is contributing to improved visibility of actual versus allowed cost ■ Peer reviews are being conducted and problem areas more actively identified ■ Project assurance has been strengthened resulting in greater scrutiny of realised and forecasted project margins and cash flows versus tendered metrics ■ Tender risk committee has been strengthened.	■ Emphasise and strengthen at all levels the roles and accountability of management of the first line of defence.

Advanced progress	Moderate progress	Limited progress

Strategy continued

Baseline disciplines

Work stream	Objectives and key activities	Progress	Continuing and future focus
Communication	**Ensure clear communication across all internal and external stakeholders** ■ Translate Aveng's vision; communicate to business units ■ Conduct annual staff culture surveys ■ Quarterly group level CEO and operating group MD roundtable sessions to encourage information sharing ■ Improve client relationship management on projects.	■ Strategy and vision not thoroughly communicated yet ■ Improved internal and external stakeholder engagement at various levels ■ Improved leadership visibility ■ Engagement with management from group executive committee (EXCO) to business unit level ■ Cross operating group and business unit communication still too informal.	■ Increased communication with investors and analysts ■ Intense focus by business unit MDs on customer and stakeholder engagement ■ Structured and focused pipeline and customer management ■ Aveng executives engaging more with business unit management and participating at operating group EXCOs ■ More cross operating group sharing and partnering ■ Ongoing engagement with employees and organised labour to strengthen relations.
Strategy execution	**Complete the reorganisation of Aveng** ■ Confirm vision and strategy ■ Articulate business model and clear roles and responsibilities at all levels ■ Confirm Aveng portfolio mix, including focus sectors and geographies ■ Execute reorganisation of corporate office functions and operating groups to fit new portfolio ■ Define and measure key metrics to assess progress.	■ Vision and mission reviewed ■ Clear financial objectives set and approved by the Board ■ Stable EXCO capable of executing strategy and returning Aveng to profitability *Refer to pages 34 and 35 for progress made on the phase 1 performance initiatives and to pages 36 to 38 for progress on phase 2 and 3 initiatives.*	■ Establish steering committee to manage implementation of phases 2 and 3 of the strategy ■ Continue to monitor and optimise the portfolio of assets and investments, targeting return on invested capital (ROIC), positive operating free cash flow (OFCF) before expansion capital expenditure, and sustainable growth in headline earnings.
Skills development	**Improve skills throughout Aveng in 2016** ■ Evaluate skills set per operating group ■ Develop and implement action plan per operating group to close identified skills gaps ■ Adapt the reward system, where required, to close skills pipeline gap and attract and retain key skills ■ Combine skills / transformation plan per operating group / business unit ■ Improve management stability ■ Targeted training to strengthen leadership skills of leaders identified in succession plans.	■ Significant leadership and project management improvements reflected in several appointments of experienced managers across the Group and ongoing attraction and development of a diverse pool of future leaders ■ 200 senior managers underwent capability assessments and relevant development plans were implemented ■ Performance and succession management practices have improved ■ Coverage of succession plans extended to lower level management and specialists ■ Commercial capabilities and skills strengthened through appointments and development ■ Systems implemented to manage performance and succession planning in real time ■ Technical training centre established in Northern Cape to uplift our employees and local community.	■ Continuous review of competencies through ongoing ability assessments ■ Rigorous implementation of development plans to fill identified skills gaps ■ Updating and review of bench strength and talent pipeline to track progress since last review ■ Injecting better skilled employees into key roles ■ Implementing incentive schemes to reward performance ■ Cascading leadership capability assessments to appropriate levels within each operating group ■ Ongoing focus on commercial capabilities.

Baseline disciplines			
Work stream	Objectives and key activities	Progress	Continuing and future focus
Manage performance	**Fix underperforming business units or projects** ■ Implement performance contracts at all levels ■ Drive a culture of performance and consequence management ■ Implement performance management systems to review underperforming business units, contracts and individuals ■ Turn around underperforming businesses and projects.	■ Leadership capability strengthened with a number of new management appointments ■ People management and performance management prioritised through operating group quarterly reviews chaired by CEO ■ Aggressively replaced poor performers with experienced high performers in key roles ■ Critical performance conversations are taking place ■ Good progress achieved with turnaround of underperforming contracts and businesses, but some legacy underperforming contracts remain and efforts to turn them around continue ■ McConnell Dowell's performance subdued by damages on Hay Point Berth contract and rapid slow-down in domestic market ■ Improvements made in turnaround of Aveng Grinaker-LTA though impacted by the longer than anticipated commercial close-out on certain problem contracts and a weak market environment ■ Monthly meeting with group executives to discuss progress on problem or underperforming contracts ■ Duraset returned to profitability ■ New management team at Rand Roads mandated to return business to profitability ■ Aveng Engineering business restructured under Aveng Grinaker-LTA during the year with the substantial discontinuation of loss-making business units and repositioning of Water business ■ Two water projects within the engineering business have underperformed. Remediation is currently underway but has resulted in liquidated damages and higher costs ■ Successful integration of Aveng Shafts & Underground and Aveng Moolmans	■ Continue to embed performance management rigour at lowest levels ■ Continuously communicate and embed desired leadership profiles and behaviours ■ Top 100 senior and critical positions continuously reviewed to mitigate succession risk and enhance transformation ■ Focus on turnaround of existing underperforming areas ■ Continue to attract, retain and reward high performers ■ Focus on succession planning and transformation.

Advanced progress	Moderate progress	Limited progress

Strategy continued

Performance initiatives

Work stream	Objectives and key activities	Progress	Continuing and future focus
Culture management	■ Instil a revitalised Aveng DNA culture across the Group ■ Communicate vision and strategy ■ Promote performance and accountability ■ Analyse latest culture survey to set a baseline ■ Develop and implement plans to embed the Aveng DNA ■ Operating group and business unit MDs to personally communicate vision to all employees.	■ Significant progress in improving the “intangible” culture of the Group ■ Improved communication and transparency ■ Operating groups incorporated culture survey results into their strategies to address shortfalls ■ Second group-wide culture survey completed ■ Significant work still to be done.	■ Actions developed to implement findings of second group-wide culture survey ■ Align leadership with the Aveng DNA and inspire employees to live Aveng values ■ Inspire high performance culture ■ Instil cost conscious cash generative and profit-making mindset.
Customer focus	**Intensely focused customer and client engagement to build relationships founded on trust in the Aveng brand** ■ Regular engagement with customers and clients, encompassing senior levels of the organisation from CEO through MDs to key delivery managers ■ Develop ground-work for implementation of the client and industry delivery model ■ Appoint key customer and client relationship champions.	■ Ongoing engagement with high impact current customers ■ Targeted and established relationships with new customers ■ Aveng EXCO members allocated to drive the key customer, client and industry relationships ■ Presence of MDs yielded notable benefits in challenging contract negotiations and breakthrough awards.	■ Continue to develop strong customer engagement plan to improve partnerships and relationships ■ Focus on project delivery capability ■ Preparations to adopt and implement client and industry delivery model ■ Create capacity and time for client and customer engagement through periodic and structured group interactions.
Profitable order book	■ Portfolio management strategy and parameters defined for construction and engineering business ■ Order book margin delivery and risk management ■ Target higher annuity earnings ■ Seek suitable concessions opportunities ■ Ring-fence remaining undesirable business for rapid work-out.	■ Major concessions projects delivered and showing ongoing benefits ■ Portfolio targets not achieved in short term due to market conditions ■ Focus on project controls improvement to curb margin slippage ■ Portfolio management strategy in McConnell Dowell and Aveng Grinaker-LTA ■ Reaction time to margin slippage and efficacy of remedial action improving ■ Better understanding of cost and margin in the business.	■ Pipeline management within targeted net operating earnings in business units to be the responsibility of operating group management ■ Improve tender processes through early engagement ■ Creative customer solutions ■ Aveng value offering ■ Portfolio management strategy leveraged through implementation of client and industry model.

Performance initiatives

Work stream	Objectives and key activities	Progress	Continuing and future focus
Cost management	**Achieve annual sustainable cost reduction particularly from fixed overhead costs** ■ Set operating group baseline and targets ■ Classify savings initiatives into short, medium and long term ■ Execute rightsizing exercise ■ Execute medium and long term plans.	■ Over the last 18 months to date, overall savings of R452 million have been realised against target of R472 million ■ Oversight and monitoring of headcount successfully implemented ■ Significant restructuring throughout the Group.	■ Align fixed cost base with market conditions to a competitive level ■ Pursue procurement savings throughout the supply chain ■ Focus on efficiencies and productivity ■ Improve project delivery at adequate margins.
Liquidity and cash management	■ Strengthen Aveng's financial and cash position ■ Short term measures: active management of supplier and customer accounts, including claims recovery ■ Medium term measures: address specific cash issues of each operating group, ensure that each operating group targets positive operating free cash flow and prepare operating group plans for the recovery of claims ■ Long term measures: address underlying reasons for underperformance to improve profit and cash generation.	■ Implementation of convertible bond ■ Sale of Electrix ■ Sale and leaseback of majority of South African properties substantially completed ■ Adequate credit facilities negotiated with Group's bankers ■ Improved inventory management ■ Improved capital expenditure management ■ Improvement in cash flow focus, reporting and forecasting ■ Poor operational cash flow and high uncertified revenue.	■ Resolve unsettled claims ■ Focus on underperforming businesses and their turnaround strategies ■ Return Aveng Grinaker-LTA to profitability ■ More focus on cash flow forecasting and achievement of cash flow targets ■ Cash conversion cycles still too long.

The execution of these work streams continues to be driven at a corporate and operating group level and will lay the foundation for the second and third phases of the strategy, namely *position for growth* and *realise growth and sustain profitability*.

Advanced progress	Moderate progress	Limited progress

Strategy continued

Position for growth

Objectives	Initiatives and priorities	Current progress and way forward
Capital allocation and portfolio optimisation	■ Develop capital allocation and management model to optimise return on capital invested across projects, business units, regions and sectors. The ideal portfolio mix should closely match the capacity of Aveng by operating group, business unit or discipline ■ Align capital expenditure with current market conditions ■ Focus on supply chain flows: demand-side centric, throughput focused and stable ■ Increase focus on return on investment capital (ROIC), positive OFCF before expansion capital expenditure and sustainable growth in headline earnings ■ Focus aggressively on underperforming businesses and their turnaround strategies ■ Ongoing review of the Aveng portfolio of businesses ■ Benchmarking of performance to optimise the value chain ■ Development of long term strategic options for the structure and content of the Aveng portfolio.	■ Recapitalisation of manufacturing and processing businesses in progress in support of modernisation and optimisation initiatives ■ Instilling focus on overall equipment effectiveness (OEE) as an enabler of improved ROIC, positive OFCF before expansion capital expenditure and growth in headline earnings ■ Implement demand side focused, stable operating flows ■ Optimisation alternatives for group-wide guarantee and bonding structures ■ Aveng Duraset successfully turned around to profitability; will continue to pursue expansion opportunities into rest of Africa ■ Rand Roads' loss-making operations largely resolved ■ Aveng Façades and Aveng Steel Fabrication stabilised but require further impetus to rebuild their order books and refine operating models ■ Benchmarking of divisional portfolio complete; deep-dive into performance gaps underway ■ Successor BEE ownership alternatives under consideration ■ Improving understanding of business and financial risk exposure to ensure that business units align exposure to their own balance sheets rather than the consolidated group balance sheet.

Objectives	Initiatives and priorities	Current progress and way forward
Africa strategy	■ Africa strategy to be effectively communicated throughout operating groups and their business units ■ Develop enabling function in Aveng ■ Define ideal Africa portfolio mix across the Group.	■ Africa and growth committee established ■ Sector champions appointed in the operating groups to drive growth and group cooperation across industry sectors ■ Tendering more work in Africa; success remains slow in a competitive market ■ Client and industry delivery model in development to drive growth in new markets.
Strengthen businesses in South Africa and Australia	■ Position businesses in South Africa and Australia as base for future growth ■ Increase margins in line with current market ranges ■ Supplement expansion of client base by marketing the Group to clients directly and at industry events ■ Modernisation and optimisation of manufacturing and processing businesses, including a greater focus on innovations ■ Restructuring of the Group to facilitate comprehensive BEE accreditation on a transformative platform.	■ Refer to phase 1 progress on pages 31 to 35. The way forward hinges on cementing the *recover and stabilise* initiatives and leveraging the capital allocation initiatives ■ Client and industry delivery model initiatives to be accelerated ■ Numerous contractual commercial risks in South Africa and Australasia construction and engineering businesses closed out during the year. Major claims are at an advanced stage of negotiation in the various construction and mining businesses. Where management was not satisfied that sufficient progress had been made by year-end, a provision was raised ■ Allow business units more time to focus on running their businesses, but with strictly enforced and well-timed performance reviews ■ BEE accreditation under the new dti codes to be used as a transformative enabler aligned to South African Government's objectives.

Strategy continued

Realise growth and sustain profitability

Objectives	Initiatives and priorities	Current progress and way forward
Enhance profitability and cash flow	■ Improve project selection and tendering ■ Capitalise on full project lifecycle ■ No tolerance for loss-making projects and businesses ■ Relentless continued focus on cost optimisation ■ Maintain project delivery at adequate margins ■ Focus on pursuing savings in supply chain, and further improve efficiencies and productivity to enhance margins ■ Focus on achieving targeted cash flow with a zero negative project cash flow philosophy ■ Major focus on process and systems improvement to drive "back to basics" and efficiency ■ Continued focus on optimising overheads.	■ Ongoing reassessment relative to market conditions; budget process aligned to these assessments ■ Control overheads relative to new work won ■ Ongoing measurement and feedback to operating groups on progress against targets ■ Large claims at advanced stages. Resolve the legacy projects to release the substantial amounts of unpaid claims in dispute.
Leverage the client and industry delivery model	■ Position Aveng for a client and industry delivery model ■ Strengthen the role and responsibility of key client and industry leaders ■ Drive growth and group cooperation across industry sectors and projects, unlocking the value chain ■ Increase product and geographic diversity while maintaining focus ■ Develop capabilities, competencies and solutions in the various client industries and geographies.	■ Aveng EXCO members allocated to drive the key customer, client and industry relationships ■ Focus on the creation of capacity and time for client and customer engagement through less continuous and more periodic and structured group communication ■ Allow business units more time to focus on running their businesses, but with strictly enforced and well-timed performance reviews.
Market expansion into Africa and Southeast Asia	■ Aveng's South African base to lead Africa *position for growth* and *realise growth and sustain profitability* strategic phases. McConnell Dowell to lead Middle East / Southeast Asia *position for growth* and *realise growth and sustain profitability* phases ■ Client and industry delivery model to drive growth in new markets ■ Create sustainable in-country businesses in chosen African and Southeast Asian markets ■ Expand selected Aveng offerings in growing markets to improve profitability, growth and value ■ Introduce new products and services into selected markets ■ Acquire high-value projects ■ Investigate potential entry into new international markets (such as CIS states) to further strengthen geographic diversity.	■ Opportunities in infrastructure in sub-Saharan Africa in the pipeline which are expected to complement the Group's risk appetite and competency ■ Focus on the creation of capacity and time for client and customer engagement through less continuous and more periodic and structured group communication ■ Africa and growth committee established ■ McConnell Dowell's Pipelines business has some exciting opportunities both in Australia and internationally ■ Specific growth plans developed and being implemented in areas with the greatest challenges to growth ■ The teams in Southeast Asia and Middle East are actively bidding for work based on the portfolio management strategy ■ Selective investment proposals to increase capability and capacity ■ Ongoing review of regional overheads versus market opportunities.

Shareholder value		
■ Growth in key regions and key operating groups and business units ■ Capital allocation to support growth and optimisation ■ Increase focus on profitability and cash flow generation ■ Develop client and industry delivery model focus ■ Strengthen business in South Africa and Australia through optimisation and margin focus ■ Reliable dividend payer ■ Outlook relative to current market condition / commodity cycle.	During the strategic realignment of Aveng, a renewed vision statement was developed to guide the company in achieving its purpose as a sustainable leader in infrastructure, including support products and mining services. This renewed vision was communicated in our 2014 integrated report and still remains Aveng's guiding purpose: *"Aveng owns and operates a portfolio of infrastructure, mining and manufacturing-related businesses, each of which targets top-quartile performance compared to its peers when measured against return on invested capital, earnings growth, and positive cash flow generation through the business cycle."*	Aveng will apply a set of financial benchmarks to ensure that the Group and each operating group meets the required performance objectives through the cycle, achieving competitive financial returns for shareholders. These performance targets for the short to medium term have been agreed by the Board: Headline earnings growth: Real 8% Operating free cash flow before expansion capital expenditure: Positive throughout cycle The following performance target has been set for the long term*: Return on invested capital (ROIC): Minimum of 15%

* *In current market conditions, this target is only achievable in the longer term.*

Executive directors, key and senior management

Kobus Verster (49)
Chief executive officer

25 years' industry and related experience.

Five years with Aveng.

Juba Mashaba (49)
Group executive director

20 years' industry and related experience.

Eight years with Aveng.

Adrian Macartney (47)
Group finance director

21 years' industry and related experience.

One year with Aveng.

Hercu Aucamp (47)
Managing director of Aveng Steel

26 years' industry and related experience.

Four years with Aveng.

Solly Letsoalo (53)
Managing director of Aveng Manufacturing

30 years' industry and related experience.

Six years with Aveng.

Executive directors, key and senior management at 5 August 2015.

David Robinson (61)

Managing director of McConnell Dowell Corporation Limited

38 years' industry and related experience.

36 years with Aveng.

David retires as managing director of McConnell Dowell Corporation Limited with effect from October 2015.

Chris Botha (43)

Managing director of Aveng Grinaker-LTA

22 years' industry and related experience.

Two years with Aveng.

Stuart White (51)

Managing director of Aveng Mining

34 years' industry and related experience.

34 years with Aveng.

Dharmesh Kalyan (48)

Managing director of Aveng Capital Partners

25 years' industry and related experience.

Four years with Aveng.

Grant Stock (46)

Commercial executive

20 years' industry and related experience.

Joined Aveng in May 2015.

Michelle Nana (47)

Company secretary

13 years' industry and related experience.

Three years with Aveng.

Executive review

Creating a stable foundation

Kobus Verster,
Chief executive officer

Adrian Macartney,
Group finance director

Juba Mashaba,
Group executive director

Aveng has continued to experience challenges in difficult operating conditions, compounded by slow claims resolution and areas of poor operational execution in its South African and Australian markets which have contributed to a worse than anticipated financial performance during the year to 30 June 2015. Unfortunately, these challenges have overshadowed the significant advances we have made in the execution of our strategy to stabilise Aveng and restore areas of underperformance, while optimising the Group to position it for future growth.

We have taken decisive steps during the year to strengthen the Group's financial position and its leadership capacity, and address areas of underperformance in our operations. These interventions have, to a large extent, delivered positive outcomes which will contribute to the improvement of our financial performance in 2016, although in some instances, most notably the anticipated turnaround of Aveng Grinaker-LTA, they have taken longer to implement.

Operational performance

The **Construction and Engineering: Australasia and Asia** segment continued to be impacted by the declining investment in infrastructure development in Australia which was exacerbated by the sharp decrease in oil and gas prices, and further reductions in iron ore and coal prices. Delays or cancellation in government tenders impeded anticipated growth in social and transport-related infrastructure projects. Strong competition from international contractors for fewer opportunities made it difficult for the segment to win replacement projects for completed work, and this contributed to the 66% decline in the order book since June 2014. Notwithstanding, opportunities for social and transport-related infrastructure projects continue to be pursued to replace mining-related work.

Work prospects were more favourable in New Zealand and Southeast Asia, and the quality of new contracts awarded during the year tended to be higher in these markets.

The revenue of McConnell Dowell declined by 26% to R20,9 billion (2014: R28,2 billion), reflecting the completion of major multi-year pipeline and infrastructure contracts and the sale of Electrix in October 2014. Net operating earnings decreased by 59% to R112 million (2014: R271 million) and were heavily impacted by a marked decline in McConnell Dowell's performance during the second half of the financial year as the Australian construction market weakened further. This external challenge was compounded by the recognition of liquidated damages to mitigate further exposure to risk during the completion of the Hay Point Berth contract in Queensland, costs associated with remedial works on the Gold Coast Rapid Transit (GCRT) contract and tender expenses for significant engineering, procurement and construction contracts that were not secured. The Hay Point contract is now complete and final payments have been received.

Restructuring costs of R67 million were incurred while resizing the business to the current order book. The benefit of reduced overheads will be realised in 2016.

These negative impacts masked sound operating performances on a number of other contracts, notably the Roy Hill project in Western Australia and the Webb Dock maritime infrastructure and Springvale Grade Separation projects in Victoria, while project execution was strong on the majority of operations in New Zealand and Southeast Asia.

The **Construction and Engineering: South Africa and rest of Africa** segment continued to be constrained by the lack of large infrastructure projects typically generated by the public and mining sectors. Private sector investment in our targeted mining, water, power and energy markets remains subdued due to a range of external factors, including low commodity prices, low government spending and policy uncertainty. Relative strength in the building market has led to a stronger bias towards this lower margin category of the operating segment's order book and we are working to optimise the balance between its business units. Labour disruption in the mining and steel industries impacted elements of the operating segment, while the Medupi power station site experienced a resumption of labour unrest in the second half of the financial year.

In these conditions, the segment reported a marginal decline in revenue to R8,4 billion (2014: R8,7 billion) which included construction activity on two large private sector building contracts (Mall of the South in Alberton and Sasol Corporate Head Office), ongoing work on the Nacala Section 2 (Nacala) and Majuba rail link contracts and Eskom-related projects, and engineering work on the Sishen and Gouda renewable energy contracts. The successful completion of the Nacala contract has led to further work from this client. The 74 MW Sishen photovoltaic solar project was successfully completed on schedule and has been contributing to South Africa's energy needs since December 2014. Construction works have been completed on the 135 MW Gouda wind contract and the facility is due to come on-stream in the first quarter of the new financial year, further contributing renewable energy to the grid.

Net operating losses for the segment increased by 61% to R697 million (2014: R434 million). This was largely attributable to significant losses on legacy contracts, namely Aveng Grinaker-LTA's Mokolo Crocodile Pipeline (Mokolo) contract, the Grootegeluk Cyclic Ponds contract and ongoing projects at the Kusile power station.

The performance of Aveng Engineering weakened during the second half of the year due to the cost of remedial works on the eMalahleni and Middelburg water treatment contracts combined with costs incurred due to a delay in technical sign-off of the Gouda renewable energy contract.

Steps were taken during the year to reduce the fixed costs of Aveng Grinaker-LTA and Aveng Engineering. The loss-making elements of the latter were discontinued which incurred restructuring costs of R10 million. Cost savings from these measures will be realised in 2016.

Aveng Capital Partners is the investment and project financing arm of Aveng which earns fees for originating, structuring and investing in general infrastructure, power and real estate projects in the Group's targeted markets. During the year under review, Aveng Capital Partners managed the Group's investments in the N3 toll road, the Sishen and Gouda renewable energy concessions, real estate and the completed Department of Environmental Affairs head office PPP project.

The **Mining** operating segment continues to be negatively impacted by low commodity prices, and the domestic market carries the additional burden of labour disruption and an uncertain regulatory environment which discourages investment. Clients under constant pressure to reduce costs are demanding higher levels of efficiency from contractors.

The Mining segment reported a 9% decline in revenue to R6,0 billion (2014: R6,6 billion), while net operating earnings decreased by 22% to R413 million (2014: R529 million), as a result of losses incurred on the Chuquicamata and Wesizwe deep-level shaft sinking contracts. The combined operating margin declined to 7% (2014: 8%), impacted by labour disruption and safety stoppages at some domestic underground mining operations. The majority of other surface and underground mining contracts delivered solid performances.

The operating segment secured a number of long term shaft sinking and development contracts but subsequent to year-end the announcement made by Royal Bafokeng Platinum relating to the Styldrift mine, foreshadowed the potential reduction in the scope of work in hand.

The performance of the **Manufacturing and Processing** segment, comprising the Group's steel and manufacturing operations, was severely impacted by market conditions in the steel sector (which deteriorated sharply in the second half of the financial year) and widespread labour disruption.

The segment reported a 7% decline in combined revenue to R9,9 billion (2014: R10,6 billion), while total net operating earnings decreased significantly by 85% to R54 million (2014: R364 million), largely as a result of losses incurred by Aveng Steel. Despite lower margins, the segment continued to contribute positive cash flows.

Difficult market conditions that characterised the steel sector in the second half of the previous financial year continued in the current year, with the South African sector experiencing several business failures. Widespread labour disruptions had a negative impact on volumes and inventory levels. This was compounded by fierce international competition and a sharp drop in the price of steel in the second half of this year, resulting in a significant decline in margins.

These conditions led to a requirement for cost savings and efficiency initiatives. Aveng Steel achieved cost savings as a result of the integration of its three business units and a drive to improve efficiencies across the operating group.

Executive review continued

However, these advances were offset by once-off restructuring costs of R31 million to realign the fixed cost base.

The claim submitted against Genrec, in terms of which Aveng was successful on the merits, is following a Dispute Adjudication Board (DAB) process to determine the quantum which could potentially be a lengthy process.

Aveng Manufacturing was adversely impacted by labour disruption in the steel sector and weakness in its mining and specialist products markets. However, the operating group delivered an acceptable performance overall, particularly as a result of strong demand for concrete construction and rail products and ongoing supply of rail construction and maintenance services in southern Africa, notably on the Nacala contract in Mozambique. Investments to increase capacity for the manufacture of concrete rail products in the SADC region enabled Aveng Manufacturing to respond adequately to this growth in demand.

An optimisation drive to modernise manufacturing facilities and improve efficiencies was undertaken during the year.

Additional information on operational performance is available in the operational reviews on pages 52 to 75.

Financial performance

The 17% decline in revenue to R43,9 billion (2014: R53 billion) reflects weakness in all of our operating environments, particularly lower steel demand and pricing, the completion of major infrastructure projects and non-renewal of three gold mining contracts that have not been easily replaced, and labour disruption in the mining and steel sectors. The decline in revenue also reflects more judicious selection of new work consistent with the Group's profit margin requirements.

Net operating earnings declined by 136% to a loss of R288 million (2014: R799 million profit) due largely to:

- the weaker Australian construction market
- extensive tendering costs of approximately R200 million
- higher than anticipated costs to complete the GCRT contract (AUD17 million) and liquidated damages associated with the Hay Point Berth contract (AUD10 million) (AUD27 million negative impact on the profits of McConnell Dowell)
- losses of R135 million and R86 million respectively on the Mokolo and Grootegeluk contracts, and losses of R226 million on shaft sinking
- increased costs and penalties associated with remedial action to address the underperformance of Aveng Engineering water purification contracts (R93 million)
- labour disruption in the steel, mining and construction markets (direct impact of R135 million across the Group, and additional indirect impact on the manufacturing business due to lower demand)
- declining international steel prices and lower steel volumes (R150 million negative impact on Aveng Steel)
- once-off restructuring costs of R123 million to realign the fixed cost base
- additional provisions raised for long-standing commercial claims that are under negotiation in Aveng Grinaker-LTA and did not achieve sufficient progress by year-end. While the Group remains confident of an acceptable commercial outcome, the increased uncertainty associated with protracted negotiation processes resulted in a provision of R583 million
- a R60 million loss (2014: R33 million profit) from equity-accounted investments predominantly due to the impact of delays on the technical sign-off of the Gouda wind project and certain investments reclassified as infrastructure investments (held at fair value) with effect from 1 July 2014.

These adverse impacts were partially mitigated by the sound overall financial performances of Aveng Manufacturing and Aveng Mining and fair value gains of R185 million from investments in renewable energy concessions and real estate assets which reached a marketable maturity level at 1 July 2014.

Headline earnings decreased to a loss of R578 million, excluding the profit on the sale of Electrix, impairment charges and fair value gains on investment properties. As anticipated, headline earnings were negatively impacted by substantially higher net finance expenses due to a lower net cash position, increased commitment fees in support of the Group's liquidity position and a higher effective interest rate applied to the convertible bond.

The Group recognised impairment charges following a review of current business performance, prevailing and future market conditions and the resultant pressure on order books. Impairments of R291 million to goodwill, R57 million to intangibles and R273 million to property, plant and equipment were recognised.

Loss per share of 114,8 cents (2014: 101,9 cents loss) decreased by 13% and headline loss per share of 144,3 cents decreased from 112,5 cents profit in 2014. The amounts per share were reduced as a result of the impact of dilution caused by the issuing of shares to conclude the Group's BEE transaction on 30 June 2014.

In order to guide our strategic direction, we established the following financial performance targets for each of the operations and the Group in 2015:

Headline earnings growth **(short to medium term)**	Real 8%
Operating free cash flow before expansion capital expenditure **(short to medium term)**	Positive throughout the cycle
Return on invested capital (ROIC) **(long term)**	Minimum of 15%

Detailed information on financial performance is available on pages 94 to 128.

Strategy execution

Over the past 18 months we have developed a strategy to ensure the protection of shareholder value in the immediate term, given current market conditions, and the positioning for growth in the longer term.

Recover and stabilise

The short term *recover and stabilise* phase was initiated in 2014 and has been executed in challenging external market conditions, compounded by areas of internal underperformance.

The strategy is executed through five baseline disciplines comprising risk management, communication, strategy execution, skills development and performance management. These disciplines are now embedded in the Group and are considered part of the underlying processes that drive its business. In addition, five performance initiatives comprising culture management, customer focus, building a profitable order book, cost management, and liquidity and cash management, continue to be driven on a project basis.

We are now at an advanced stage of addressing the turnaround of Aveng. Progress in the following critical areas has stabilised the Group's foundation and addressed areas of weakness in its financial position, operational performance and leadership:

Liquidity and cash management

In the 2014 integrated report, the Group communicated its key objectives for liquidity, including the diversification of funding sources, extension of the debt maturity profile and reduction of overall debt. These objectives have been largely achieved through three measures:

- during July 2014, the Company issued convertible bonds denominated in South African rand with a nominal value of R2 billion and a coupon of 7,25%. The convertible bond is listed on the JSE.

For further information refer to note 14.3 of the summarised audited consolidated financial statements on page 122.

- the sale of the Electrix business in Australia and New Zealand for R1,3 billion on 31 October 2014. The profit on the sale of this subsidiary amounted to R777 million before taxation which reduced debt and provided liquidity to McConnell Dowell
- the sale of properties in the Group's South African property portfolio for R1,1 billion. This development, announced in May 2015 is at an advanced stage of completion following competition authority approval on 12 August 2015 and we expect to conclude the transaction by the beginning of September 2015. Due to the strategic nature of the investment, the Group will hold an interest in the purchaser together with the Collins Property Group. Proceeds from the transaction are likely to be used to reduce debt and for general corporate purposes.

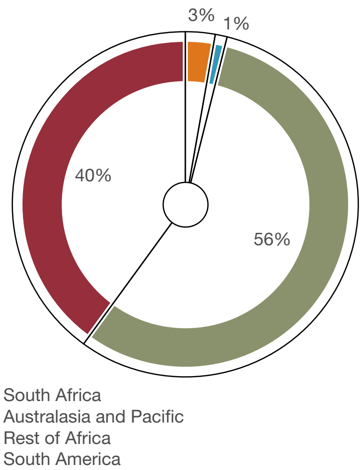
Cash management remains a significant challenge, reflected in the operating free cash outflow of R1,0 billion (2014: R1,4 billion). This is attributable largely to the funding of remedial project work, utilisation of onerous contract provisions and working capital requirements of McConnell Dowell and Aveng Grinaker-LTA, and compounded by the non-resolution of major claims. We have evaluated each operating group to ensure that it targets a positive operating free cash flow and introduced remedial actions, including the improvement of working capital management through the resolution of outstanding claims and reduction in investment in inventories and receivables in line with market demand, particularly in the manufacturing and processing businesses.

Positive commercial settlements were achieved for the Australian Pacific LNG (APLNG), Gladstone LNG (GLNG) and Port Botany contracts. We continue to pursue resolution of the Queensland Curtis Liquefied Natural Gas (QCLNG) pipeline and GCRT claims. The QCLNG arbitration hearing is scheduled to start in November 2015 and we are engaging with the client simultaneously in an effort to expedite a commercial settlement. Final

Claims resolved in 2015

- Australian Pacific LNG
- Gladstone LNG
- Port Botany
- Hay Point Berth

Two-year order book by geography (2015)



Geographic markets contributing less than 0,5% are not included.

Major transactions in 2015

- Successful issue of convertible bond
- Successful sale of Electrix
- Sale of South African property portfolio is imminent – Competition Commission approval received.

Executive review continued

remedial and rectification works on the GCRT system are expected to be completed by September 2015 and the transit system is functioning efficiently and experiencing higher than expected passenger volumes. The process of lodging and negotiating claims with the affected counterparties is progressing according to plan, although we do not anticipate a resolution until the end of the 2017 calendar year. Other claims are pursued in the normal course of business.

Following a request from the Board, a liquidity review was undertaken and completed at the end of July 2015. The review considered the results to the end of June 2015 and our short term business plans for each operating group. Consideration was also given to material cash inflows and outflows, including the potential repayment of the QCLNG-related advance and where appropriate cash inflows and outflows were risk adjusted for timing and quantum. After considering projected cash flows and our available facilities, we concluded that the Group has adequate liquidity available and does not require additional capital at this time.

Cost management

The optimisation process across the Group is progressing well. Gross overall savings over the last 18 months amounted to R452 million against a target of R472 million, demonstrating the Group's efforts to reduce capacity in line with market demand. Business process changes, factory reorganisations, project-related cutbacks, structural changes and consolidation across the Group have contributed to improved efficiencies. Associated widespread restructuring programmes have resulted in the reduction of 1 094 people and incurred once-off restructuring costs of approximately R123 million to realign the fixed cost base.

In response to client requests for improved cost efficiencies, the Group initiated a programme to address current cost and operating structures to retain our competitive position. Measures include negotiation with strategic suppliers to lower costs, eliminate price increases and improve credit terms. We have had a positive response from some suppliers and are engaging with our business units to ensure that the associated benefits are realised.

Performance management

There have been a number of interventions to address underperforming businesses and contracts.

The Group's primary focus was to execute a turnaround plan and achieve a break-even position at Aveng Grinaker-LTA and we are disappointed that we were not able to achieve this within our initial timeframe. Our progress was delayed by the difficulties we continued to experience on the Mokolo and Grootegeluk contracts and the current market is not offering projects with higher margins to offset these impacts. A renewed management team reduced project and overhead costs in response to subdued market conditions, achieved substantial completion of a number of loss-making and non-contributing projects and resolved certain claims associated with Eskom and water treatment contracts. These actions have delivered positive results and should lead to the normalisation of profit margins.

Following a review of Aveng Engineering, the Group decided to simplify and retain its core components of Aveng Water and the Operate and Maintain businesses. The remaining loss-making elements of the business have been discontinued but we have retained the key people and technical knowledge around which we will shape a future profitable business. The headcount has been reduced and the Engineering business now reports to the leadership of Aveng Grinaker-LTA.

Aveng Engineering is involved in a number of water treatment projects, two of which have experienced ongoing challenges. We are involved in discussions with both clients to get the plants to operate at appropriate levels, and remediation is underway. While we have been managing underperformance at these plants, they have not been achieving the contracted specification feeds, resulting in higher costs. That being said, 90 billion litres of mine affected water has been treated by Aveng Water to achieve potable and environmental release standards at three large-scale mine water treatment plants.

Aveng Rand Roads has been a loss-making business characterised by low productivity and inefficiency. A new management team has been appointed with a mandate to return the business to profitability. The team has focused on driving down costs, reducing production inefficiencies and meeting targets and we are cautiously optimistic that the business will reach break-even in the new financial year.

The Mokolo project has been technically challenging from the start. This was compounded by severe weather conditions in early 2014 which disrupted pipeline installation and affected productivity, causing an extended close-out of the contract. The pipeline is now complete and has been commissioned. The costs to complete the project were higher than anticipated, resulting in insurance claims and claims against the client.

The Grootegeluk Cyclic Ponds project represents a first in the coal mining industry for tailings treatment. The project has experienced technical challenges related to materials used in dams and ponds and these have been further impacted by severe weather-related delays and cost overruns. The project is currently on track for completion. Adequate provision has been made and we are discussing a commercial resolution with the client.

We initially raised provisions on McConnell Dowell's Hay Point Berth contract in 2013 when inclement weather and other challenges resulted in delays. During the year we reached a settlement agreement with our client to address future risk and the project is now complete.

Following the impairment of the goodwill of Built Environs which was recognised in the first half of the year, a new managing director was appointed and provided with the opportunity to turn the business around. The local management team is focused on winning work in South and Western Australia, albeit in difficult market conditions with limited demand for commercial building work.

Aveng Moolmans and Aveng Shafts & Underground were fully integrated during the year to create a single sizeable entity operating under a common management team with shared support services. A drive by management to rationalise costs, strengthen operational efficiencies and renew the focus on safety will enable the operating segment to remain competitive in a weak commodity market.

Aveng Mining continues to perform well in surface and underground projects with the exception of the Wesizwe in South Africa and Chuquicamata in Chile contracts. At Wesizwe we experienced loss of lives, other safety stoppages and industrial action, and we continue to negotiate the scope of the contract with the client. Chile has proven to be a challenging environment, with different regulatory and labour requirements making it difficult to achieve our planned productivity targets. The contract continues to make progress and we are in regular discussions with the client to seek an appropriate resolution. We have made provision against both of these contracts.

Aveng Duraset was successfully turned around to profitability in 2015 despite the adverse impact of exposure to both the steel and mining sectors. A new managing director was appointed during the year, facilities were consolidated to improve efficiency and lower costs, and there was a strong focus on managing inventory and increasing volumes of higher margin products. A large roof bolt contract was secured in Zimbabwe following a drive to strengthen Duraset's presence in the market and further opportunities exist in the rest of Africa.

Aveng Steel Fabrication has excess capacity in a highly competitive market that offers limited demand for structural steel work. We have reduced capacity over the last 18 months and recognised impairments on certain assets within the business. We have a limited order book and will continue to evaluate how we retain some level of capacity within our overall steel business. Steeledale returned to profitability in 2015 but remains under considerable pressure as cheap imports erode margins. Given these conditions, we have had to strengthen the focus on efficiencies, and have rationalised our branch network, combining and closing certain branches and opening other branches in more lucrative markets.

The most critical element of performance management is strong, empowered leadership. We have strengthened the management capacity of all of the operating groups with key strategic leadership appointments. Performance management, succession planning and transformation are closely monitored and managed to ensure performance standards are met and succession and transformation risks mitigated.

Most senior managers have undergone behavioural and cognitive assessments. Assessment results are being translated into targeted development plans. In certain instances underperforming managers have been replaced by competent candidates. Leadership roundtable engagement sessions have been implemented to give senior and middle managers the opportunity to engage with the group CEO and operating group managing directors. Action plans are developed as an outcome from these engagements to improve performance.

Risk management

Risk management has been further strengthened across the Group. The tender risk committee which reviews all major bids before they are submitted comprises executives with extensive industry experience in the domestic and Australian markets, and new appointments have been made in commercial and risk functions across the Group, including executive and non-executive appointments to the Aveng and McConnell Dowell boards, the appointment of a group commercial executive and the employment of external consultants with commercial and engineering experience to advise on tender preparation.

The "three lines of defence" approach is being embedded in the Group with a focus on strong accountable line management as the first line of defence, improved commercial oversight and review as the second line and a strong internal audit function providing assurance in the third line.

We are now at an advanced stage of addressing the turnaround of Aveng. We have stabilised the Group's foundation and addressed areas of weakness in its financial position, operational performance and leadership.

Project assurance has been strengthened with greater scrutiny of realised and forecast profit margins and cash flows versus tendered metrics, while improved project reviews, including a peer review process, are starting to enable earlier intervention to prevent unforeseen outcomes.

Profitable order book

In current market environments, our focus on securing quality work at targeted margins has contributed to the short term contraction of the order book. We have adopted a portfolio approach at McConnell Dowell and Aveng Grinaker-LTA. This model optimises the balance of our core disciplines to achieve

Executive review continued

targeted margins and diversify our revenue streams. This is particularly relevant in the case of Aveng Grinaker-LTA where we are targeting higher levels of civil engineering and mechanical and electrical work to rebalance the current bias towards lower margin building work.

Based on the current slowing down of McConnell Dowell's traditional markets in Australia and ongoing weakness in the South African construction market, Aveng continues to intensify efforts to increase its presence in the growth markets of Southeast Asia (road and rail transport infrastructure), the Middle East (oil and gas, petro-chemical and water) and the rest of Africa (mining and transport infrastructure).

However, our market expansion is informed by our focus on improving the quality and risk profile of the order book as we become more judicious in selecting projects with sustainable profit margins and diversify the portfolio of projects in growth markets where we have a strategic advantage.

Position for growth

The *recover and stabilise* phase has established a foundation for the *position for growth* phase which is already underway and will receive additional impetus in the new financial year.

Given the significant deterioration in market conditions in recent years, our primary strategic focus in 2015 has had to be on aligning the size of the Group with market opportunities and managing profit and cash flow.

This next phase of our strategy is intended to position Aveng for growth by ensuring that we build a sustainably profitable business, operating in carefully selected growth markets, managed by appropriately skilled and motivated people from a foundation of sound financial and risk management.

The *position for growth* phase defines our targeted geographic and sectoral markets and the way we go to market. We are strengthening our core operating segments in South Africa and Australia which respectively form the bases for our expansion into the southern and east African regions and Southeast Asia, New Zealand and the Middle East.

A plan to expand the Group's presence and create in-country businesses in its targeted markets in the rest of Africa is proceeding with the development of relationships and bidding for building, civil engineering and operation and maintenance opportunities in the transport, mining and energy-related infrastructure sectors. New Zealand and the Pacific Islands offer McConnell Dowell favourable opportunities for growth and, despite strong competition, there are also opportunities across Southeast Asia where new work continues to be secured in the core disciplines of marine and mechanical engineering. Industrial building projects also offer opportunity, especially in Malaysia and Indonesia. The focus in the Middle East remains on the oil and gas, mining and minerals, and industrial sectors.

Realise growth and sustain profitability

During this phase of the strategy, our operations will leverage the advances achieved during the *recover and stabilise* and *position for growth* phases to deliver sustainable profitability and enhanced shareholder value. Where necessary, capital will be deployed or portfolios optimised to ensure that all of our operations are able to achieve their full potential.

Our client and industry delivery model defines a more client-centric approach to the way the Group initiates and responds to business opportunities. This is being driven by group and operational executives who are actively strengthening relationships with key clients in targeted markets. They have the distinct advantage of being able to leverage the full capacity of the Group's extensive value chain when developing solutions for clients.

The group executive committee is engaging more actively with operating group and business unit management and there is a move towards greater cooperation between our operations to ensure that we generate value at all stages of project lifecycles by working jointly on projects. The Sishen and Gouda renewable energy projects undertaken by Aveng – where the Group participates as a project implementer and operator, investor and asset owner – are an example of this strategy in execution. Aveng continues to bid for opportunities in the domestic power market as a group to secure opportunities for Aveng Grinaker-LTA and Aveng Steel in the construction phase. This represents an important element in the *position for growth* and *realise growth and sustain profitability* phases of our strategy and is being developed by Aveng Capital Partners.

Further information on the Aveng strategy and its execution is available in the strategy section on pages 30 to 39 and the operational reviews on pages 52 to 75.

Outlook

Aveng's two-year order book amounted to R28,9 billion at 30 June 2015, reflecting a decline of 11% since 31 December 2014 and 22%* since 30 June 2014.

The geographic split of the order book at 30 June 2015 was 40% Australasia and Pacific (2014: 55%*), 56% South Africa (2014: 39%*), 3% in the rest of Africa (2014: 5%*) and 1% in South America (2014: 1%*).

The **Construction and Engineering: Australasia** and Asia operating segment enters the new financial year with a two-year order book of R11,6 billion

** Restated comparatives for exclusion of Electrix.*

(AUD1,2 billion). With its traditional Australian markets likely to remain subdued in the lower commodity cycle, McConnell Dowell continues to pursue available opportunities in the transport infrastructure, water and defence sectors, although winning work in a competitive environment remains challenging. Despite the lower order book and change in market conditions, McConnell Dowell has experienced an increased level of tender activities in the last six months, notably in the last quarter of the financial year. The overseas operations are better positioned for growth, with New Zealand offering opportunities in transport and water. The Southeast Asia and Middle East markets represent important growth opportunities.

Cash management remains a key focus area as the business pursues the QCLNG and GCRT commercial and insurance claims.

The **Construction and Engineering: South Africa and rest of Africa** operating segment commenced the 2016 financial year with a two-year order book of R7,4 billion, which remains flat relative to the prior year. The order book includes major rail and building contracts and new projects awarded in the building, civil engineering, oil and gas and mine development sectors.

Growth in the South African construction and engineering industry will remain slow and competitive and this will maintain the pressure on profit margins. 2016 will be a year of consolidation for this segment as Aveng Grinaker-LTA continues to make headway in the key focus areas intended to return it to sustainable profitability with positive cash flows. A stable leadership team remains intensively focused on project execution, cash conservation, risk management and performance management.

The combined **Mining** two-year order book has declined by 8% to R7,9 billion (2014: R8,6 billion). Unfortunately, the potential reduction in the scope of work in hand in South Africa will result in some serious challenges in the mining business. Securing replacement work in the rest of Africa remains difficult in the prevailing mining environment but Moolmans continues to pursue opportunities in copper, zinc and coal in southern Africa, iron ore in West Africa and opportunities beyond Africa.

Investment in the mining industry is expected to remain constrained until 2017. Aveng Mining will continue to optimise its return on investment by focusing on initiatives to reduce its combined cost base and ensure that contracts are undertaken with sound clients on viable projects offering sustainable profit margins to ensure a balance between revenue growth and profitability.

The **Manufacturing and Processing** segment enters the new financial year with a two-year order book of R2 billion, which represents a 177% increase over the prior year.

Aveng Manufacturing is pursuing growth in the mining and water sectors through geographic and product expansion. Aveng Duraset will strengthen its roof bolts market in Zimbabwe and pursue expansion opportunities into other countries in the rest of Africa. Aveng ACS will continue to pursue growth with existing and innovative new products in the power, water and mining markets and other processing industries in South Africa, Mozambique and Zambia. Aveng DFC expects growth in its water valve markets in South Africa and targeted markets in the rest of Africa, the Americas and Australia.

Railway development remains a key growth market which continues to offer Aveng opportunity. Aveng Rail and Infraset have secured significant contracts to supply the Majuba Rail project with construction services and rail components in 2016. In addition, Aveng Rail has a healthy order book of ongoing and new rail construction and track maintenance contracts in South Africa, Mozambique and Zambia, supported by increased capacity in the Boksburg manufacturing facilities. Infraset will continue to supply concrete products to Zambian, Mozambican and domestic rail markets, while ongoing demand from the domestic building and construction sector will offset an anticipated decline in demand for rail components in the new financial year.

In a steel industry that is expected to remain under pressure in the medium term, Aveng Trident Steel will focus on consolidating its product range and offering value-added products; Aveng Steeledale will focus on private infrastructure investment opportunities that require rebar and mesh; and Aveng Steel Fabrication will maintain its focus on restoring sustainable profitability by reducing costs and securing additional work.

As we complete the *recover and stabilise* phase of our strategy and proceed with the *position for growth* and *realise growth and sustain profitability* phases, the primary focus of the management team in 2016 will be on the recovery of underperforming businesses, resolution of the QCLNG and GRCT claims, managing Aveng in alignment with current market conditions, with a focus on preserving the balance sheet and working towards the achievement of the longer term financial performance targets we have set for the Group.

Overall the realisation of structural improvements and improved project delivery should result in an improved performance in the 2016 financial year.

Executive review continued

Five-year financial review and key ratios

	2015 Rm	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Consolidated statement of financial position					
Investment property	**–**	86	71	–	–
Property, plant and equipment	**5 626**	6 346	6 789	6 666	6 021
Goodwill and intangible assets	**681**	984	1 609	1 549	1 481
Equity-accounted investments	**151**	306	144	105	92
Infrastructure investments	**778**	–	–	–	–
Financial investments*	**–**	190	70	146	131
Deferred taxation	**1 580**	1 403	1 347	998	1 019
Inventories	**2 529**	2 793	2 780	2 467	2 066
Receivables**	**12 759**	14 137	12 030	9 628	8 132
Cash and bank balances	**2 856**	4 136	4 120	4 852	5 611
Non-current assets held-for-sale	**559**	607	–	–	–
Total assets	**27 519**	30 988	28 960	26 411	24 553
Deferred taxation	**221**	257	319	299	832
Payables***	**11 735**	14 271	12 920	11 623	7 751
Payables other than contract-related	**102**	197	283	307	2 761
Borrowings and other liabilities	**2 463**	2 867	1 531	928	83
Bank overdrafts	**–**	–	600	343	211
Total liabilities	**14 521**	17 592	15 653	13 500	11 638
Non-controlling interests	**23**	11	12	10	(3)
Total equity	**12 998**	13 396	13 307	12 911	12 915
Consolidated statement of comprehensive income					
Revenue	**43 930**	52 959	51 704	40 886	34 324
Gross earnings	**2 364**	3 635	3 471	3 490	4 209
Other earnings	**471**	302	471	68	21
Operating expenses	**(3 063)**	(3 171)	(3 274)	(2 986)	(2 719)
Share of (loss) / earnings from equity-accounted investments	**(60)**	33	(12)	41	(7)
Net operating (loss) / earnings	**(288)**	799	656	613	1 504
Impairment of non-financial assets	**(621)**	(831)	–	–	–
Profit on sale of subsidiary	**777**	–	–	–	–
Operating (loss) / earnings before financing transactions	**(132)**	(32)	656	613	1 504
Finance earnings	**177**	136	132	189	312
Convertible bond	**(167)**	–	–	–	–
Net of other finance expenses	**(316)**	(319)	(162)	(76)	(59)
(Loss) / earnings before taxation	**(438)**	(215)	626	726	1 757
Taxation	**(80)**	(161)	(167)	(203)	(584)
(Loss) / earnings for the period	**(518)**	(376)	459	523	1 173
Other comprehensive (loss) / earnings for the period:					
Exchange differences on translation of foreign operations	**(372)**	402	196	485	209
Movement in insurance and other reserves	**28**	65	(2)	(12)	–
Total comprehensive (loss) / earnings for the period	**(862)**	91	653	996	1 382
(Loss) / earnings for the year attributable to:					
Equity-holders of Aveng Limited	**(460)**	(381)	466	521	1 177
Non-controlling interests	**(58)**	5	(7)	2	(4)
(Loss) / earnings for the period	**(518)**	(376)	459	523	1 173
Total comprehensive (loss) / earnings attributable to:					
Equity-holders of Aveng Limited	**(804)**	86	659	993	1 386
Non-controlling interests	**(58)**	5	(6)	3	(4)
	(862)	91	653	996	1 382
Determination of headline (loss) / earnings					
(Loss) / earnings for the year attributable to equity holders of Aveng	**(460)**	(381)	466	521	1 177
Headline earnings adjustment	**(118)**	802	–	(26)	14
Headline (loss) / earnings	**(578)**	421	466	495	1 191
Consolidated statement of cash flows					
Cash from operating activities	**(1 535)**	(310)	(285)	971	(175)
Cash from investing activities	**508**	(1 088)	(1 244)	(1 871)	(2 000)
Operating free cash flow	**(1 027)**	(1 398)	(1 529)	(900)	(2 175)
Cash from financing activities	**(57)**	1 323	314	(154)	(55)
Net decrease in cash and bank balances before foreign exchange movements on cash	**(1 084)**	(75)	(1 215)	(1 054)	(2 230)

* *Comparatives have been amended, refer to audited consolidated financial statements for the year ended June 2015 at http://www.financialresults.co.za/2015/aveng-additional.*

** *Including trade and other receivables, amounts due from contract customers and derivative instruments.*

****Including trade and other payables, amounts due to contract customers and derivative instruments.*

	2015 Rm	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Share performance (cents per share)					
Headline (loss) / earnings	**(144,3)**	112,5	124,6	128,1	306,4
Diluted headline (loss) / earnings	**(143,8)**	104,7	115,9	119,8	286,6
(Loss) / earnings	**(114,8)**	(101,9)	124,6	134,9	302,9
Diluted (loss) / earnings	**(114,4)**	(94,8)	115,9	126,1	283,3
Cash generated by operating activities	**(368,4)**	(74,4)	77,2	365,5	230,0
Net asset value	**3 119**	3 215	3 410	3 310	3 287
Dividend	**–**	–	–	60,0	145,0
Closing share price	**575**	2 315	2 990	3 580	3 580
Returns and productivity					
Net cash position	**393**	1 269	2 366	3 932	5 317
CPI (%)	**4,7**	6,6	5,5	5,9	3,9
Current ratio (times)	**1,5**	1,3	1,3	1,3	1,5
Dividend cover (times)	**–**	–	–	2,1	2,1
Effective tax rate before impairment (%)	**(54,3)**	26,1	26,7	31,1	32,8
Margin – gross (%)	**5,4**	6,9	6,7	8,5	15,5
– net operating earnings (%)	**(0,7)**	1,5	1,3	1,5	4,3
Property, plant and equipment – expansion capital expenditure	**175**	384	459	1 220	1 141
– replacement capital expenditure	**649**	677	925	867	678
Operating free cash flow before expansion capital expenditure (Rm)	**(852)**	(1 014)	(1 070)	320	(1 035)
Headline earnings growth (%)	**(237,3)**	(9,7)	(5,9)	(58,4)	(36,9)
Return on invested capital (%)*	**(1,9)**	4,8	3,4	2,5	6,5
Return on equity (%)	**(4,5)**	3,1	3,5	3,8	9,5
Number of employees at year-end	**25 466**	31 768	28 296	33 221	30 900
Number of shares (million)					
In issue	**416,7**	416,7	389,8	389,8	393,0
Weighted average	**400,6**	374,0	373,9	386,0	388,7
Diluted weighted average	**402,1**	402,1	402,1	412,9	415,5
Stock exchange performance (cents per share)					
Market value per share					
– at year-end	**575**	2 315	2 990	3 580	3 580
– highest	**2 445**	3 155	3 740	4 260	4 500
– lowest	**575**	2 046	2 569	3 187	3 265
– volume weighted average price	**572**	2 566	3 102	3 615	3 812
Earnings yield (%)	**11,3**	4,4	5,4	7,5	11,9
Dividend yield (%)	**–**	–	2,0	4,1	4,1
Market capitalisation at closing prices**	**2 396**	9 274	11 656	13 956,2	14 115,0
Price to earnings ratio at year-end	**8,85**	22,7	18,5	13,3	8,4
Value of shares traded	**4 843,7**	5 718,4	7 884,8	9 618,0	12 478,9
Number of shares traded (million)	**296,9**	222,8	254,2	266,1	327,3
Average price per share traded (cents)	**1 689**	2 587	3 117	3 603	3 828
Percentage of market capitalisation traded (%)	**202,2**	59,3	67,6	68,9	88,4
Rand to AU dollar					
Closing	**9,38**	10,03	9,03	8,41	7,28
Average	**9,58**	9,54	9,08	8,01	6,95
Rand to US dollar					
Closing	**12,17**	10,68	9,88	8,21	6,79
Average	**12,29**	10,64	8,84	7,71	7,05

** Comparatives restated in line with Aveng definition for return on invested capital.*

*** Market capitalisation based on shares in issue as at year-end.*

Refer pages 94 to 128 for more detailed financial information contained in the summarised audited consolidated financial statements. Certain comparatives have been restated in the summarised audited consolidated financial statements, refer note 3 on pages 100 to 104.

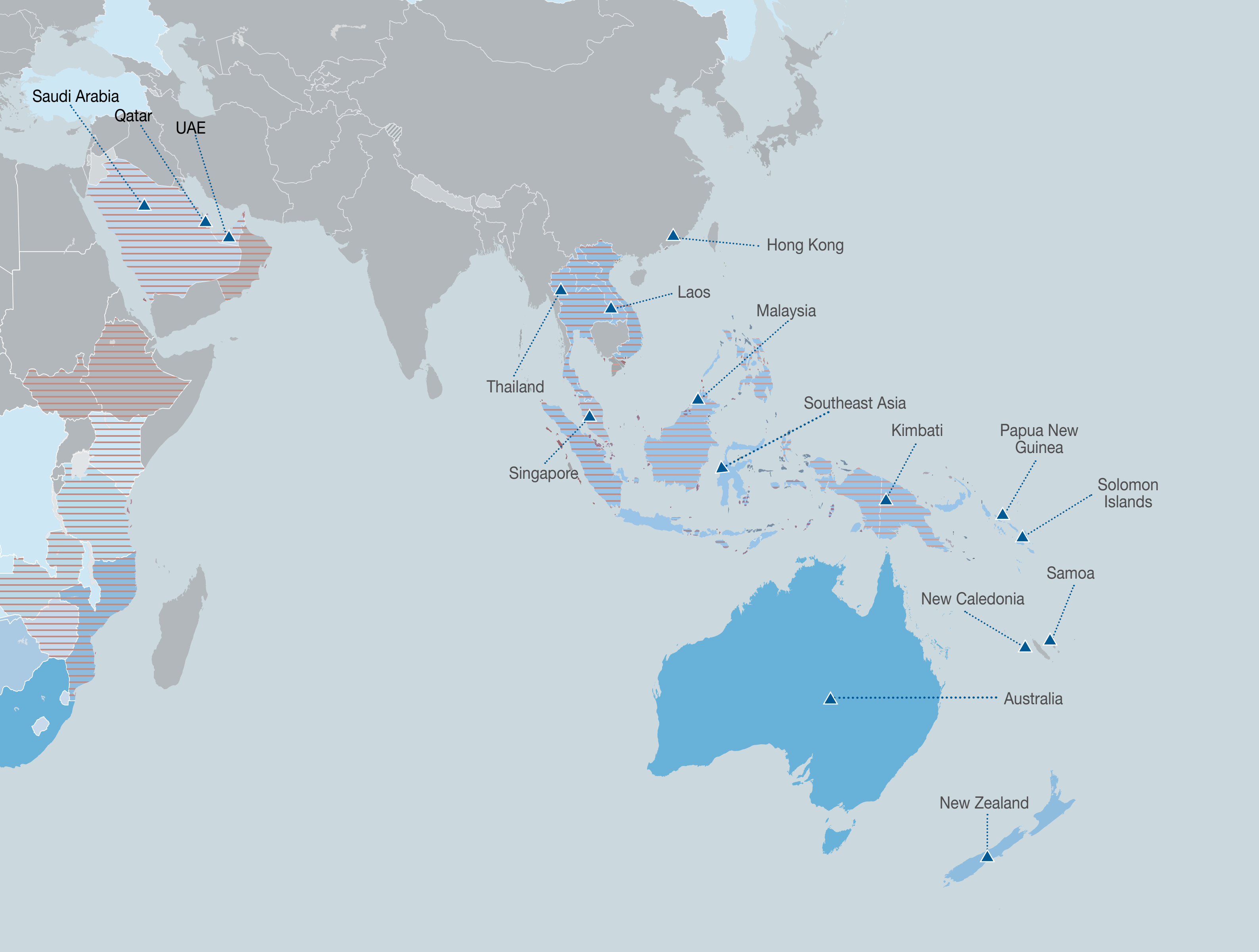
Construction and Engineering: Australasia and Asia

Financial highlights

	2015 Rm	2014 Rm	Variance (%)
Gross revenue	**20 912**	28 169	(26)
Gross earnings	**1 234**	1 575	(22)
Net operating earnings	**112**	271	(59)
Capital expenditure	**262**	243	8
Total assets	**11 097**	13 340	(17)
Total liabilities	**6 295**	8 623	(27)

McConnell Dowell is a major engineering, construction and maintenance contractor experienced in delivering complex projects in the building, infrastructure and resources industry sectors in Australia, New Zealand and Pacific Islands, Asia and the Middle East.

David Robinson, managing director


Saudi Arabia
Qatar
UAE
Hong Kong
Laos
Malaysia
Thailand
Southeast Asia
Kimbati
Papua New Guinea
Solomon Islands
Singapore
Samoa
New Caledonia
Australia
New Zealand

Construction and Engineering: Australasia and Asia continued

Through its 100% investment in McConnell Dowell, Aveng offers multidisciplinary services across the construction and engineering value chain to its customers in the building, infrastructure and resources industry sectors in Australia, New Zealand and Pacific Islands, Asia and the Middle East.

McConnell Dowell is a major engineering, construction and maintenance contractor, geographically structured into Australian and Overseas Operations, with specialist services in tunnelling and pipelines. Built Environs is the commercial building arm of McConnell Dowell. Separately branded Electrix was sold on 31 October 2014.

Strategic alignment

McConnell Dowell participates at all stages of the construction and engineering value chain, including engineering design and asset management. The business offers geographic diversification by providing Aveng with exposure to Australian markets and through its Australian base to growing markets in New Zealand, Asia and the Middle East.

McConnell Dowell has undergone a restructuring programme in response to a declining workload in challenging conditions in its targeted markets. A significant reduction in fixed overhead costs in Australia, including project-related cutbacks has resized the Australian Operations in line with market demand, while cash management remains a key focus area as the business pursues commercial and insurance claims on the Queensland Curtis Liquefied Natural Gas Pipeline (QCLNG) and Gold Coast Rapid Transit (GCRT) legacy projects.

Key focus areas

Operational performance

Australian Operations reported a 6% increase in revenue to R10 billion (2014: R9,4 billion). Major contributors were the Webb Dock and Springvale Grade Separation contracts in Victoria, the Hay Point Berth contract in Queensland and the Roy Hill contract in Western Australia. The Webb Dock contract will remain a major revenue contributor in the new financial year. Operating earnings were adversely impacted by the recognition of liquidated damages to mitigate further exposure to risk during the completion of the Hay Point Berth contract and remedial work on the GCRT project. Hay Point has been completed and remedial work and demobilisation actions associated with GCRT are substantially complete. The process of lodging and negotiating claims with the affected counterparties in the GCRT contract has been intensified and is progressing according to plan. It is expected that the negotiations will be protracted, and thus the final outcome remains uncertain and a material risk to the Group.

The specialist rail business has started to secure regular maintenance and upgrade works with clients such as Australian Rail Track Corporation and V-Line public transport services in Victoria. The mechanical business continues to tender for smaller packages of work and secured a pilot project for a water treatment plant in Victoria. Overall the work backlog of Australian Operations has reduced significantly despite rigorous tendering efforts and this will result in a sharp decline in revenues in the new financial year.

Overseas Operations performed well in challenging market conditions. Revenue growth was flat at R3,6 billion with an acceptable margin due to excellent project execution in most areas. In New Zealand the Christchurch rebuild project continued, while new contracts were secured in the transport and water sectors. Southeast Asia highlights included the completion of the Nestlé Project in Malaysia, the Bakan Gold Mine in Indonesia and the Wheatstone modules fabricated in the Batam facility. In the Middle East, projects were completed in Saudi Arabia, Qatar and Abu Dhabi. There is ongoing work in Dubai but new work is hotly contested.

As expected, **Pipelines** revenue of R3,4 billion declined significantly from R7,1 billion in 2014 following completion of the major LNG projects in Australia, but the team performed well against budget. Earnings were down 20% to R259 million due to the fall in revenue but were within expectations. The business unit has successfully transitioned to securing smaller available projects in Australia including Mereenie, Tirrawarra and Victorian Northern Interconnect Expansion projects and continues to pursue further good opportunities in Thailand and Malaysia. The Fourth Transmission Pipeline project in Thailand has performed very well, achieving strong productivity since December 2014. Phase 1 was handed over in April 2015 and Phase 2 is 99% complete and ahead of schedule.

The arbitration process for the QCLNG contract is progressing in line with the agreed timelines with no material change in status. The commercial negotiations are likely to be protracted and the final outcome remains uncertain and a material risk to the Group.

The revenue of **Tunnel and Underground** declined by 11% to R1,6 billion. The C916 and C917A contracts in Singapore for the Land Transit Authority are nearing completion with line opening scheduled for December 2015. Both have been a technical success. In New Zealand, the massive 3 500 tonne, 14,5 metre diameter tunnel boring machine on the Waterview project reached the end of the first tunnel, was successfully turned around and is well progressed into the parallel tunnel drive that will be completed this year. This project is the largest infrastructure development ever undertaken in New Zealand and is on schedule for completion in late 2016.

Built Environs revenue of R1,3 billion was well below expectations. In Western Australia work was completed on the Ocean Keys Shopping Centre expansion while the Perth Airport Terminal 1 expansion is nearing completion and is scheduled for operational readiness and testing (ORAT) in the first quarter of the 2016 financial year. A new managing director was appointed and significant effort is being applied to securing new work.

In October 2014, McConnell Dowell completed the successful divestment of **Electrix** (its separately branded construction and asset maintenance business) to VINCI Energies. This reduced debt and provided liquidity for McConnell Dowell. During the current period before the sale, Electrix reported revenue of R1,2 billion (2014: R3,4 billion).

Strategy execution

Recover and stabilise

Over the past two years, McConnell Dowell has implemented a range of initiatives to strengthen its project execution and rightsize the business in relation to declining market demand.

Key changes made to the structures of Australian Operations and the Pipelines business unit have contributed to improved performances. Built Environs was separated from Australian Operations and senior management changes were made in Queensland and in the loss-making legacy projects to strengthen the focus of operational leadership and improve performance. The focus in the new financial year will be on consolidating Built Environs and securing profitable new work in South Australia and Western Australia.

In response to ongoing declines in available work and a challenging outlook for the Australian construction and engineering market, additional steps were taken in 2015 to reduce costs further. Significant restructuring costs of R67 million were incurred while resizing the business to the current order book. The benefit of reduced overheads will be realised in 2016. McConnell Dowell will continue to review its overheads relative to market conditions.

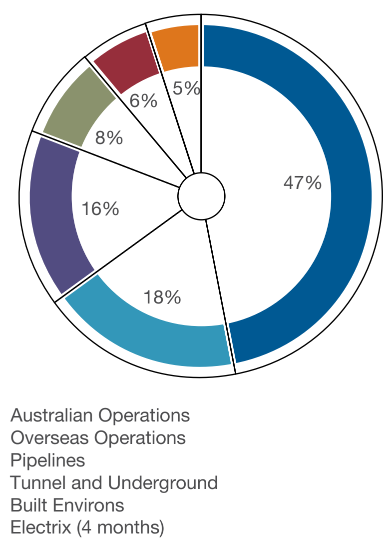
McConnell Dowell's legacy contracts, QCLNG and GCRT continue to proceed through a protracted commercial claims resolution process.

Position for growth

To mitigate the decline in mining and energy infrastructure investment, the Australian Operations continue to focus on road and rail transport infrastructure across all Australian states, as well as available opportunities in the resources, defence and water sectors. Rail maintenance and upgrade work secured by the specialist rail business will provide a solid foundation for future growth, albeit on smaller revenues.

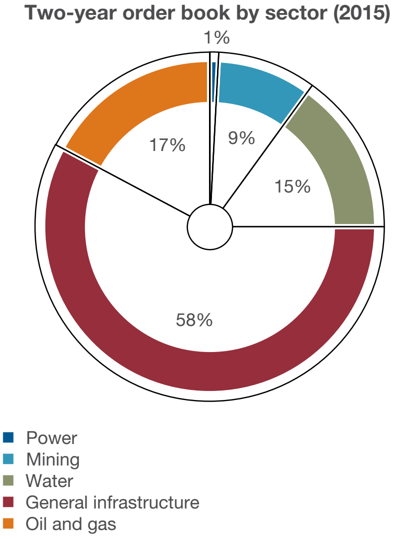
In the Overseas Operations, New Zealand and the Pacific Islands offer growth opportunities and new work continues to be secured in Southeast Asia in the core disciplines of marine and mechanical engineering. Industrial building projects also offer opportunity, especially in Malaysia and Indonesia. The focus in the Middle East remains on the oil and gas, mining and minerals, and industrial sectors.

Revenue by business unit (2015)



McConnell Dowell has resolved claims associated with the Australian Pacific LNG, Gladstone LNG, Port Botany and Hay Point Berth contracts.

Two-year order book by sector (2015)



Construction and Engineering: Australasia and Asia continued

The Pipelines business enters the new financial year with a healthy portfolio of opportunities within the oil and gas sector in Australia, Southeast Asia and the Middle East.

Realise growth and sustain profitability

McConnell Dowell has strengthened its focus on risk management, enabling earlier identification of problems and sharing of lessons learnt across the business to embed a more proactive approach to the management of operational challenges.

Safety, health and environment

McConnell Dowell's performance improved considerably, with an all injury frequency rate (AIFR, which includes lives lost, lost-time injuries, restricted work cases, medical treatment cases and aid cases) of 4,91 (2014: 6,87).The lost-time injury frequency rate (LTIFR) was 0,09 (2014: 0,74) against a target of <0,13. McConnell Dowell has achieved a 14-year LTI-free record at the Loyang plant yard in Singapore.

The health, safety and environment leadership training programme was reviewed and a workshop-based approach introduced to allow interactive thinking and planning for all aspects of health, safety and environment and quality management. The workshop incorporates a shift away from lag indicators and "failure" to a new Safety 2 concept of lead indicators, design/engineering solutions and hard controls.

McConnell Dowell experienced a further decline in its total environmental incident frequency rate and the serious environmental incident frequency rate. These results follow continuous improvements in the environmental controls across all projects.

McConnell Dowell continues to invest in sustainability initiatives and is a founding partner of the Australian Supply Chain Sustainability School, an initiative aimed at increasing competitiveness, sustainability knowledge and competency across the construction and infrastructure industry supply chain.

Human capital

David Robinson will retire and be succeeded by Scott Cummins with effect from October 2015. The Board is confident that Scott will lead the McConnell Dowell business in sustaining its anchor markets in Australia and realising the full potential of its international operations. The McConnell Dowell business has a stable leadership group in place and the transition is expected to be smooth.

McConnell Dowell's workforce has reduced significantly throughout the year, predominantly in Australia. The business achieved an overall satisfaction score of 72% in its annual employee opinion survey and continues its focus on leadership training and performance management.

Looking ahead

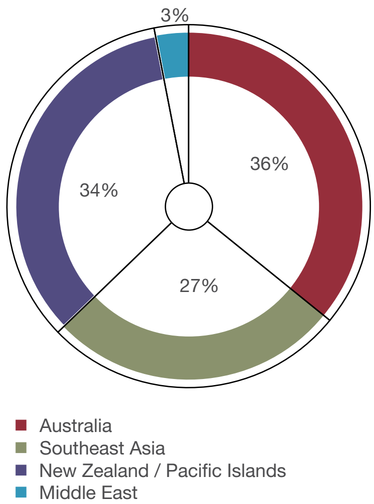
As some of its traditional markets continue to decelerate, McConnell Dowell is transitioning its business to position it for available opportunities.

In Australia the revenue trend continues downward due to the significant decline in resources investment. McConnell Dowell's main focus is on transport infrastructure, but winning work against traditional incumbents in a declining market remains challenging. Other focus areas for growth are the water and defence sectors.

The Overseas Operations are well positioned for growth, with opportunities available in the New Zealand, Asia and Middle East markets.

Despite continued weakness in the Australian market, reasonable opportunities exist for McConnell Dowell in the social and transport-related infrastructure markets, and in New Zealand and Southeast Asia.

Two-year order book by geography (2015)



72%

employee satisfaction score

Hume Dam, New South Wales, Australia

Construction and Engineering: South Africa and rest of Africa

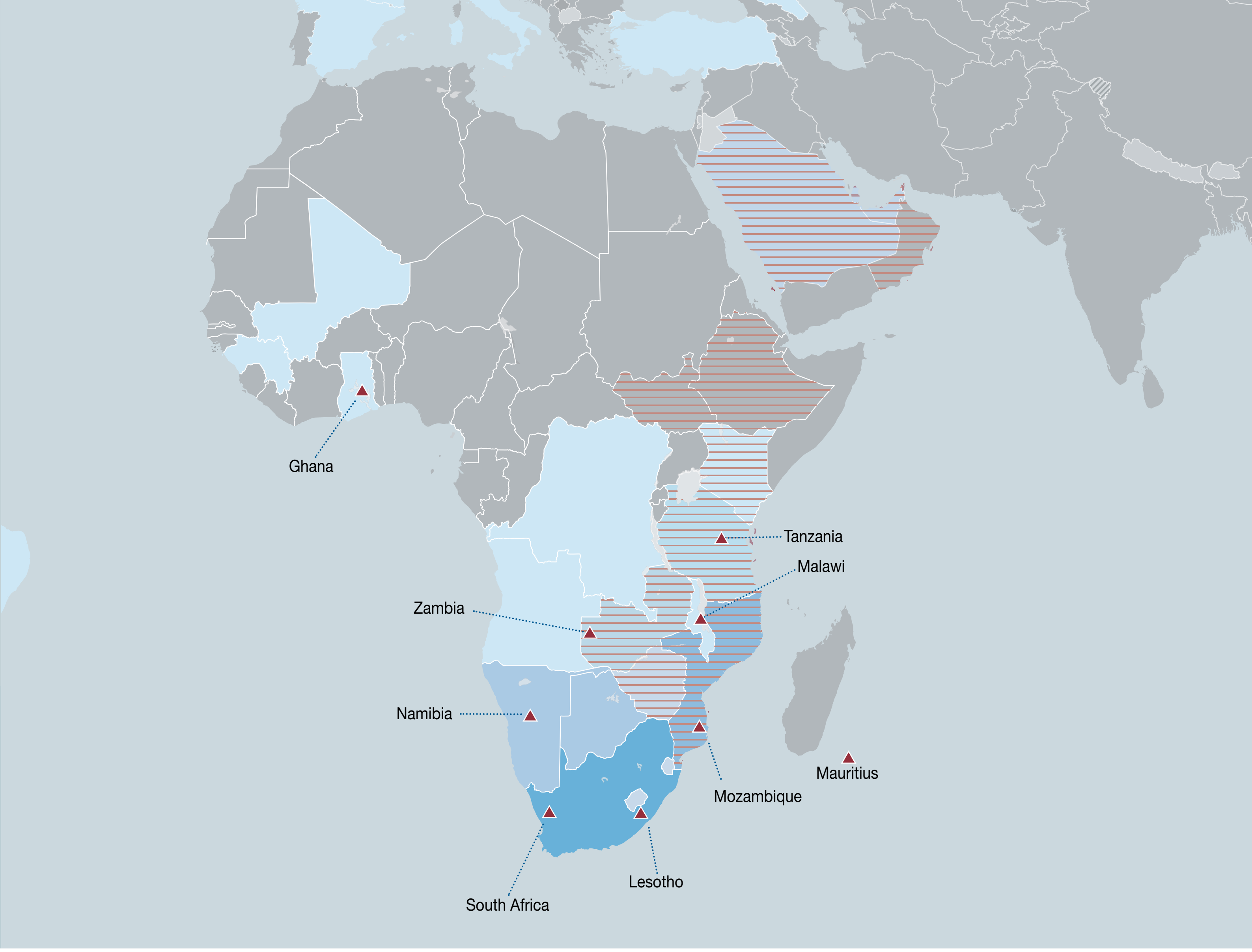
Financial highlights

	2015 Rm	2014* Rm	Variance (%)
Gross revenue	**8 355**	8 677	(4)
Gross earnings	**(136)**	128	(206)
Net operating earnings	**(697)**	(434)	61
Capital expenditure	**96**	152	(37)
Total assets	**5 767**	5 068	14
Total liabilities	**2 439**	2 564	(5)

**Comparatives have been restated for the inclusion of Aveng Capital Partners.*

Aveng Grinaker-LTA offers multidisciplinary services across the construction and engineering value chain to its clients in South Africa, Namibia, Mozambique, Mauritius and selected markets in the rest of Africa. It offers a comprehensive range of standalone or integrated services in building, civil engineering, roads, earthworks, concrete, ground engineering, piping and mechanical, electrical and instrumentation contracting.

Chris Botha, managing director


Ghana
Tanzania
Malawi
Zambia
Namibia
Mauritius
Mozambique
Lesotho
South Africa

Construction and Engineering: South Africa and rest of Africa continued

Aveng offers multidisciplinary services across the construction and engineering value chain to its clients in southern Africa and other selected markets in the rest of Africa. Services include civil engineering, roads and earthworks; building; mechanical and electrical engineering; detailed engineering, design and project management; and longer term facilities operation and maintenance. Aveng also invests in general infrastructure, power and real estate assets.

The Construction and Engineering: South Africa and rest of Africa segment comprises Aveng Grinaker-LTA, Aveng Engineering which reports to Aveng Grinaker-LTA with effect from 1 July 2014 and Aveng Capital Partners. The results of Aveng Capital Partners have been reallocated from the Other and Eliminations segment to this segment to more accurately reflect the synergies with Aveng Grinaker-LTA and Aveng Engineering. Comparatives have been adjusted accordingly.

Strategic alignment

The business units in this operating segment participate at all stages of the construction and engineering value chain.

By consolidating most of the segment's operations into one location, Aveng is driving higher levels of cooperation, enabling the Group to leverage its combined capacity to offer multidisciplinary solutions to clients across the project lifecycle.

Aveng Grinaker-LTA's strengthened management team continues to implement a programme to restore sustainable profitability. The programme addresses financial recovery, operational efficiency and effective project execution, strengthened risk management and a client solutions-based approach to business development and effective value chain integration. There is a strong focus on optimising the balance between Aveng Grinaker-LTA's business units and diversifying its portfolio of projects based on client, country and competency to mitigate risk and strengthen performance. A plan to develop opportunities for the expansion and embedding of operations in selected geographic and sectoral markets in the rest of Africa is gaining traction.

Key focus areas

Operational performance

Aveng Grinaker-LTA

The performance of Aveng Grinaker-LTA's business units improved during the year due to the completion of some loss-making and non-contributing legacy contracts, but the results were negatively impacted by losses on the Grootegeluk and Mokolo civil engineering contracts and certain contracts related to the Eskom build programme which contributed to a net operating loss of R579 million for the year (first half of 2015: R274 million loss; 2014 full year: R612 million loss).

The revenue of **Civil Engineering,** including Aveng Rand Roads and Aveng Ground Engineering remained flat at R3,1 billion as rail-related activity continued on the Majuba Rail Link contract, while the Nacala Section 2 Rail Link contract was successfully completed during the second half of the financial year.

Weather delays and scope changes at the Grootegeluk project, labour disruptions at the Majuba project and ongoing challenges at the Mokolo project contributed to a significant decline in operating earnings from these contracts during the year which contributed to an operating loss of R367 million (2014: R266 million loss).

Steady progress had been made in the physical completion of the contracts by year-end (Grootegeluk 92% complete, Majuba 87% complete, and at Mokolo construction works are complete and final commissioning processes are well advanced).

The Medupi joint venture progressed well during the year, and further amicable settlement of disputes with Eskom contributed to the resolution of R31 million in uncertified revenue.

Aveng Rand Roads was successfully restructured into a leaner operating structure focused mainly on asphalt and binder manufacturing and services but its earnings were negatively impacted by low volumes in the second half of the year, particularly at its asphalt and binder plants.

Aveng Ground Engineering was awarded a number of new contracts which contributed to an increase in its revenue and earnings for the year and the business was critical to the achievement of the programme on the Sishen solar plant, with the completion of the complex geotechnical works scope.

Mechanical and Electrical reported a 6% increase in revenue to R1,8 billion (2014: R1,7 billion) due to additional work on Eskom's Medupi and Kusile coal-fired power plants and refinery shutdown and maintenance opportunities in the oil and gas sector.

Good progress continues to be made on the resolution of commercial challenges associated with the Eskom contracts. This is reflected in the decreased operating losses of R108 million (June 2014: R220 million).

The revenue of **Building and Coastal** increased marginally to R2,7 billion (2014: R2,6 billion) but net operating earnings showed significant improvement to R24 million from a loss of R9 million.

The unit's improved performance was due to the ramp-up of the Mall of the South and Sasol Corporate Head Office contracts which continue to perform well operationally. This was partially offset by the completion of the Cradlestone Mall contract. The Coastal operations are proceeding according to plan with major contracts, namely Dr Pixley Ka Isaka Seme Memorial hospital in KwaZulu-Natal, extensions to the Cape Town International Convention Centre and Aspen Pharmacare's manufacturing facilities in Port Elizabeth. A joint venture contract to build the Old Mutual head office in Sandton was awarded to Building during the second half of the year.

Aveng Engineering
Revenue declined to R705 million (2014: R1 billion) due to lower levels of activity in the mining sector which was partially offset by the Group's renewable energy projects in the Aveng Power business unit. The Sishen solar energy facility in the Northern Cape was successfully completed during the year under review and exceeded its power generation performance.

Although the Gouda wind farm in the Western Cape achieved its scheduled physical completion date, the unexpected low wind pattern for that period delayed the testing and technical compliance of the plant. This contributed directly to a failure to achieve the anticipated sign-off, resulting in liquidated damages and an adverse impact on the financial results.

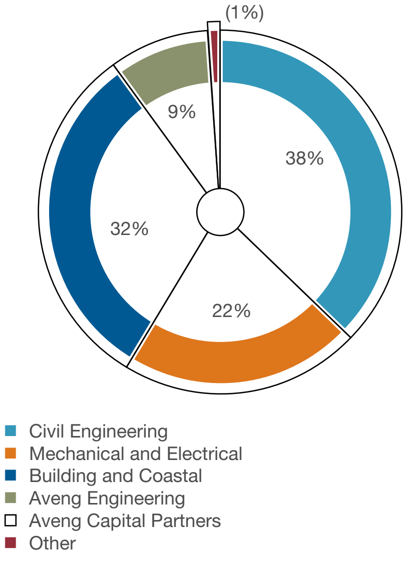
The performance of Aveng Engineering weakened during the second half of the year due to the cost of remedial works on the eMalahleni Phase 2B and Middelburg water treatment contracts.

Once-off restructuring costs of R10 million and lease cancellation penalties to realign the fixed cost base contributed to the operating loss of R290 million (2014: R38 million).

Aveng Capital Partners
Revenue of R12 million (2014: R134 million) decreased significantly against the comparative period due to the net success fee of R111 million earned in the prior financial year at financial close of the Gouda renewable energy project.

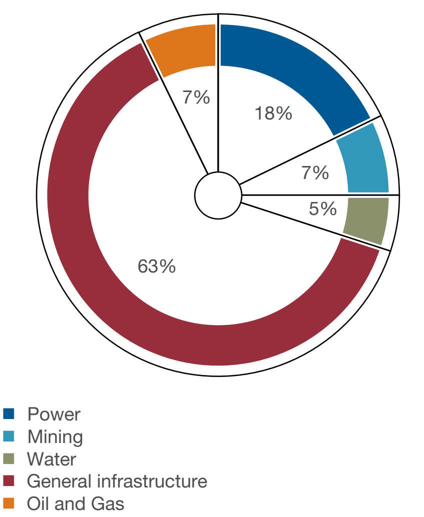
Net operating earnings increased by 38% to R183 million (2014: R133 million) primarily due to fair value gains of R173 million on certain renewable energy and real estate investments achieving a marketable maturity level.

Revenue by business unit (2015)



The restructuring of Aveng Grinaker-LTA is largely completed and the business has been stabilised.

Two-year order book by sector (2015)



Construction and Engineering: South Africa and rest of Africa continued

Strategy execution

Recover and stabilise

Initiatives implemented in 2015 to return Aveng Grinaker-LTA to profitability have substantially addressed matters contributing to underperformance. These initiatives include:

Financial recovery

- **Manage liquidity and cash generation:** This remains a top priority, particularly in challenging circumstances in which Aveng Grinaker-LTA has had to fund losses and commercial positions.
- **Reduce fixed costs:** Underperforming business units have been restructured and the majority of operations are now integrated at Jet Park (which enables shared services, improved interaction between the operations and with head office and a reduction in overhead costs). Further initiatives to reduce costs have been implemented in procurement, people productivity and plant utilisation. Restructuring costs of R15 million for the segment have been recognised in 2015 and cost savings will be realised in the new financial year.
- **Improve contract margins:** Substantial physical progress has been achieved and many of the loss-making and non-contributing legacy contracts are near completion. Claims recoveries are in progress. A selective approach to new contracts and risk monitoring is being applied to ensure the contracts deliver on tendered margins.

Operational efficiency

- **Strengthen risk and commercial management to improve project bidding and execution:** This is supported by the application of the Group's "three lines of defence" risk philosophy and a consistent project management process, including the attraction and retention of project management and commercial skills, a significantly higher level of senior executive visibility and understanding of risks, peer reviews and oversight across all projects and promotion of a transparent and high performance culture.
- **Enable people:** A strengthened executive leadership team with simplified management structures based on key disciplines, has been in place for a year, following a disruptive period of instability in previous years which resulted in a loss of talent and institutional memory. Critical performance management procedures are now established, and training is an important facilitator of improved management of critical areas, including safety. Labour relations have been strengthened by the introduction of employee engagement as a KPI in management contracts. Implementation of a long term sustainable transformation strategy is well advanced.

Position for growth

Aveng Grinaker-LTA is focusing selectively on securing quality projects in strategically targeted market segments that fulfil both risk and return requirements. To date no material problems have been identified in new contracts secured in 2014 and 2015.

Aveng Grinaker-LTA has been awarded flagship building projects, including Old Mutual's head office in Sandton, the Dr Pixley hospital north of Durban and extensions to the Cape Town International Convention Centre. In response to the shift in government expenditure from large national programmes to smaller municipal infrastructure projects, Aveng Grinaker-LTA has become more active in the provincial and municipal market, securing work in the Ekurhuleni infrastructure delivery programme and the Western Cape Education Department infrastructure programme.

The operating group has also secured major road upgrade and mine development contracts in domestic markets and a number of contracts in the petro-chemical and oil and gas sectors which offer longer term opportunities at adequate margins.

In current market conditions, Aveng Engineering is experiencing a reduction in its engineering and project delivery work which is partially compensated for by an increase in operation and maintenance work. While the latter contracts offer lower margins than engineering and project delivery work, their duration is longer and they present lower risk.

Targeted stakeholder engagement is strengthening the Aveng Grinaker-LTA brand in its existing and potential new markets. A plan to expand the presence of Aveng Grinaker-LTA in southern Africa and East Africa has been defined and resourced and the operating group is developing relationships in these regions and bidding for building, civil engineering and operation and maintenance opportunities in the transport, mining and energy sectors.

Realise growth and sustain profitability
Aveng Grinaker-LTA's selective approach to new project acquisition is intended to improve profitability and cash flow, even if this is achieved at the expense of revenue growth. In addition, the operating group is applying innovative methods to project development, bidding and building to optimise project performance.

By co-operating with other business units within the segment and across the Group, Aveng Grinaker-LTA is better positioned to offer its customers solutions at all stages of the construction and engineering value chain.

Safety, health and environment
No loss of lives (2014: 3) were reported by the operating segment for the year under review.

However, a decline in Aveng Grinaker-LTA's safety performance was reflected in a LTIFR of 0,18 (2014: 0,14), against the target of 0,14 and an AIFR of 2,2 (2014: 1,87). An independent analysis of the safety, health and environment (SHE) culture against global best practice was conducted and interventions to improve SHE culture are being implemented. A number of projects achieved commendable safety performances, including more than five years of LTI-free operation by Aveng Engineering at the Pembani coal wash plant, Optimum water reclamation plant and Erongo desalination plant and five years of LTI-free work at the Vanderbijlpark operations of the Mechanical and Electrical business unit.

Human capital
The executive leadership team of Aveng Grinaker-LTA has been further enhanced by the appointments of new managing directors of the Mechanical and Electrical and Coastal business units and a senior executive in human resource management. There is a strong focus on performance management across the business.

The operating segment has initiated an internal skills development programme to build engineering capacity among graduates who will gain experience in engineering, project design and plant commissioning.

Looking ahead

Growth in the South African construction and engineering industry will continue to be subdued and 2016 will be a year of consolidation for the Construction and Engineering: South Africa and rest of Africa segment as Aveng Grinaker-LTA continues to make headway in the key focus areas intended to return it to sustainable profitability.

The operating segment commenced the 2016 financial year with a two-year order book of R7,4 billion, consistent with the comparative in June 2014 and 8% lower than the R8 billion reported at 31 December 2014.

The order book includes major rail and building contracts and new projects awarded in the building, civil engineering, oil and gas and mine development sectors at adequate margins. Additional prospects are being targeted in the civil engineering, commercial building and power sectors, also at adequate margins.

By co-operating with other group operations, Aveng Grinaker-LTA is better positioned to offer its customers solutions across the construction and engineering value chain.

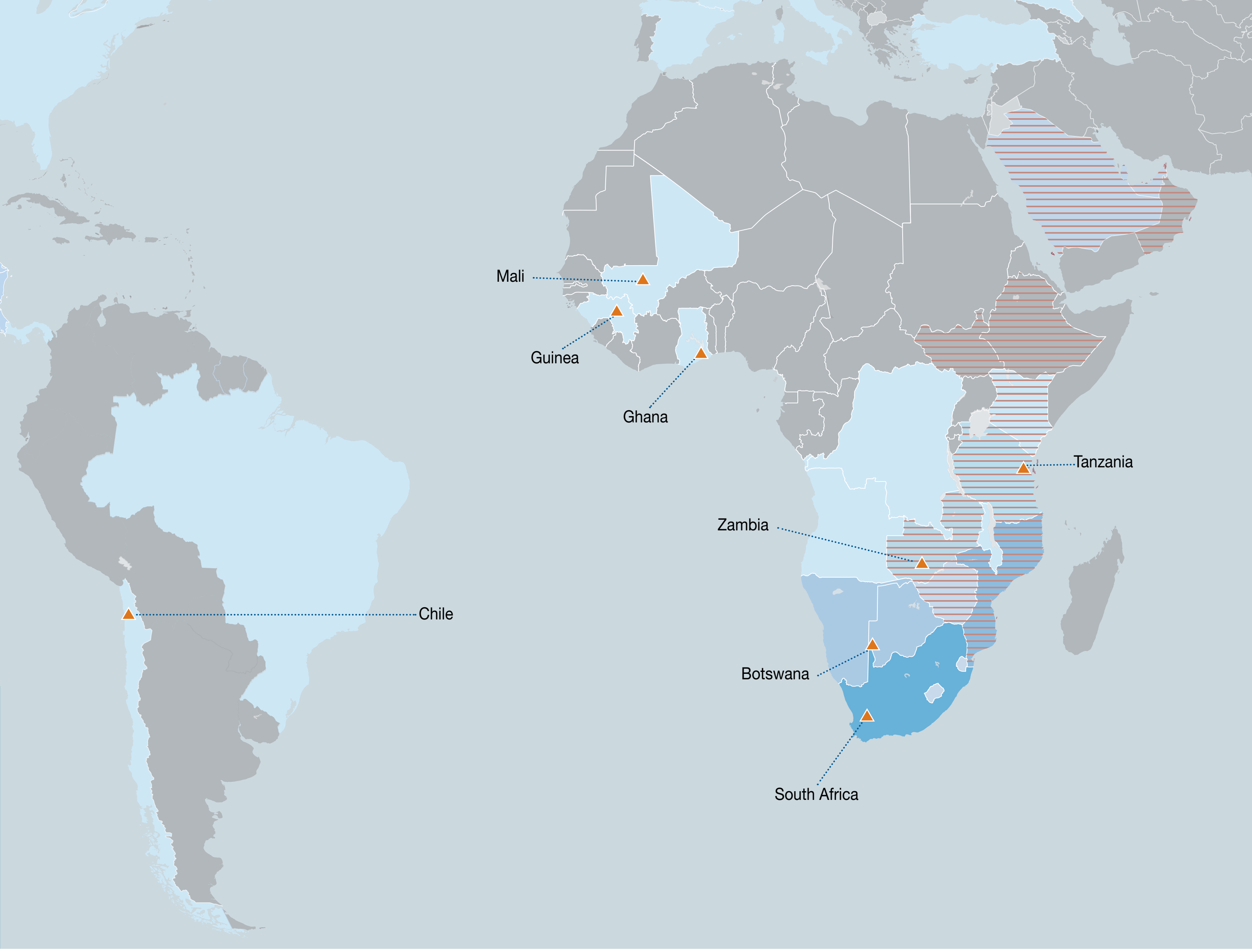
Mining

Financial highlights

	2015 Rm	2014 Rm	Variance (%)
Gross revenue	**5 956**	6 582	(10)
Gross earnings	**698**	874	(20)
Net operating earnings	**413**	529	(22)
Capital expenditure	**257**	298	(14)
Total assets	**4 548**	4 848	(6)
Total liabilities	**2 027**	2 244	(10)

Aveng Mining offers services across the mining value chain, from shaft sinking, underground development, contract mining and surface mining, to construction of mine infrastructure. The operating group's experience spans a broad range of commodities and it has worked successfully in remote and difficult locations.

Stuart White, managing director


Mali
Guinea
Ghana
Tanzania
Zambia
Chile
Botswana
South Africa

Mining continued

Aveng offers services across the mining value chain, from turnkey solutions in design and process, to shaft sinking, underground development, contract mining and surface mining, and construction of mine infrastructure. These activities span a broad range of commodities and the Group has worked successfully in remote and difficult locations.

Aveng Mining comprises a merger of Aveng Moolmans (surface mining) and Aveng Mining Shafts & Underground (shaft sinking, access development and contract mining).

During the second half of the year, the two mining businesses were fully integrated under a single leadership structure.

Strategic alignment

The integration of Aveng Moolmans and Aveng Shafts & Underground positions Aveng Mining to offer its clients comprehensive services across the mining value chain under one strong brand. This enables the operating group to leverage the combined strength of the business units and market its scale and vast mining contracting capabilities more effectively.

The strategy of Aveng Mining is to increase profitability and contribute to an improvement in the Group's shareholder value by optimising the efficiency of its existing operations, pursuing growth in local and international markets, and leveraging the Group's capabilities and presence in its targeted markets. This provides Aveng Mining with the advantage of being able to offer its clients solutions for multidisciplinary mining projects and to drive down project costs.

Aveng Mining focuses on markets with future growth potential which offer attractive returns and are aligned with the Group's Africa strategy. It seeks to manage risk by diversifying its operations across a range of clients, commodities, currencies and geographic markets.

Key focus areas

Operational performance

Aveng Moolmans commenced operations on the five-year contract to mine 30 million tonnes of ore at the Nkomati Nickel Mine in Mpumalanga on 1 July 2014. Despite a slow start, this contract has continued to improve month on month and it met all of our expectations in the last quarter, with a record production achievement in June 2015.

Strong performances were achieved on other domestic and international mining contracts, notably the Sadiola gold mine in Mali. Tati Nickel's Phoenix Mine in Botswana is reaching its end of current forecast life which impacts efficiencies, but the client is considering expanding the mine.

The revenue of Aveng Moolmans decreased by R157 million to R4,6 billion (2014: R4,7 billion) as increased activity on existing contracts and commencement of the Nkomati Nickel Mine contract were not sufficient to fully offset the non-renewal of three gold mining contracts in Ghana and Tanzania in 2014.

Nevertheless, Aveng Moolmans continued to record good financial results relative to its market peers on existing contracts despite cost reduction pressure experienced from clients.

Aveng Shafts & Underground achieved a steady operational state at the 975 metre shaft at Codelco's Chuquicamata Copper Mine in Chile following a range of operational and commercial challenges experienced in the 2014 and 2015 financial years. However, the desired sinking rates at the pre-sink and the main sink were not achieved, resulting in an ongoing delay and extension of the project.

In South Africa, Shafts & Underground was impacted by labour stoppages and margin slippage on some of its existing projects, including Wesizwe's platinum mine and Sasol's Shondoni coal project, while the Kalagadi Manganese Mine project is close to completion. The business unit secured long term shaft sinking and development work on Ivanhoe's Platreef Platinum Mine and a horizontal tunnelling development contract at the Assmang Proprietary Limited Black Rock manganese mine.

Unfortunately, subsequent to year-end, the announcement by Royal Bafokeng Platinum, relating to the Styldrift mine, foreshadowed the potential reduction in the scope of work in hand for Aveng Shafts & Underground. This, together with the difficult labour environment currently experienced, will result in some serious challenges in the mining business.

The revenue of Aveng Shafts & Underground decreased by 26% to R1,4 billion (2014: R1,9 billion) due to the general downturn in the mining industry and a more selective approach to bidding for new work in order to strengthen the quality of the business unit's earnings, and mitigate risk by securing longer term contracts.

Net operating earnings were significantly impacted by margin slippage on shaft sinking contracts in South Africa, while an onerous cost to completion loss on the Chuquicamata Copper Mine (despite ongoing negotiations with the client), resulted in Shafts & Underground reporting a loss of R186 million (2014: R42 million profit). This loss was fully provided for in the financial year.

Wesizwe continues to be negatively impacted by production delays as a result of safety and labour stoppages, and this has been aggravated by significant commercial challenges. We continue to negotiate the scope of the contract with the client. Provision has been made against this contract.

Good progress has been made on Ivanhoe's Platreef Platinum Mine.

Strategy execution

Recover and stabilise

Aveng Moolmans heightened its ongoing focus on reducing overhead costs and cost of sales, reducing headcount, improving productivity and instilling a high-performance culture to mitigate the impacts of lower levels of activity and inflationary pressures. In addition to its existing efficiency processes, Moolmans partners with its clients to reduce the cost base on its projects. The operation exceeded its cost optimisation target for the year under review by achieving savings in excess of R62 million.

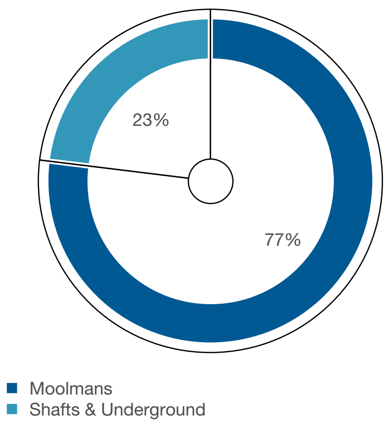
Aveng Shafts & Underground rightsized its overhead costs relative to its gross profit margin, and strengthened working capital management during the year, achieving its targeted cost savings of R18 million. However, the operation continued to experience severe cash flow pressure as a result of challenges on shaft sinking projects. This, combined with prevailing market conditions, dictated that further rightsizing was necessary, and the sharing of services and streamlining of support functions in an integrated Aveng Mining is generating opportunities to achieve this.

Position for growth

Aveng Shafts & Underground is completing low margin or loss-making legacy contracts and pursuing the finalisation of outstanding claims associated with these contracts. All new work is subjected to a more selective approach in order to strengthen earnings and mitigate risk.

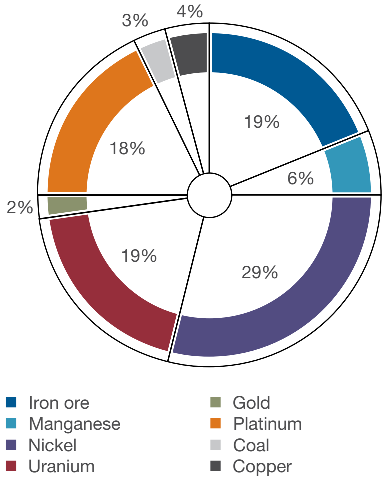
Aveng Moolmans' portfolio currently spans five commodities mined for six customers in four countries, with 30% of the work sourced outside South Africa compared to 33% in the comparative period in 2014. Aveng Moolmans is pursuing other opportunities to rebalance the geographic and commodity weighting of its order book.

Revenue by business unit (2015)



Aveng Mining remains focused on reducing its cost base and ensuring that contracts are undertaken with sound clients on viable projects offering sustainable profit margins.

Two-year order book by commodity (2015)



Mining continued

Realise growth and sustain profitability

In a weak commodity cycle, Aveng Moolmans is leveraging the Group's strength to extend its business development focus to markets beyond the rest of Africa. The business unit has a well-maintained fleet immediately available for new opportunities as they arise.

New contracts awarded at the Platreef and Black Rock mines comply with the more selective approach to new work and are expected to contribute to higher revenue and earnings in future.

The integration of the two operations strengthens the financial position of the combined operation and diversifies its presence beyond South Africa.

Safety, health and environment

Aveng Mining regrettably reported five lives lost (2014: one). Aveng Shafts & Underground recorded four lives lost in the mining operations in the North West province while Aveng Moolmans recorded one fatal incident at the Phoenix Mine contract in Botswana for the period under review. There was an overall improvement in the combined LTIFR to 0,40 (2014: 0,42) and the combined AIFR was 1,72 (2014: 1,81) A number of the mining projects have significant safety achievements, such as the Tumelo shaft operations achieving more than four years lost-time injury free and the Sadiola Gold Mine operations achieving more than five million lost-time injury free hours.

The strong safety culture of Aveng Moolmans will be entrenched into Aveng Shafts & Underground operations through a defined leadership strategy that will focus on an integrated safety culture model, where the safety culture does not only reflect the correct values but is understood as a complex systemic phenomenon whereby hazards and core task requirements are understood thoroughly.

Aveng Mining applies the Group's environmental framework across its operations. No major environmental incidents were recorded during the year.

Human capital

Stuart White, former managing director of Aveng Moolmans with 34 years of experience with the operating group, was appointed managing director of Aveng Mining.

With the consolidation of the two mining competencies, Aveng Mining is reviewing its respective overhead structures to provide an optimised shared service for the business units.

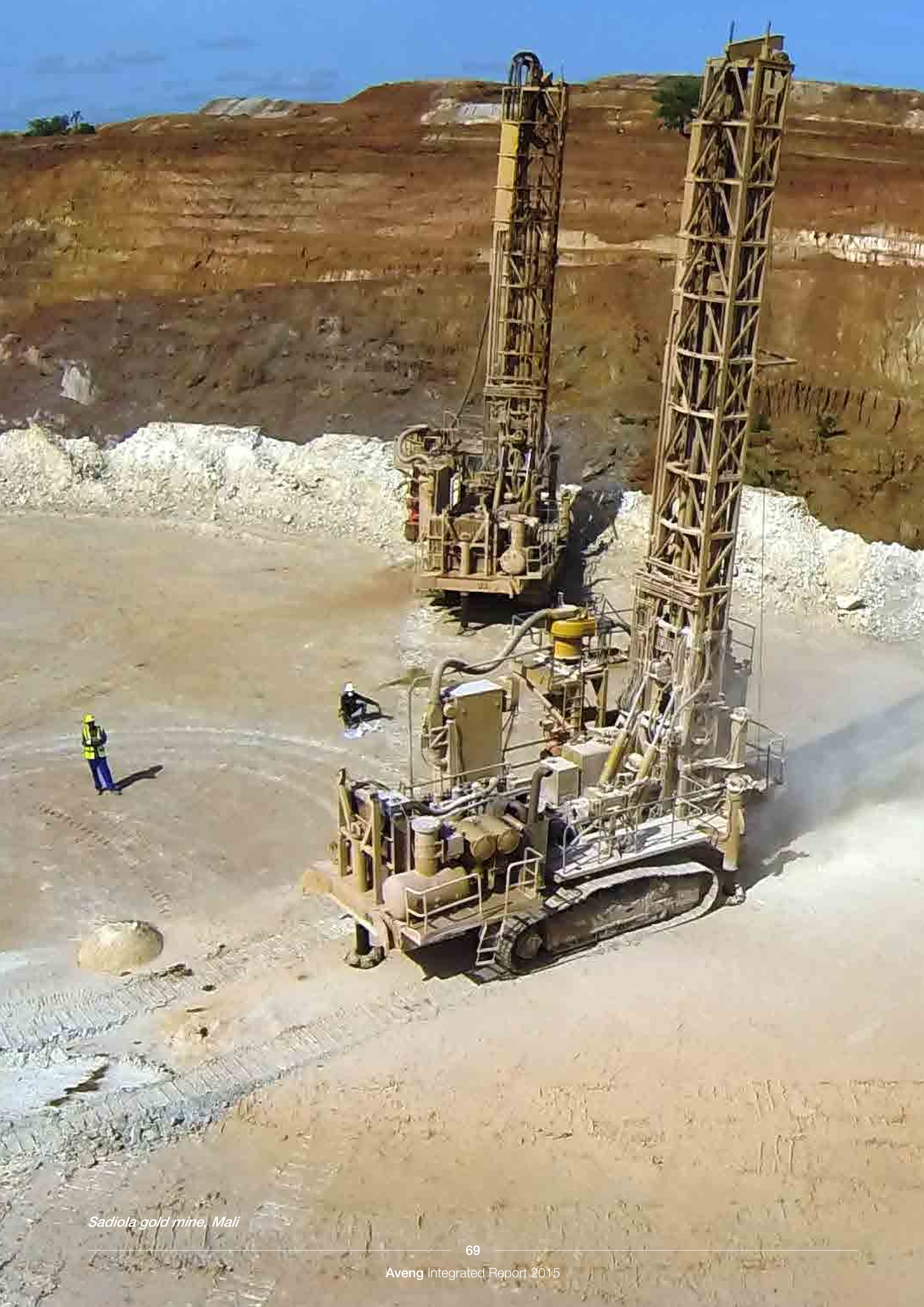
Looking ahead

The combined two-year order book of Aveng Mining declined by 8% to R7,9 billion (2014: R8,6 billion) and includes work secured on existing contracts and the award of the Black Rock contract.

Aveng Moolmans had secured 76% of its order book by year-end and accounts for 59% of the combined order book. Work outside South Africa has declined, with long term projects at Nkomati Nickel Mine and Sishen Iron Ore Mine heavily weighting the South African contribution. Shafts & Underground has increased its secured order book for 2016 with new contracts expected to contribute to growth in revenue, an improvement in the quality of earnings and the prospect of long term opportunities.

Securing replacement work in the rest of Africa remains difficult in the prevailing mining environment but Moolmans continues to pursue opportunities in copper, zinc and coal in southern Africa and iron ore and gold in West Africa and is also exploring opportunities beyond Africa in the Middle East, South America and the Commonwealth of Independent States (CIS) region in central Asia.

Investment in the mining industry is expected to remain constrained until 2017. Aveng Mining will continue to focus on optimisation initiatives to reduce its combined cost base and ensure that contracts are undertaken with sound clients on viable projects offering sustainable profit margins to ensure a balance between revenue growth and profitability.



Sadiola gold mine, Mali

Manufacturing and Processing

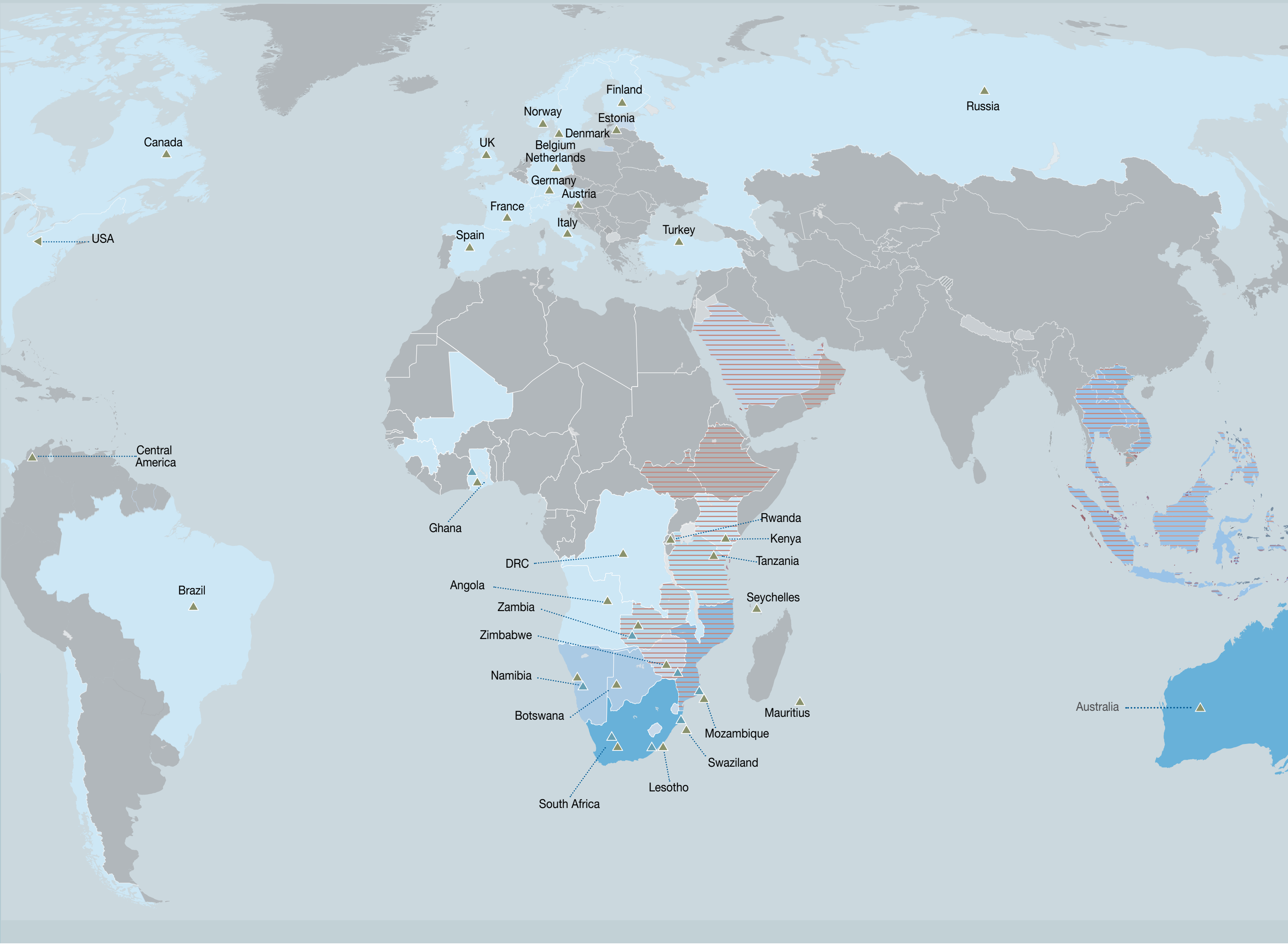
Financial highlights

	2015 Rm	2014 Rm	Variance (%)
Gross revenue	**9 928**	10 612	(7)
Gross earnings	**685**	951*	(28)
Net operating earnings	**54**	364	(85)
Capital expenditure	**180**	406	(56)
Total assets	**5 815**	7 029	(17)
Total liabilities	**1 936**	2 589	(25)

** Comparatives restated for reclassifications.*

Aveng Manufacturing manufactures and supplies construction products to the construction sector, services and engineered solutions to mining, water, oil and gas and construction clients, and rail construction and maintenance services to the transport sector. Aveng Steel supplies a wide range of products to the steel, construction and automotive industries from its steel yards, processing centres and manufacturing plants.

Solly Letsoalo, managing director, Aveng Manufacturing
Hercu Aucamp, managing director, Aveng Steel


Finland
Norway
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Central America
Ghana
Rwanda
Kenya
Tanzania
DRC
Angola
Brazil
Zambia
Seychelles
Zimbabwe
Namibia
Botswana
Mauritius
Australia
Mozambique
Swaziland
Lesotho
South Africa

Manufacturing and Processing continued

Aveng manufactures and supplies a range of steel products and services to the construction, mining and automotive sectors; concrete products to the construction sector; services and engineered solutions to mining, water, oil and gas and construction clients; and rail construction and maintenance services to the transport sector.

The Manufacturing and Processing segment comprises Aveng Manufacturing (Aveng Infraset, Aveng Duraset, Aveng Rail (formerly Lennings Rail Services), Aveng Dynamic Fluid Control (DFC), Aveng Automation & Control Solutions (ACS) and Aveng Façades) and Aveng Steel (Aveng Trident Steel, Aveng Steeledale and Aveng Steel Fabrication).

Strategic alignment

Aveng Manufacturing and Processing participates at all stages of Aveng's value chain.

The segment's strategy is to increase profitability by optimising the efficiency and technological capacity of its existing operations and developing innovative new products or partnerships that enable it to expand its participation in the value chains of the markets to which it supplies products and services.

Key focus areas

Operational performance

The revenue of **Aveng Manufacturing** decreased by 6% to R3,3 billion (2014: R3,5 billion). Tough market conditions and labour disruption impacted Aveng DFC and Aveng Duraset, but Aveng Infraset and Aveng Rail produced good results.

The operating group delivered an acceptable performance overall, particularly as a result of strong demand for concrete construction and rail products, and ongoing supply of rail construction and maintenance services in southern Africa, notably on the Nacala contract in Mozambique. Investments to increase capacity of concrete rail products in the SADC region enabled Aveng Manufacturing to respond adequately to this growth in demand. Net operating profits decreased slightly by 1% to R226 million (2014: R228 million) largely as a result of the sustained optimisation drive undertaken in all of its operations.

Aveng Steel reported a 7% decline in revenue to R6,7 billion (2014: R7,2 billion) as a result of the impacts of labour disruption, declining international steel prices, lower demand and increased competition. Profitability fell in line with revenue. Cost savings were achieved from the integration of the three steel business units but these were offset during the year by significant once-off restructuring expenses of R31 million to realign the fixed cost base.

Strategy execution

Recover and stabilise

Aveng Manufacturing underwent optimisation initiatives to reduce cost of sales and overheads, improve efficiencies and embark on a campaign to adapt to technological advances in its markets. A cost saving of R53 million was realised.

The restructuring and optimisation of Aveng Duraset in 2014 contributed to a lower cost base, improved efficiencies in its factories and stronger marketing capacity. The operation achieved revenue growth and a return to profitability as a result. Key developments during 2015 included the consolidation of the Germiston and Alrode factories, a strong focus on new product development and improvements in the balance of the product mix by increasing the sales of higher margin products. An optimisation programme is underway at the Westonaria factory and plans have been implemented to increase mechanisation of Aveng Duraset's manufacturing capacity.

Aveng DFC reorganised its factory in Benoni to improve throughput by 30% and will consolidate its facility in KwaZulu-Natal with the ACS workshop.

Aveng Façades completed all loss-making legacy projects and shifted its focus to winning work at acceptable margins and growing the business. Processes applied to improve project and risk management at the successfully completed Sandton Towers project will be replicated on other projects in future.

Aveng Steel maintained its focus on cash management. Working capital management, including debtor collections and stock turnaround, remain key focus areas. A concerted effort was made to sustain the turnaround achieved by Aveng Steeledale in 2014 and return Aveng Steel Fabrication to profitability. While Aveng Steeledale maintained its volumes, significant margin pressure constrained operating profits. Aveng Steel Fabrication achieved stable production on its work at the Kusile Power Station but was unable to achieve break-even at year-end. Restructuring measures implemented at Aveng Trident Steel and Aveng Steel Fabrication to align their fixed cost bases with lower market demand resulted in an 18% reduction in headcount during the year and efforts to adjust the business are expected to continue, including further reduction in inventory levels.

Position for growth

Aveng Manufacturing incurred capital expenditure of R156 million on a number of initiatives to increase the capacity and optimise the efficiency of its factories during the year.

The Zambian factory was upgraded to increase Aveng Infraset's capacity from 300 to 1 000 railway sleepers daily in order to serve growing demand from the country. The factory in Tete, Mozambique, has been delivering orders for concrete pipes and culverts and railway sleepers. It will continue to supply for ongoing rail construction on the Nacala project (sections 1, 6 and 7). The rail workshop in Boksburg was extended to meet ongoing demand for rail maintenance services and machines.

The newly acquired high-pressure knife gate valve manufacturer, Atval relocated from Wadeville to Germiston and commenced operations in May. Atval is performing in line with expectations. Aveng DFC experienced growth in its markets in the Americas but this was largely offset by the impact of turmoil in Russia which prevented sales from our operations in Finland. Aveng DFC established a distribution presence in Australia. In South Africa, the business is pursuing growth in the domestic water market to offset challenges in mining.

Aveng ACS has increased its drive into the mining, water and power sectors, where it is starting to win work. New developments include the expansion of its range of valves supplied to the oil and gas and processing industries and launch of an installation business which has started operating at Sishen and plans to expand further. Aveng ACS has also established a presence in Mozambique (targeting coal mining and gas projects) and Zambia (sugar plant projects), while a new facility in Cape Town is supplying refurbishment and other services required by oil companies and Koeberg Nuclear Power Station.

Realise growth and sustain profitability

A decision to strengthen Aveng Duraset's focus on Zimbabwe with a local partner resulted in a significant order of one million roof bolts from Implats Mine. Plans are underway to increase the export of roof bolt components to the wider SADC region.

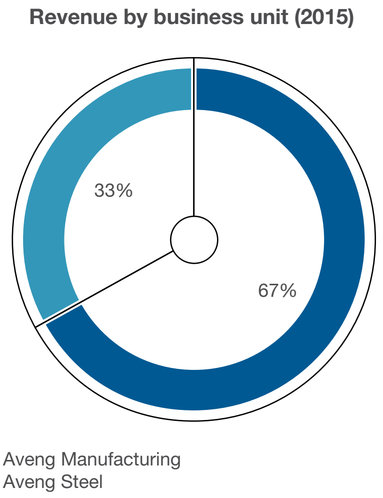
Aveng Rail was awarded additional work on the Nacala project and a maintenance contract for a section of the southern railway lines in Mozambique.

Aveng Steel maintains a footprint in all nine South African provinces and continues to strengthen its regional network of domestic branches. The business unit also extends its offerings to southern Africa where it is represented in Zambia, Namibia, Lesotho and Swaziland.

Safety, health and environment

Aveng Manufacturing achieved a record LTIFR of 0,4 (2014: 0,7) and an AIFR of 3,67 (2014: 3,71), with all operations contributing to improved performances. An intervention at the Brakpan facility resulted in an improvement in safety awareness and performance, as reflected in zero LTIs.

An encouraging outlook for Aveng Manufacturing and ongoing business adaptations at Aveng Steel are expected to contribute to an improved performance in 2016.



+177%

increase in the two-year order book of Manufacturing and Processing since June 2014.

Manufacturing and Processing continued

Aveng Steel's Cape Town and Rosslyn branches achieved four years without an LTI. However, the business reported an overall deterioration in safety performance, with LTIFR increasing to 0,75 (2014: 0,30) and AIFR increasing to 8,68 (2014: 5,0). This was attributed to the impact of restructuring on employee morale.

All manufacturing facilities are under internal review and an environmental manager has been appointed as Aveng Manufacturing prepares for ISO 14001 accreditation. A site acquired at the Brakpan facility to be utilised for stacking was declared a protected area and negotiations are underway with the Gauteng Department of Agriculture and Rural Development to resolve the matter.

Human capital

A managing director was appointed for Aveng Duraset and a general manager for Aveng Façades. These appointments will further strengthen the Aveng Manufacturing leadership team.

Aveng Steel restructured its operations to rightsize the business in line with market conditions. This has stabilised operational performance in a tough market environment. In addition, Aveng Steel has consolidated operational, financial and human resources management to serve an integrated steel business.

Looking ahead

Railway development remains a key growth market which continues to offer Aveng opportunity in an economic downturn. Aveng Rail and Aveng Infraset have secured significant contracts to supply the Majuba Rail project with construction services and rail components in 2016. In addition, Aveng Rail has a healthy order book of ongoing and new rail construction and track maintenance contracts in South Africa, Mozambique and Zambia. These contracts are supported by increased capacity in the Boksburg manufacturing facilities. Aveng Infraset will continue to supply concrete products to Zambian, Mozambican and domestic rail markets, while ongoing demand from the domestic building and construction sector will offset an anticipated decline in demand for components in the new financial year.

The mining and water supplies markets remain subdued but Aveng Manufacturing is pursuing growth through geographic and product expansion. Aveng Duraset will strengthen its roof bolts market in Zimbabwe and pursue opportunities for expansion into other countries in the rest of Africa. In South Africa, Aveng Duraset has partnered with the Bapo ba Mogale community around the platinum mines in Rustenburg in a venture to establish a local manufacturing facility to supply the mines. Aveng ACS will continue to pursue growth with existing and innovative new products in the power, water and mining markets and other processing industries in South Africa, Mozambique and Zambia. Aveng DFC anticipates growth in its water valve markets in South Africa, targeted markets in the rest of Africa, the Americas and Australia.

Aveng Façades is exploring expansion opportunities in the SADC region and the rest of Africa with an international partner that will offer technical and research and development expertise.

In a steel industry that is expected to remain subdued in the medium term, Aveng Trident Steel will focus on consolidating its product range and offering value added products; Aveng Steeledale will focus on private infrastructure investment opportunities that require rebar and mesh; Aveng Steel Fabrication will maintain its focus on restoring sustainable profitability by reducing costs and securing additional work.

These opportunities, together with the benefits of ongoing restructuring and optimisation in line with market demand, are expected to contribute to an improved performance in 2016.

Rail Handling Train Project, De Aar, Kimberley.

Abridged corporate governance

Governance at Aveng

King III

The Board unanimously embraces the King Code of Governance (King III) as a key governance framework. As a Board, we regularly assess our compliance with this framework. For further analysis of how Aveng records its compliance can be found on page 83 and in the Aveng full corporate governance report. Refer to http://www.financialresults.co.za/2015/aveng-additional.

We believe that **good corporate governance** both protects and adds value to the Group and its stakeholders. At Aveng, corporate governance is the tie that inseparably binds the pursuits of strategy, performance, sustainability and risk mitigation.

Personal letter from the incoming chairman

To reiterate my message in the chairman's statement governance provides the framework and processes intended to achieve our strategic objectives. Significant failures of governance globally have brought into sharp relief the need to equate it with much more than these mechanisms. Good governance is participatory, transparent and accountable. It encompasses every sphere of our business, and should seek specific outcomes as we endeavour to achieve our strategic objectives effectively and ethically in the markets and communities in which we work.

There are a number of material issues that are exercising my mind and the collective mind of the Board in the challenging and complex environments in which we execute our strategy.

In particular (but without intending to limit the importance of our other material issues), the Board routinely reviews the Group's strategy and monitors its execution to ensure that the strategy remains relevant in constantly changing market environments. We continue to address the Group's risk management foundation to ensure that the right executive and operational leadership is in place, empowered not only by reliable systems that are entrenched within the organisation, but also appropriate levels of authority and accountability. Our inward focus is on ensuring that the composition of the Board encompasses an adequate depth of knowledge and diversity of experience to enable the Board to serve the Group effectively in its markets.

Mahomed Seedat

This abridged corporate governance report has been extracted from the full Aveng corporate governance report which is available online at http://www.financialresults.co.za/2015/aveng-additional. Please refer to the full corporate governance report online for full appreciation of governance at Aveng.

McConnell Dowell Board site visit

Composition of board and committees

Board of directors

Strategic leadership and guidance, and ultimate oversight in ensuring a sustainable business that is accountable to shareholders and responsible to other stakeholders.

> MI Seedat – Chair > AWB Band – Independent non-executive > EK Diack – Independent non-executive > PJ Erasmus – Independent non-executive > MA Hermanus – Independent non-executive > PA Hourquebie – Independent non-executive > MJ Kilbride – Independent non-executive > AH Macartney – Executive > JJA Mashaba – Executive > T Mokgosi-Mwantembe – Independent non-executive > KW Mzondeki – Independent non-executive > DG Robinson – Executive* > HJ Verster – Executive > PK Ward – Independent non-executive

Social, ethics and transformation committee

Provides independent oversight by reviewing actions of the Board through an ethical lens as well as taking accountability for specific areas within its mandate.

> MI Seedat – Chair > AWB Band > T Mokgosi-Mwantembe > KW Mzondeki

Audit

Assesses, questions and ensures the company's financial sustainability, financial and integrated reporting, internal controls, combined risk management assurance and provides oversight over IT governance.

> EK Diack – Chair
> PA Hourquebie
> KW Mzondeki
> PK Ward

Remuneration and nomination**

Ensures optimal remuneration structures to attract, retain and motivate top employees who will enable and support the business strategy; identity and source appropriately skilled directors who can individually and collectively add value to the Board.

> T Mokgosi-Mwantembe – Chair
> AWB Band
> MI Seedat

Safety, health and environment

Ensures that the Aveng priority of "Home without Harm, Everyone Everyday" is upheld.

> MA Hermanus – Chair
> MJ Kilbride
> MI Seedat

Risk

Ensures that there is an effective risk management process that identifies and monitors the management of key risks.

> PJ Erasmus – Chair
> AWB Band
> EK Diack
> MJ Kilbride
> MI Seedat
> PK Ward

Investment

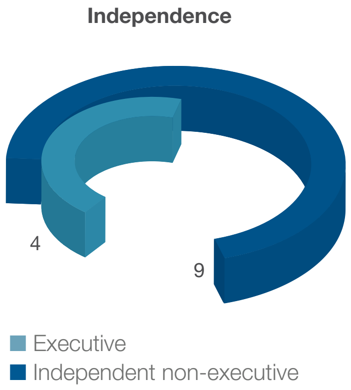
Considers major investment and divestment opportunities in terms of the board-approved delegation of authority and strategy, and recommends to the Board.

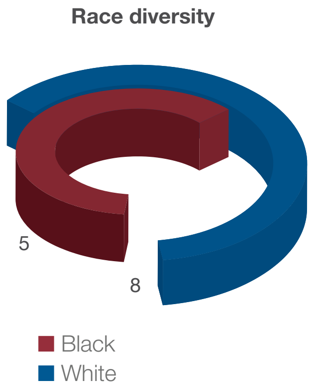
> EK Diack – Chair
> AWB Band
> PA Hourquebie
> MJ Kilbride
> MI Seedat

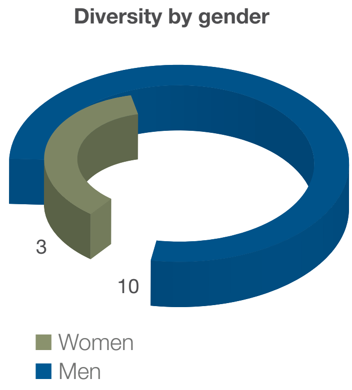
As of 5 August 2015

* David Robinson retired from the Board effective 17 August 2015.
** The chairman of the Board chairs all nomination meetings.

Abridged corporate governance continued







Composition of board committees

Following the succession changes to the Board, the skills, experience and diversity profile of the board committees were assessed and the following changes were made:

Audit committee: P Ward retired as chairman with effect from 30 June 2015, and E Diack was appointed to that role with effect from 1 July 2015. P Hourquebie was appointed as an independent non-executive director on 5 August 2015. The committee is properly constituted with four independent non-executive directors: E Diack (chair), P Hourquebie, K Mzondeki and P Ward. M Seedat has a standing invitation to attend audit committee meetings.

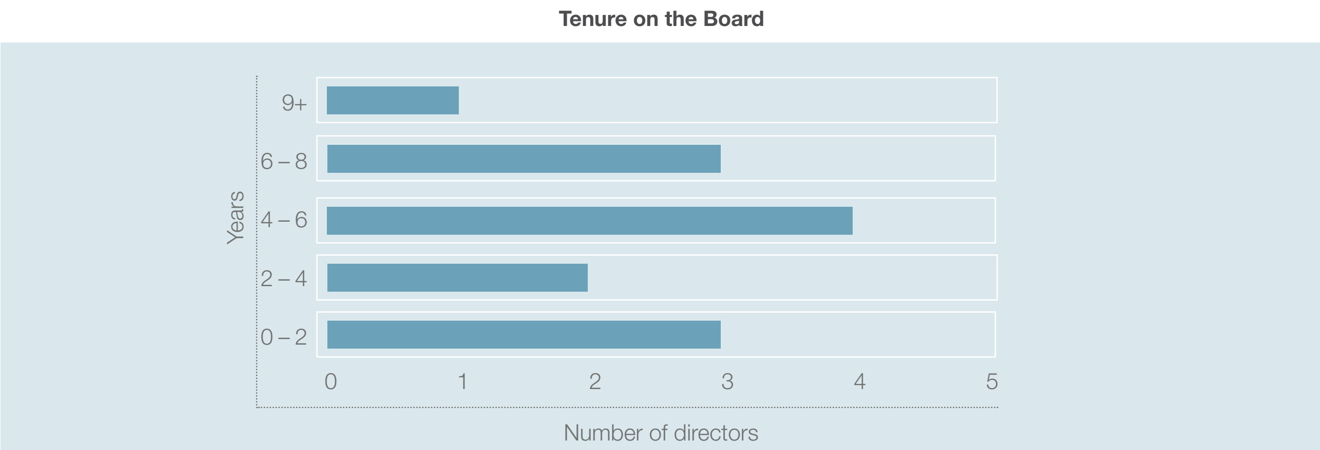
Remuneration and nomination committee: This committee remained properly constituted in terms of skills and experience and was unaffected by any of the changes. The committee is properly constituted with three independent non-executive directors: T Mokgosi-Mwantembe (chair), A Band and M Seedat.

Social, ethics and transformation committee: The committee is properly constituted with four independent non-executive directors: M Seedat (chair), A Band, T Mokgosi-Mwantembe and K Mzondeki. K Mzondeki was appointed as a member of this committee with effect from 1 July 2015.

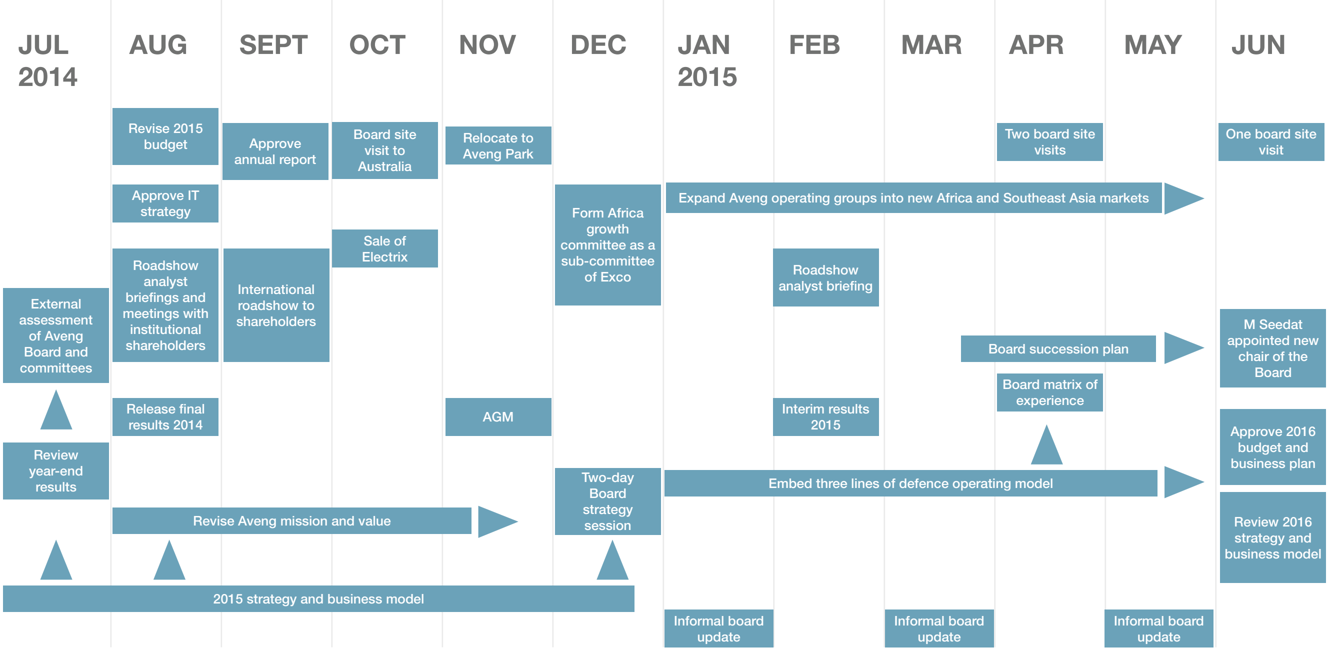
Safety, health and environmental committee: This committee remained properly constituted in terms of skill and experience and was unaffected by any of the changes. The committee is composed of three independent non-executive directors: M Hermanus (chair), M Kilbride and M Seedat.

Risk committee: The committee was further strengthened by the appointment of E Diack as a standing member on 1 July 2014. M Seedat was appointed to the board risk committee with effect from 1 July 2015. The committee is properly constituted with six independent non-executive directors: P Erasmus (chair), A Band, E Diack, M Kilbride, M Seedat and P Ward. The tender risk committee, a sub-committee of the risk committee, was also reinforced by the appointment of E Diack, A Macartney and M Seedat as standing members.

Investment committee: This committee remained properly constituted in terms of skills and experience. PA Hourquebie was appointed as an independent non-executive director on 5 August 2015. It is composed of five independent non-executive directors: E Diack (chair), A Band, P Hourquebie, M Kilbride and M Seedat.



How the Board spent its time



Board profile

The composition of the Board and its ability to perform its mandate is scrutinised on a regular basis by the remuneration and nomination committee. In terms of composition, no new appointments were made during the year to the Board, however, in August 2014, Rick Hogben retired from the Board after eight years of significant and invaluable contribution.

In June 2015, Mahomed Seedat was invited to take up this important leadership role and succeeded Mr Band on 1 July 2015. Mr Seedat has served as an independent non-executive director of Aveng since July 2012. He has extensive industry knowledge of mining; safety, health and environment; transformation; labour relations; business leadership; and governance. He has been appointed to the risk committee, tender risk committee and investment committee as of 1 July 2015.

Mr Band will remain on the Board as an independent non-executive director and continue as a member of the tender risk committee, the remuneration and nomination committee and the social, ethics and transformation committee.

Subsequent to year-end, the only addition to the Board was Philip Hourquebie who was appointed during August 2015 as an independent non-executive director. He has extensive operational and strategic experience gained from various positions held throughout his long career at Ernst & Young. David Robinson retired from the Board effective 17 August 2015.

Executive leadership

Kobus Verster was appointed to the position of group CEO in February 2014 and, under his leadership, the executive team has settled well. Seven months later, in September 2014, Adrian Macartney was appointed as group finance director. His fiscal direction has been a breath of fresh air and he has made a very strong contribution to the executive team.

Abridged corporate governance continued

Key governance initiatives during the year

Leadership by strategy

A pivotal role of the Board is to provide leadership in the development and execution of a strategic plan. The Board's oversight assists in creating the conditions for success by fundamentally ensuring that there is alignment with strategic direction, expectations that are realistic and that risks and opportunities can be managed throughout the timeline of the plan.

The Board has a duty to ensure that the strategy takes account of associated risks and is aligned with the Group's Code of Business Conduct. The Board agrees the financial, governance and risk objectives and monitors performance against objectives. At each meeting of the Board, management reports on its performance against these objectives.

From a governance perspective, directors and management played a key role in refining the Group's strategy at strategy sessions in December 2014 and budget meetings in June 2015. Following the sessions there has been commonality of purpose and thought, enabling the Board to move forward from the basis of shared priorities and objectives. At these meetings the Board engaged with the executive team to ensure the strategy achieved certain deliverables. At each meeting of the Board, management reports on its performance against these objectives.

At the strategy session an updated plan was presented to the Board for review, input and approval. The Board confirmed the group business model, as well as the model of a strong corporate centre focusing on providing guidance and direction. Focus on the strategy execution is relentless. Management has undertaken a process to align operating group strategies and develop a clear message: a clear, compelling strategy articulation is imperative for effective communication with internal and external stakeholders.

Following strategy sessions, the *position for growth and realise growth and sustain profitability* strategies were further clarified to take Aveng into the medium to long term. The short term is a recovery and stabilisation phase during which Aveng will focus on the Group's immediate turnaround. Declining market conditions have necessitated a longer timeframe and focus on recovery and stabilisation. The second phase will focus on positioning Aveng for future growth by embedding the Group in key growth markets to ensure its delivery of strong returns to shareholders. The third phase will focus on optimising the activities of Aveng through a client and industry delivery model to leverage, improve and sustain these returns. While some of the elements in all three phases are already being implemented, others are being formulated on a continuous basis. The formulation of an Africa strategy was developed during separate bi-monthly meetings of the Africa and growth committee.

Culture, mission and values

Looking outwards, the Board was concerned with the increasing national trend of corruption at all levels within the South African market. Major focus was turned to management and compliance functions to prevent the tendency from reflecting internally. Anti-corruption and competition law programmes were revised and strengthened, including the revitalisation of our fraud and corruption whistle-blowing programme.

The Group was streamlined to achieve clear accountability at operating group level with strategic guidance from the centre. The aim was to ensure as far as possible that the Code of Business Conduct, and more importantly the principles espoused in the re-energised Aveng DNA (refer to http://www.financialresults.co.za/2015/aveng-additional) are applied to every decision of consequence.

Interventions to embed the DNA include incorporating it into interview and assessment processes, induction programmes and communication and branding activities. The Board has affirmed that the DNA must be a living part of managing the business and has embedded it into the performance contracts of the operating group managing directors.

During the year significant focus has been placed on building management competence and capability, right-sizing and restructuring various businesses to align with current market conditions, prioritising leadership engagement and resolving various strikes.

Succession and performance management

During this reporting period, succession planning was extended deeper into the organisation by increasing the succession pool from 275 business critical roles to 415. Further emphasis was placed on measuring and monitoring our key and critical talent in the organisation focusing on the top 30 leaders. Although significant progress has been made, further work is still required to ensure sufficient cover in terms of our black and female bench strength and pipeline of successors.

Risk management

The Board pays significant attention to project execution and minimising contract losses, and the risk committee is required to review major and problematic projects quarterly. Concerns raised by the committee are communicated to the relevant operating group where a formal close-out of the issue is required.

Risk registers at group and operating group level are reviewed by the respective risk committees to ensure adequate assessment of key risks in terms of impact as well as management and mitigation of these risks.

Frameworks for governance

This year, an approved **compliance framework** was adopted by the Board and is being implemented at corporate and operating group level in line with an annual compliance plan which contains key milestones and is monitored by the audit committee for programme effectiveness. Compliance risk is assessed, monitored and reported to the Board, audit committee, and social, ethics and transformation committee. Through the implementation of the compliance programme, senior management has demonstrated commitment to compliance with the law and promoting an organisational culture that encourages ethical conduct.

The Board has assigned responsibility for **IT governance** to the audit committee and it is a standard item on the audit committee's agenda. The committee refers matters where necessary to the Board or board committee for consideration. The IT strategy is directed by the IT steering committee that represents the various divisions of the Company and delegated the responsibility for the IT governance framework to the group information manager. The group finance director chairs the IT steering committee that in turn oversees the effective management of all IT projects and assets. The IT risk management is incorporated in the overall company risk management framework and overseen by the risk committee and the IT investment is managed through the corporate capital expenditure process.

Aveng improved its **B-BBEE** score and regained a level 2 rating in terms of the old codes. Preparation for the first management reviews and assurance against the Revised Codes of Good Practice is well underway and the Group is confident that it will retain its level 2 rating as measured against the existing Construction Charter. The Group will undergo its first BEE verification against either the Revised Codes of Good Practice or the New Construction Sector Charter in October 2016 where the Group expects to drop a minimum of two levels, together with all sector participants who are likely to experience a decline in their rating due to the increased compliance targets. The Board is satisfied that a robust plan is in place to ensure that Aveng remains competitive in the industry in terms of its empowerment score.

Board effectiveness

The remuneration and nomination committee ensures that the Board has an appropriate balance of skills, experience and knowledge of the Group. It also considers the tenure of its directors to ensure that the Board is regularly refreshed while maintaining a stable leadership and corporate memory.

The majority of directors are independent non-executives. This is in the interest of promoting objectivity and ensuring that conflicts of interest are kept to a minimum. The directors are diverse in their academic qualifications, industry knowledge, experience, race and gender. The directors have a cumulative experience of 65 years and an average tenure of five years on the Board.

In addition to assessing skills and composition, an annual evaluation is conducted to assess the effectiveness of the Board as a unit and the individual contributions of the directors. This evaluation is alternately performed internally by questionnaires and one-on-one interviews with the chairman, or externally by an independent service provider. In July 2014 the assessment took the form of an in-depth analysis and survey by iThemba. On receipt of the review results, each director and committee was required to report back to the chairman with a plan of action of how they would address any areas that were considered to be weak.

The Board and outgoing chairman received a satisfactory rating. Main areas of concern were the requirements for management succession planning (addressed at each board meeting, and more specifically in the first half of 2015), IT governance (new IT strategy approved in August 2014) and risk management (implementation of the three lines of defence model in December 2014).

Assurance

The ultimate aim of governance is assurance: comfort that the Group complies with relevant legislation and good practice (compliance); confidence that there are no material control breakdowns (internal and external assurance); assurance that risks are managed (risk management); and a positive assertion that the organisation is operating with integrity and fairness (ethics management). At Aveng this assurance is further contextualised against the Group's material issues to ensure that a responsive approach is adopted.

Aveng's combined risk management assurance model (three lines of defence model), a work in progress being developed between the group commercial, internal audit and external audit functions, is progressing to eliminate duplication of effort and to ensure that there are no gaps in the coverage of projects and that control mechanisms in the operating groups are adequate.

The three lines of defence model that was introduced into the Aveng operating model in December is starting to have an impact. The first line (operational management) is taking accountability for risk management and implementing risk mitigation strategies, while maintaining effective internal controls to identify risks and ensure accurate financial reporting. The second line (internal assurance) activities include verification that key activities such as tender, project and peer reviews are taking place. In addition, regulatory compliance is monitored and guidance provided on compliance requirements. The third line (external assurance), the internal auditing function, through a risk-based approach, provides assurance on the effectiveness of governance, risk management and internal control to the committees of the Board, supplemented by the external audit function which independently verifies

Abridged corporate governance continued

the accuracy of financial results and certain non-financial data.

For more information on the combined risk management assurance model (three lines of defence model), refer to pages 23 and 24.

While there is still a high degree of focus on controls, controls consciousness has improved significantly. An internal control forum is held regularly, chaired by the group finance director and attended by internal auditors, external auditors, and finance directors of the operating groups. Sign-off by all operating groups indicates that there is an acceptance of critical controls that must work and critical control workshops have been held quarterly at the operating groups to help identify, document and evaluate these critical controls.

Risk management

The risk committee has been delegated to assist the Board to continuously review the Group's risk management structures, systems, processes and procedures. Management is accountable to the Board for integrating risk management into the day-to-day activities of the Group.

The internal audit function is overseen by the audit committee and guided by the internal audit charter, which is approved by the audit committee on an annual basis. Internal audit has the expertise to carry out independent detailed project reviews should significant concerns arise at board committee level.

Statement on risk controls: The risk committee, on behalf of the Board, confirms that there is no reason to believe that there were any material internal control or risk management shortcomings during this financial year that have not been addressed or are in the process of being addressed.

Ethics management

Ethics is a practical issue in business. It is a matter of survival. Clients, shareholders and stakeholders need to know that they can depend on the character and integrity of the corporate entity with which they are dealing. Aveng applies sound corporate governance structures and processes which the Board considers pivotal to delivering sustainable growth in the interest of all stakeholders.

Declarations of no anti-competitive actions or transgressions of the Aveng code of ethics are made for each bid submitted to the tender risk committee for approval with a similar process for all smaller bids approved at operating group level.

In the diverse industries in which Aveng operates, fair play and responsibility must be top of mind and governance has to be positive and continuous. Anti-competitive behaviour, bribery and corruption are risks that must be managed on an ongoing basis, and in the year under review the Board determined that a more rigorous accountability culture would be firmly embedded within the organisation. Robust and comprehensive processes complemented anti-competitive behaviour initiatives and communications were directed to ensure that positive messages were available to address reputational issues and bolster growth opportunities.

At each board meeting, directors affirm their commitment to the Aveng Code of Business Conduct, thus ensuring the principles are firmly entrenched at a senior level. Top leadership takes this commitment seriously and directly addresses any unethical behaviour in operating activities. Further, integrity and character are key factors in every hiring and partnering decision. All prospective executive employees are required to sign a declaration that they have not participated in anti-competitive behaviour before a formal offer will be made to them. On the whole, a zero-tolerance policy is employed within the Group.

Statement of commitment: The Board is committed to providing effective and ethical leadership characterised by responsibility, accountability, fairness and transparency. The Board accepts its responsibility for ensuring that management nurtures a culture of ethical conduct and establishes the correct tone at the top in respect of the Group's DNA and values.

Aveng Manufacturing Board site visit

Compliance

Aveng's Code of Business Conduct requires all group companies and employees, including officers and directors, to comply with all applicable laws. Specific areas of law have been identified as Aveng's compliance universe through a risk management process. Control risk mitigation plans have been implemented to address these risks. In respect of the identified laws, managers certify that they have discharged their responsibility in establishing and maintaining effective regulatory compliance frameworks and processes on a six-monthly basis (31 December 2014 and 30 June 2015).

Compliance reports are presented to the audit and social, ethics and transformation committees quarterly and to the Aveng Board annually.

Aveng has continued to rigorously comply with competition laws and has enhanced competition and anti-corruption compliance programmes due to the risk of non-compliance in the past few years. A dedicated group compliance function supported by operating group compliance champions ensures employee awareness is created of standards for ethical behaviour through periodic communications and training. A total of 270 new employees received mandatory competition law online training in the current financial year. Annual refresher training is scheduled for October 2015.

Compliance initiatives introduced during this financial year include an ethics survey, Aveng ethics pledge, compliance registers for gifts, competitor interactions and conflict of interest declarations. Aveng has contributed to best practice initiatives for the UN Global Compact in providing an anti-corruption best practice case study for their publication and has presented at various anti-corruption conferences and panels in the past year.

The Board monitors compliance with:

- **JSE Limited Listings Requirements:** Aveng, as a JSE publicly listed company is subject to, and remains compliant with, the JSE Listings Requirements in line with the advice of JP Morgan, Aveng's sponsor.
- **King Report on Corporate Governance for South Africa, 2009 (King III):** As part of its philosophy around leadership, sustainability and corporate citizenship, Aveng applies the recommendations contained in King III and continues to identify areas where applications can be enhanced in the best interest of the company.
- **Companies Act 71 of 2008 (Companies Act):** One of the aims of the new Companies Act is to promote corporate governance and transparency in South African businesses. Aveng's social, ethics and transformation committee ensures compliance with all relevant governance provisions of the Act.
- **Other legislation:** An approved compliance framework adopted by the Board is being implemented by Aveng and its operating groups in line with an annual compliance plan which contains key milestones and is monitored by the audit and social, ethics and transformation committees for programme effectiveness. Through the implementation of the compliance programme, senior management has demonstrated commitment to compliance with the law and promoting an organisational culture in line with Aveng's DNA of trust and integrity.
- **SAFCEC:** Aveng is a member of the South African Federation of Civil Engineering Contractors (SAFCEC) that regulates the relationship between employers, employees and trade unions.

Statement of compliance: Aveng and its operating groups apply the governance principles contained in King III and continue to entrench and strengthen recommended practices in their governance structures, systems, processes and procedures.

Statement on internal financial controls: Based on information from and discussions with management and the group internal audit function, the audit committee confirms that it has no reason to believe that there were any material breakdowns in the design or operating effectiveness of internal financial controls during this financial year which have not been addressed or are not in the process of being addressed. The financial records can therefore be relied on for preparing the audited consolidated financial statements.

Abridged corporate governance continued

Board and committees and the integrated report

A summary of the initiatives of the different board committees in the past year, as seen from the perspective of the elements of the integrated report, follows.

Key issues	Governance structure / process / procedure	Metrics and actions	Responsible committee or entity
Stakeholder engagement and relationships			
Stakeholder engagement	Stakeholder engagement structure	Stakeholder engagement initiatives are undertaken with key stakeholders and driven by operating group managing directors and group executive directors.	Social, ethics and transformation committee / management
	Roadshows	Management meet with shareholders and analysts to provide feedback on the steps being taken to improve the management of risk and the financial performance of the business.	Executive committee
	CEO roundtable	As part of the strategy to engage leadership across the Group, a CEO roundtable was introduced where the CEO engages in a less formal setting with senior managers to discuss current issues in the organisation and to solicit their input and commitment to resolving these issues.	
Employment equity	Revised Codes of Good Practice together with the Construction Charter	The Board is satisfied that the Group has a robust plan to ensure that Aveng remains competitive in the industry in terms of empowerment score.	Social, ethics and transformation committee
	B-BBEE strategic plans	Operating group managing directors present their three-year B-BBEE strategic plans to the social, ethics and transformation committee. Employment equity targets are integrated into the performance contracts of line management.	
	Transformation roadshows	Transformation roadshows are held across the Group with both suppliers and line management to enlighten, empower and enable them on B-BBEE strategic imperatives.	
	Fronting interventions	Training and awareness sessions provide greater awareness of fronting. Group-wide interventions and training on enterprise and supplier development have been completed, centralising preferential procurement reporting and monitoring within centre-led procurement.	
Public safety	Safety, health and environment dashboard	A graphic dashboard represents progress made with initiatives and key indicator trends.	Safety, health and environmental committee
Risk and opportunities			
Effective identification and assessment of material issues	Risk register	Measures progress achieved on recorded risk mitigation actions.	Risk committee
	Top-10 business risks	Reflects key issues facing the Group, particularly those that affect more than one part of the organisation. Proposed actions and progress are indicated for the relevant operating group to provide a clearer overview of the group-wide risk landscape.	Risk committee
Problematic contracts	Project reviews	Project and risk reviews undertaken with feedback and actions developed in consultation with operating groups.	Risk committee
	Project assurance framework	A detailed framework defining the minimum governance requirements from a risk management perspective. Early warning protocols.	Risk committee

Key issues	Governance structure / process / procedure	Metrics and actions	Responsible committee or entity
Opportunity management	Tender risk assessment and modelling (risk tolerance)	To determine the maximum project size the company can tolerate. This is not only a financial metric, but also about the skills base and risk profile of the project.	Tender risk committee Investment committee
Strategic perspective	Assessment of macroeconomic and industry trends	Business units are analysed to assess their relative attractiveness and competitiveness.	Board, executive committee
Strategy and resource allocation			
	2014 strategic workshop	Identify areas of misalignment between corporate office and the operating groups and clarify the business model.	Board, executive committee
Performance and outlook			
	Strategic workshops	A platform to enable the operating groups to implement their strategic objectives in support of the Group's strategic goals. It aims to establish a high-performance culture throughout the Group, aligned to the Aveng DNA.	Board, executive committee of operating groups
Remuneration			
Remuneration policy	Remuneration modelling exercise	Market benchmark, salary surveys. Review of incentives.	Remuneration and nomination committee
Succession plans	Annual succession review	Review of quality of people, identify succession gaps, create growth path for talent pipeline.	Remuneration and nomination committee
	Individual development plans (IDPs)	Good progress made on IDPs and these are being monitored quarterly.	Remuneration and nomination committee
Industrial relations climate	Employee and union engagement	South African operations are exposed to risk associated with the changes in legislation governing the way temporary employees and labour brokers are managed. Engagement with employees and organised labour aims to foster labour stability across the organisation.	Remuneration and nomination committee
Governance			
Scope	Annual work plans for all committees	Set objectives for the year.	All board committees
Compliance	Regulatory compliance framework	Ensuring effective management of the Group's compliance with applicable laws and consideration of adherence to non-binding rules, codes and standards.	Audit committee Social, ethics and transformation committee Exco
	Environmental legal audits	Ensure that sites comply with safety regulatory requirements.	Safety, health and environmental committee
	Operating group governance framework	The governance framework is agreed between the Group and its operating group boards. This is done twice a year at interim and year-end when the delegation of authority is tabled for adoption and approval.	Board of Group and operating groups and company secretary
	Delegation of authority framework	Includes established benchmarks and performance indicators to hold management accountable for decisions and actions.	Board
Assessments	Annual assessment of the Board and committees	Assessments are done annually, alternatively by internal questionnaire interviews and external evaluations.	Chairman of Board and committees and company secretary

Remuneration report

Statement from the chairman of the remuneration and nomination committee

Dear Stakeholder

As you are well aware, Aveng has continued to experience operating challenges due to deteriorating market conditions in South Africa and Australia, compounded by areas of poor project execution in some of its operations. These factors have contributed to a worse than anticipated financial performance during the year to 30 June 2015.

Our performance has been consistently reflected in the remuneration outcomes in that no short term incentive (STI) or medium term incentive (MTI) awards were made to Aveng executive directors. This demonstrates that our remuneration policies are being consistently applied. While we strongly believe in "pay for performance", we are also cognisant of the fact that our talented people are key to the success of our business. The industry is known to be tough and volatile with many challenges in delivering value to shareholders. We therefore need to balance the rewarding of our senior management for their efforts, while ensuring that our pay processes are well designed to retain our key talent in both good and tough times.

In light of the fact that our current short term and medium term incentive plans have been in place since 2008 and our long term incentives since 2011, we undertook a detailed review of the current incentive design to ensure that we have incentives that are aligned to the company's strategy and current market practices, drive performance and incorporate various shareholder requests. This review, in which we were supported by PwC, took into account best practice incentive scheme designs from a variety of organisations in the sectors in which we operate.

The review process involved a full qualitative and quantitative benchmarking analysis of the market, with a particular focus on relevant companies within the industries in which Aveng operates. We are confident that the new variable pay policies have established relevant, fit-for-purpose, business unit-specific incentives while still driving towards sustainable overall performance by Aveng. As a result of the review and in direct response to shareholder feedback, we have changed our remuneration policies in the following ways:

- Introduction of a portfolio of STI schemes relevant to the uniqueness of each operating business. For executive directors, prescribed officers and other senior managers, we will defer a percentage of their cash STI payment into bonus shares which are locked in for a period of time from one to three years.
- Discontinuation of the MTI scheme in line with market best practice.
- Discontinuation of the two previous long term incentive plans, and replacing them with a single LTIP which will award shares based on the individual executive's performance. This scheme also makes provision for the remuneration and nomination committee to award appropriate shares to attract and retain key talent. This will be put to you, our shareholders, at the October AGM for your vote.
- We are also pleased to inform you that we are aligning with market best practice by introducing a minimum shareholding requirement policy. We believe that this will increase the alignment of senior management with shareholders, by ensuring that senior management hold a predetermined minimum number of Aveng shares. This is discussed in more detail in the remuneration policy at http://www.financialresults.co.za/2015/aveng-additional.

As always, when designing and implementing our remuneration policies, we keep two important principles foremost in our minds – "pay for performance", and the alignment of risk and reward. We believe that a remuneration policy which is based on these principles will result in the best alignment between senior management and shareholders. In addition, the redesign of the new schemes addresses the following key objectives:

- Meet operating group-specific performance drivers with focus on line of sight
- Stronger link to individual performance and shift away from grade-based eligibility for LTI awards
- Designed to drive sustainable growth in profitability and cash generation
- Increase management's equity stake in the business over time to align them to shareholder interests while addressing talent retention
- Alignment to market practice and trends
- Address shareholder requirements
- Take into account industry-specific practices in light of Aveng's diverse business portfolio.

1. Remuneration report: Implementation of the remuneration policy during the year under review
2. Remuneration policy: The remuneration policy for the year going forward (http://www.financialresults.co.za/2015/aveng-additional).

As in previous years, due to remuneration governance standards, the remuneration policy addresses the remuneration of senior management and the non-executive directors. Where remuneration and nomination committee discretion is exercised in implementing this policy, this is highlighted in the remuneration report.

This report focuses on remuneration-related activities undertaken during the 2015 financial year and highlights the application of the policy to executive directors, prescribed officers, non-executive directors and where applicable, other permanent salaried employees. Aveng remains committed to complying with sound remuneration governance and applicable legislation, the JSE Listings Requirements and the Code of Good Governance for South Africa 2009 (King III).

In line with our constant efforts to improve the quality of our remuneration reporting, we have made certain improvements to this year's remuneration report by focusing the content on information which we believe is of interest to our shareholders and other stakeholders.

We have avoided restating information which does not represent changes or action taken during the year, replacing this with easy-to-follow cross-references.

Remuneration governance 2015	
Remit of the nomination and remuneration committee (the committee)	Assist the Board to adopt remuneration policies and practices which are aligned to the Group's business strategy to create sustainable value and growth over the long term for shareholders and other stakeholders.
Number of meetings	Five.
External advisers	During the year the following external advisers were used: ■ PwC assisted the committee in reviewing and proposing changes to the short term and long term incentives, as well as the minimum shareholding requirement, and with executive and non-executive director remuneration benchmarking against the market ■ PE Corporate Services provided benchmarking on executive pay and job grading ■ PwC Australia assisted with the design of the McConnell Dowell rewards framework.
Membership and internal input	The membership of the committee is detailed within the corporate governance section of the integrated report on pages 77 and 78. The chief executive officer and the group executive director attend the committee meetings as invitees. Executives are, however, not present when their remuneration and incentives are considered by the committee. The chairman of the committee provides the Board with a verbal report of the committee's activities at each board meeting. In addition the committee minutes are circulated to the board members.

Remuneration report continued

Key remuneration focus areas in 2015

	Remuneration activities / actions	Outcomes
1	Implemented a revised remuneration policy with effect from 1 July 2014	Approved by shareholders with a 96% favourable vote.
2	Setting of financial measures and targets for the various incentive schemes	The committee recommended to the Board for approval financial measures together with targets for the various incentive plans. These are discussed in the remuneration policy (refer to http://www.financialresults.co.za/2015/aveng-additional).
3	Introduction of the minimum shareholding requirement for executive directors	The Board has, based on the recommendation of the committee, approved a new minimum shareholding requirement which will take effect from 1 November 2015. This policy will require the CEO and executive directors to build up and maintain shareholdings valued at between 100% and 50% of total guaranteed pay respectively over a period of time.
4	Review of the short term and long term incentives, approval of new portfolio of short term incentives and new long term incentive plan	The Board has, based on the recommendation of the committee, agreed to the new portfolio of short term incentives, as discussed in more detail below. The Board has also approved the principles for the proposed new long term incentive plan, as discussed below, and these will be put to the shareholders for approval at the AGM in October.
5	Executive and non-executive total pay benchmarking against the market, review and approval of executives' remuneration	Independent consultants benchmarked the 2015 total packages of Aveng executives against peer group companies (companies of similar size and industry) and the general market and approved executive remuneration on the basis of that review as well as the performance of the individual executives.
6	Annual remuneration review for the Group	Annual increase mandate and its application relative to performance reviewed and approved and implemented within the mandate.
7	Awarding of incentive awards, namely short term, medium term and long term incentives based on market benchmarks	Incentive awards for eligible prescribed officers reviewed relative to individual and company performance and market benchmarks and approved.
8	Monitoring performance management roll-out and ensuring that all remuneration elements are linked to performance	Performance contracting and reviewing by operating group monitored by the committee quarterly. Annual increases and incentive payments reviewed against performance measures and approved.
9	Confirmation of performance conditions and targets for share appreciation rights (SAR) plan and forfeitable share plan (FSP)	Approved by the Board on recommendation of the committee.
10	Review of formal succession plan for executive and senior / critical positions	Group-wide succession plans reviewed by the committee in April. Ongoing quarterly review by CEO.
11	Review composition of the Board and tenure of executive and non-executive directors	Board composition reviewed. New committee chairpersons appointed to address board succession planning.
12	Appointment / termination of senior executives	Committee reviewed and approved all senior executive appointments and terminations.

Implementation of remuneration policies during the 2015 financial year

Guaranteed pay increase – 2014

(refer to remuneration policy on our website at http://www.financialresults.co.za/2015/aveng-additional for more detail surrounding the process)

The 2015 salary increase mandate of 6,5% approved by the remuneration and nomination committee and implemented on 1 January 2015 took into account market benchmarks, market salary movements and the projected CPI. An equity-based adjustment of 1% was approved to address historical internal equity and external parity considerations for key talent and high-performing individuals who were paid below the internal and/or external market median. The 2015 guaranteed packages of the top three executives were benchmarked against peer group companies and the general market by an independent consultant and the results were presented to the remuneration and nomination committee to review. Based on benchmark data, the CEO was granted an increase of 11% to bring him in line with his peer comparator group. The results confirmed that the executives' remuneration was aligned to the market. The performance ratings and incentive awards for senior executives, where applicable, were reviewed and approved by the committee.

Performance measurement

Aveng's performance management process measures the relative level of performance of both the individual and the relevant business. One of the key considerations to be taken into account when an employee's salary is being reviewed is their performance rating. This rating is used in determining both annual salary increases and incentive awards. This rating will also be used to determine the award of performance shares in terms of the proposed LTI.

Performance link to incentives

STI and MTI awards for executive directors and prescribed officers are determined on the achievement of both financial and non-financial targets. In the period under review, operating free cash flow was the gatekeeper, for both the financial and non-financial incentive components. The financial measures set for the review period were:

- Headline earnings
- OFCF (before CAPEX)
- Return on equity.

The Group targets set for the above-mentioned financial measures were not met.

The non-financial measures set for the review period were:

- **Health and safety** – Target of zero lives lost. For the period under review this resulted in a mandatory 5% reduction in the non-financial portion of the short term and medium term incentives and has been applied to the bonus of the MD of the affected operating group down to the direct line manager and safety officer / manager for that site. The non-financial component which comprises 30% of the total bonus will therefore be reduced to 25% for the affected individuals if all other KPIs have been achieved. Regrettably five employees lost their lives under our supervision.
- **Achieving transformation targets** – B-BBEE targets set by the Board and compliance with the Employment Equity Act. The applicable weighting of the non-financial component of the bonus will be impacted depending on the level of achievement of the specific transformation target set for the individual manager. Aveng achieved an overall level 2 rating for the period under review implying that most of the operating groups had made progress with their transformation initiatives.
- **Attraction and retention of key skills** – Target of <5% of key / critical staff avoidable turnover. Aveng experienced an actual turnover of 3% against a target of 5%, which showed stability in senior or executive management and key and critical staff.
- **Succession review** – Identification of successors for key / critical positions in top three levels of management. Group-wide succession audit undertaken with 78% emergency replacements identified, 37% ready now successors and 51% ready in one to four year successors.

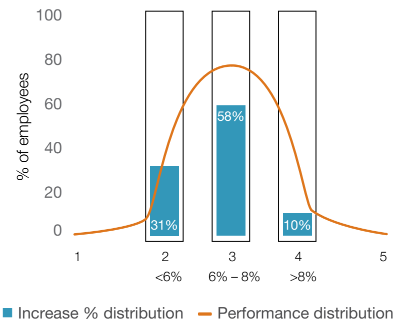
Given Aveng's adverse financial performance, the operating free cash flow threshold was not achieved, therefore no incentive awards were made to executive directors. Some prescribed officers (operating group managing directors) whose businesses achieved performance targets (financial and non-financial) were awarded the relevant incentives in terms of the policy.

Remuneration report continued

Performance link to guaranteed pay

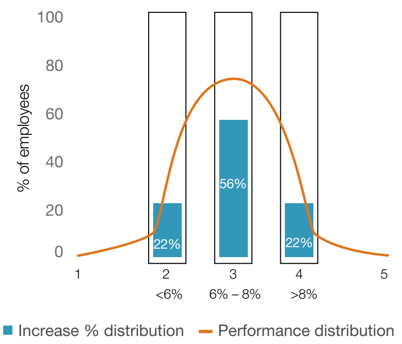
The two graphs below highlight the correlation between performance and the commensurate annual percentage increases awarded to executives and general salaried staff.

Performance link to pay: Executive directors and prescribed officers



The graph depicts the strong correlation between executive annual remuneration reviews and individual performance with 31% of executives receiving a lower increase than the mandate.

General staff



The data sets for general staff show the consistency between performance and the link to guaranteed remuneration.

Long term incentives (LTIs)

The year under review was the last year in which awards under the Aveng Limited Share Appreciation Rights Plan and the Aveng Limited Forfeitable Share Plan were made. Historical awards made in terms of the two LTI schemes are outlined below.

Share Appreciation Rights (SARs) plan

In the year under review, SARs were awarded to executives, senior management and senior employees with key business skills who attained on-target individual performance rating as a minimum as per the table below.

Employees awarded SARs since the inception of the scheme are:

Financial year	Appointment awards	Annual awards	Total awards	SARs issued	Total number of SARS issued to date	Company limit	% issued to date	Forfeited to date*	Available for allocation
2012	12	307	319	6 360 875	6 360 875	39 300 124	16%		
2013	11	248	259	6 055 062	12 415 937	39 300 124	32%		
2014	2	260	262	6 233 008	18 648 945	39 300 124	47%		
2015	**1**	**239**	**240**	**6 890 600**	**25 539 545**	**39 300 124**	**65%**	**7 856 848**	**21 617 427**

** Employees who terminated their services forfeited their SARs.*

Performance condition

Vesting of SARs is subject to the meeting of a performance condition. This performance condition was reviewed by the remuneration and nomination committee and approved by the Board prior to SARs grants being made to participants. The performance condition applicable to the 2015 award is reflected below.

Measures	Weightings
ROIC	50%
Operating free cash flow per share	25%
Headline earnings growth (relative to the construction industry index)	25%

In terms of the rules of the scheme, the testing of the first tranche will occur in the 2017 financial year.

Forfeitable share plan (FSP)

In the year under review, forfeitable share awards were made to a few executive directors and prescribed officers, who attained on-target individual performance rating as a minimum as per the table below.

Employees who have been awarded forfeitable shares since the inception of the FSP, and the number of forfeitable shares issued to date relative to the overall FSP limit, is outlined below:

Aveng forfeitable share plan	Appointment awards	FS issued	Total number of FS issued to date	Company limit	% issued to date	Vested / forfeited to date*	Available for further allocation
2012	9	990 108	990 108	3 930 012	25%		
2013	4	352 200	1 342 308	3 930 012	34%		
2014	6	502 891	1 845 199	3 930 012	47%		
2015	**6**	**502 262**	**2 347 461**	**3 930 012**	**60%**	**1 063 108**	**2 645 659**

** Employees whose services were terminated prior to vesting date forfeited their shares on a pro rata basis in accordance with the rules of the scheme.*

Performance condition

Vesting of the forfeitable shares is subject to the meeting of a performance condition. This performance condition was reviewed and set by the committee and approved by the Board prior to forfeitable share grants being made to participants. The performance condition applicable for the 2015 award was headline earnings growth (relative to the industry index), measured cumulatively over a three-year vesting period.

Executive directors' and prescribed officers' emoluments

Executive directors	Year	Salary[1]	Retirement	STI[2]	MTI (paid)[3]	Total
HJ Verster	2015	4 350 867	510 013	0	317 212	**5 178 092**
AH Macartney*	2015	3 203 520	204 480	0	0	**3 408 000**
JJA Mashaba	2015	3 386 340	259 690	0	262 670	**3 908 700**
DG Robinson**	2015	1 189 796	184 418	0	57 311	**1 431 525**

[1] Salary for South African directors is total fixed earnings inclusive of medical aid, group life, accident and vehicle benefits.
[2] No STI awards were made for 2015.
[3] MTI paid in March 2015 in respect of previous years' awards.
** AH Macartney appointed 1 September 2014.*
*** DG Robinson's earnings are disclosed in AUD.*

Prescribed officers	Year	Salary[1]	Retirement	STI[2]	MTI (paid)[3]	Total
SPF White	2015	2 699 091	185 569	1 329 677	696 176	**4 910 513**
LS Letsoalo	2015	3 044 696	194 432	488 220	374 724	**4 102 072**
HA Aucamp	2015	2 906 322	396 328	0	251 020	**3 553 670**
CDW Botha	2015	2 952 993	239 565	0	0	**3 192 558**

[1] Salary for South African directors is total fixed earnings inclusive of medical aid, group life, accident and vehicle benefits.
[2] STI awarded for 2015, based on the respective operating group's financial and non-financial performance.
[3] MTI paid in March 2015 in respect of previous year's awards.

Shareholder feedback

We value our relationships with our shareholders, and work hard to keep the lines of communication open and transparent. During the year, we have engaged with numerous major shareholders. Below, we document the main topics of the feedback which we received, and indicate the actions we have taken in response.

Shareholder comment	Action taken
@ **A request for an increase in equity management stake through the making of awards deeper into the organisation**	In line with our variable pay review, we have identified in our remuneration policy at http://www.financialresults.co.za/2015/aveng-additional senior or executive management who will receive LTIs as part of their total reward package. We will also seek to introduce bonus shares within the proposed STI, which will assist to defer a portion of the cash STI payment into shares, thus increasing the equity held by senior or executive management.
Introduction of a minimum shareholding requirement or other steps to ensure that executives have "skin in the game"	We have implemented a policy regarding minimum shareholding requirements for senior management, and have included details in the appendix.
Request for claw back mechanism on incentive scheme	With the introduction of Bonus Shares, and the Project Bonus Schemes, the claw back provision will be invalid for invested Bonus Shares and any deferred project bonuses.

Shareholders' analysis

Registered shareholder spread	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	1 720	49,31	619 734	0,15
1 001 – 10 000 shares	1 048	30,05	3 557 027	0,85
10 001 – 100 000 shares	379	10,87	15 450 846	3,71
100 001 – 1 000 000 shares	284	8,14	87 525 981	21,01
1 000 001 shares and above	57	1,63	309 517 343	74,28
Total	3 488	100,00	416 670 931	100,00

Beneficial shareholder categories	Total shareholding	% of issued capital
Unit trusts / mutual funds	142 694 204	34,25
Pension funds	137 662 729	33,04
Insurance companies	43 477 105	10,43
Other	20 986 261	5,04
Black Economic Empowerment total	18 246 510	4,38
Employees	14 604 979	3,51
Mutual fund	12 259 477	2,94
Sovereign wealth	10 452 478	2,51
Private investors	6 253 648	1,50
Investment trust	3 167 462	0,76
Custodians	2 831 624	0,68
University	1 540 826	0,37
Hedge fund	565 845	0,14
Charity	532 808	0,13
Exchange-traded fund	492 392	0,12
Corporate holding	451 263	0,11
Foreign government	165 358	0,04
Local authority	145 382	0,03
Remainder	140 580	0,03
Total	416 670 931	100,00

Public and non-public shareholding	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	8	0,23	23 996 006	5,76
Directors	5	0,14	804 606	0,19
Aveng Limited Share Purchase Trust	1	0,03	6 018 386	1,45
Community Investment Trust	1	0,03	8 586 507	2,06
Aveng Empowerment Trust	1	0,03	8 586 507	2,06
Public shareholders	3 480	99,77	392 674 925	94,24
Total	3 488	100,00	416 670 931	100,00

Beneficial shareholders holding more than 3%	Number of shares	% of issued capital
Government Employees Pension Fund (PIC)	56 699 507	13,61
Skagen Kon-Tiki Verdipapirfond	21 017 094	5,04
Liberty Life Association of Africa Limited	14 897 147	3,58
Total	92 613 748	22,23

Investment management shareholdings	Number of shares	% of issued capital
PIC	55 770 831	13,38
Allan Gray Investment Council	55 269 350	13,26
Visio Capital Management	30 299 634	7,27
Momentum Asset Management	27 533 543	6,61
STANLIB Asset Management	22 464 768	5,39
Investec Asset Management	21 495 948	5,16
SKAGEN A/S	21 017 094	5,04
Dimensional Fund Advisers	18 333 241	4,40
Kagiso Asset Management (Proprietary) Limited	14 399 598	3,46
Total	266 584 007	63,98

Geographic split of Investment managers and company-related holdings	Total shareholding	% of issued capital
South Africa	323 288 193	77,59
US and Canada	55 900 878	13,42
United Kingdom	6 022 601	1,45
Rest of Europe	23 613 511	5,67
Rest of the world[1]	7 845 748	1,88
Total	416 670 931	100,00

Geographic split of beneficial shareholders	Total shareholding	% of issued capital
South Africa	310 070 742	74,42
US and Canada	54 241 440	13,02
United Kingdom	6 315 117	1,52
Rest of Europe	34 436 649	8,26
Rest of the world[1]	11 606 983	2,79
Total	416 670 931	100,00

[1] *Represents all shareholdings except those in the above regions.*

Shareholders' diary

Financial year-end	30 June
Annual General Meeting	27 October 2015
Publication of results	
– Half-year ended 31 December 2015	23 February 2016
– Year ended 30 June 2016	23 August 2016

Summarised audited statement of financial position

as at 30 June 2015

	Notes	2015 Rm	2014 Rm
ASSETS			
Non-current assets			
Investment property		**–**	86
Goodwill arising on consolidation	8	**342**	663
Intangible assets		**339**	321
Property, plant and equipment		**5 626**	6 346
Equity-accounted investments	9	**151**	306
Infrastructure investments	10	**778**	–
Financial investments*		**–**	190
Deferred taxation	11	**1 580**	1 403
Derivative instruments*		**6**	**
Amounts due from contract customers	12	**900**	2 946
		9 722	12 261
Current assets			
Inventories		**2 529**	2 793
Derivative instruments*		**35**	1
Amounts due from contract customers	12	**9 394**	8 405
Trade and other receivables		**2 424**	2 785
Cash and bank balances		**2 856**	4 136
		17 238	18 120
Non-current assets held-for-sale	13	**559**	607
TOTAL ASSETS		**27 519**	30 988
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium		**2 023**	2 008
Other reserves*		**1 162**	1 127
Retained earnings*		**9 790**	10 250
Equity attributable to equity-holders of parent		**12 975**	13 385
Non-controlling interest		**23**	11
TOTAL EQUITY		**12 998**	13 396
LIABILITIES			
Non-current liabilities			
Deferred taxation	11	**221**	257
Borrowings and other liabilities	14	**2 037**	2 303
Payables other than contract-related		**–**	102
Employee-related payables	16	**468**	682
Derivative instruments*		**–**	3
		2 726	3 347
Current liabilities			
Amounts due to contract customers	12	**2 562**	2 677
Borrowings and other liabilities	14	**426**	564
Payables other than contract-related		**102**	95
Employee-related payables	16	**648**	893
Derivative instruments*		**2**	60
Trade and other payables*	15	**7 961**	9 743
Taxation payable		**94**	213
		11 795	14 245
TOTAL LIABILITIES		**14 521**	17 592
TOTAL EQUITY AND LIABILITIES		**27 519**	30 988

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

*** Less than R1 million.*

Summarised audited statement of comprehensive earnings

for the year ended 30 June

	Notes	2015 Rm	2014 Rm
Revenue		**43 930**	52 959
Cost of sales*		**(41 566)**	(49 324)
Gross earnings		**2 364**	3 635
Other earnings*		**471**	302
Operating expenses*	17	**(3 063)**	(3 171)
(Loss) / earnings from equity-accounted investments	9	**(60)**	33
Net operating (loss) / earnings		**(288)**	799
Impairment / loss with derecognition of property, plant and equipment and intangible assets		**(330)**	(15)
Impairment of goodwill arising on consolidation	8	**(291)**	(816)
Profit on sale of subsidiary	5	**777**	–
Loss before financing transactions		**(132)**	(32)
Finance earnings		**177**	136
Interest on convertible bonds	14	**(167)**	–
Other finance expenses		**(316)**	(319)
Loss before taxation		**(438)**	(215)
Taxation	18	**(80)**	(161)
LOSS FOR THE PERIOD		**(518)**	(376)
Other comprehensive earnings			
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
Exchange differences on translating foreign operations		**(372)**	402
Available-for-sale fair value reserve		**–**	93
Other comprehensive loss released / (recognised) from equity-accounted investments		**28**	(28)
Other comprehensive (loss) / earnings for the period, net of taxation		**(344)**	467
Total comprehensive (loss) / earnings for the period		**(862)**	91
Total comprehensive (loss) / earnings for the period attributable to:			
Equity-holders of the parent		**(804)**	86
Non-controlling interest		**(58)**	5
		(862)	91
Loss for the period attributable to:			
Equity-holders of the parent		**(460)**	(381)
Non-controlling interest		**(58)**	5
		(518)	(376)
Other comprehensive (loss) / earnings for the period, net of taxation			
Equity-holders of the parent		**(344)**	467
Results per share (cents)			
Loss – basic		**(114,8)**	(101,9)
Loss – diluted		**(114,4)**	(94,8)
Headline (loss) / earnings – basic		**(144,3)**	112,5
Headline (loss) / earnings – diluted		**(143,8)**	104,7
Number of shares (millions)			
In issue		**416,7**	416,7
Weighted average		**400,6**	374,0
Diluted weighted average		**402,1**	402,1

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

EBITDA for the Group, being net operating earnings before interest, tax, depreciation and amortisation is R662 million (June 2014: R1 708 million).

Summarised audited statement of changes in equity

as at 30 June 2015

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency trans-lation reserve Rm	Available-for-sale fair value reserve* Rm
Balance at 1 July 2013	19	1 369	1 388	727	–
Loss for the period	–	–	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	–	–	402	93
Adoption of IFRS 9 accounting standard	–	–	–	–	(93)
Total comprehensive earnings for the period	–	–	–	402	–
Movement in treasury shares	–	(1)	(1)	–	–
Equity-settled share-based payment charge	–	–	–	–	–
Issue of shares to BEE consortium	1	620	621	–	–
Dividends paid	–	–	–	–	–
Total contributions and distributions recognised	1	619	620	–	–
Balance at 1 July 2014 as restated	**20**	**1 988**	**2 008**	**1 129**	**–**
Loss for the period	**–**	**–**	**–**	**–**	**–**
Other comprehensive loss for the period (net of taxation)	**–**	**–**	**–**	**(372)**	**–**
Total comprehensive loss for the period	**–**	**–**	**–**	**(372)**	**–**
Movement in treasury shares	**–**	**15**	**15**	**–**	**–**
Equity-settled share-based payment charge	**–**	**–**	**–**	**–**	**–**
Transfer of convertible bond option to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**
Deferred transaction costs allocated to convertible bond equity reserve	**–**	**–**	**–**	**–**	**–**
Increase in equity investment	**–**	**–**	**–**	**–**	**–**
Foreign currency translation movement	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**
Total contributions and distributions recognised	**–**	**15**	**15**	**–**	**–**
Balance at 30 June 2015	**20**	**2 003**	**2 023**	**757**	**–**

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

Equity-accounted investments reserve Rm	Equity-settled share-based payment reserve Rm	Convertible bond equity reserve Rm	Total other reserves* Rm	Retained earnings* Rm	Total attributable to equity-holders of the parent* Rm	Non-controlling interest Rm	Total equity Rm
–	21	–	748	11 159	13 295	12	13 307
–	–	–	–	(381)	(381)	5	(376)
(28)	–	–	467	–	467	–	467
–	–	–	(93)	93	–	–	–
(28)	–	–	374	(288)	86	5	91
–	–	–	–	–	(1)	–	(1)
–	5	–	5	–	5	–	5
–	–	–	–	(621)	–	–	–
–	–	–	–	–	–	(6)	(6)
–	5	–	5	(621)	4	(6)	(2)
(28)	**26**	**–**	**1 127**	**10 250**	**13 385**	**11**	**13 396**
–	**–**	**–**	**–**	**(460)**	**(460)**	**(58)**	**(518)**
28	**–**	**–**	**(344)**	**–**	**(344)**	**–**	**(344)**
28	**–**	**–**	**(344)**	**(460)**	**(804)**	**(58)**	**(862)**
–	**–**	**–**	**–**	**–**	**15**	**–**	**15**
–	**(11)**	**–**	**(11)**	**–**	**(11)**	**–**	**(11)**
–	**–**	**402**	**402**	**–**	**402**	**–**	**402**
–	**–**	**(12)**	**(12)**	**–**	**(12)**	**–**	**(12)**
–	**–**	**–**	**–**	**–**	**–**	**76**	**76**
–	**–**	**–**	**–**	**–**	**–**	**1**	**1**
–	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
–	**(11)**	**390**	**379**	**–**	**394**	**70**	**464**
–	**15**	**390**	**1 162**	**9 790**	**12 975**	**23**	**12 998**

Summarised audited statement of cash flows

for the year ended 30 June 2015

	Note	2015 Rm	2014 Rm
Operating activities			
Cash utilised by operations		**(92)**	(98)
Depreciation		**929**	881
Amortisation		**21**	28
Non-cash and other movements	19	**(457)**	549
Cash generated by operations		**401**	1 360
Changes in working capital:			
Decrease / (increase) in inventories		**201**	(13)
Decrease / (increase) in amounts due from contract customers		**547**	(2 094)
Decrease / (increase) in trade and other receivables		**357**	(12)
(Decrease) / increase in amounts due to contract customers		**(43)**	310
(Decrease) / increase in trade and other payables		**(1 953)**	693
(Decrease) / increase in derivative instruments		**(101)**	62
Decrease in payables other than contract-related		**(102)**	(102)
Decrease in employee-related payables		**(258)**	(106)
Total changes in working capital		**(1 352)**	(1 262)
Cash (utilised) / generated by operating activities		**(951)**	98
Finance expenses paid		**(361)**	(283)
Finance earnings received		**174**	127
Taxation paid		**(397)**	(252)
Cash outflow from operating activities		**(1 535)**	(310)
Investing activities			
Property, plant and equipment purchased			
– expansion		**(175)**	(384)
– replacement		**(649)**	(677)
Proceeds on disposal of property, plant and equipment		**245**	256
Proceeds on disposal of investment property		**97**	–
Acquisition of intangible assets		**(52)**	(176)
Capital expenditure net of proceeds on disposal		**(534)**	(981)
Loans advanced to equity-accounted investments net of dividends received		**(68)**	(140)
Proceeds on disposal of equity-accounted investments		**5**	–
Loans advanced to infrastructure investment companies		**(208)**	–
Acquisition of subsidiary (net of cash acquired)		**(23)**	–
Net proceeds on disposal of subsidiary		**1 314**	–
Dividend earnings		**22**	33
Cash inflow / (outflow) from investing activities		**508**	(1 088)
Operating free cash outflow		**(1 027)**	(1 398)
Financing activities with equity-holders			
Shares repurchased		**(7)**	(7)
Loans advanced by non-controlling interest		**76**	–
Dividends paid		**(7)**	(6)
Financing activities with debt-holders			
Proceeds from convertible bonds		**1 947**	–
(Repayment) / proceeds from borrowings raised		**(2 066)**	1 336
Net decrease in cash and bank balances before foreign exchange movements		**(1 084)**	(75)
Foreign exchange movements on cash and bank balances		**(196)**	314
Cash and bank balances at beginning of the period		**4 136**	3 897
Total cash and bank balances at end of the period		**2 856**	4 136
Borrowings excluding bank overdrafts		**2 463**	2 867
Net cash position		**393**	1 269

Summarised audited accounting policies

for the year ended 30 June

1. CORPORATE INFORMATION

The summarised consolidated financial statements of Aveng Limited (the "Company") and its subsidiaries (the "Group") for the period ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 17 August 2015.

Nature of business

Aveng Limited is a limited liability company incorporated and domiciled in the Republic of South Africa whose shares are publicly traded. The Group operates in the construction, engineering and mining 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.

Business restructuring

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

During the period, the Aveng Moolmans (surface mining) and Aveng Shafts & Underground (shaft sinking and access development) businesses merged into Aveng Mining. The full consolidation of these business units was completed to create a single sizeable entity operating under a common management team with shared support services.

Changes in directorate

Mr AH Macartney was appointed as Group Finance Director effective from 8 September 2014. Mr PA Hourquebie was appointed as a non-executive director effective from 5 August 2015. Mr DG Robinson retired as executive director effective from 17 August 2015.

2. PRESENTATION OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of preparation

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

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

The summarised consolidated financial statements 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 2015 that are available on the Company's website, http://www.financialresults.co.za/2015/aveng-additional. @

The Company's integrated report for the year ended 30 June 2015 will be available by 4 September 2015.

The financial results have been prepared by Clare Giletti under the supervision of the Group Finance Director, Adrian Macartney.

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

Summarised audited accounting policies continued

for the year ended 30 June 2015

2. PRESENTATION OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

South African infrastructure investments

With effect from 1 July 2014, the concessions and property-related activities of the Group were reorganised to fall within Aveng Capital Partners ("ACP"). All future infrastructure and real estate investments will be managed by ACP. This business unit has been determined to be operating as a venture capital organisation, such that the investments managed by ACP have been reclassified as financial assets at Fair Value Through Profit or Loss ("FVTPL"). This includes investments in associates and joint ventures that would otherwise have been equity-accounted. The 10,9% investment in the N3 Toll Concession (RF) Proprietary Limited has been classified as a financial investment at FVTPL as a result of the early adoption of IFRS 9 *Financial Instruments*. In future such investments will be designated as at FVTPL upon initial recognition. For the year ended 30 June 2015, fair value remeasurements of R185 million have been recognised in earnings. These remeasurements have been included in headline earnings.

ACP is included in the Construction and Engineering: South Africa and rest of Africa segment. Refer to note 10: *Infrastructure investment* for further information.

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

	Note	Balance as previously reported Rm	3.2 Early adoption of IFRS 9* Rm	3.4.1 Derivative instruments split Rm	**Restated balance Rm**
Statement of financial position as at 30 June 2014					
ASSETS					
Non-current assets					
Available-for-sale investments		190	(190)	–	**–**
Financial investments		–	190	–	**190**
Derivative instruments		–	–	**	**
Current assets					
Derivative instruments		–	–	1	**1**
EQUITY AND LIABILITIES					
EQUITY					
Other reserves		1 220	(93)	–	**1 127**
Retained earnings		10 157	93	–	**10 250**
LIABILITIES					
Non-current liabilities					
Derivative instruments		–	–	3	**3**
Current liabilities					
Derivative instruments		–	–	60	**60**
Trade and other payables	15	9 805	–	(62)	**9 743**

** Comparatives for 30 June 2013 have not been amended as a result of the early adoption of IFRS 9 as there were no fair value adjustments on financial investments recognised in the available-for-sale fair value reserve as at 30 June 2013.*

*** Amounts less than R1 million.*

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

	Note	Balance as previously reported Rm	3.3.2 Reallocation of fair value Rm	3.3.3 Reallocation of dividends Rm	3.3.4 Split of impairment Rm	3.3.5 Reallocation of operating expenses Rm	**Restated balance Rm**
Statement of comprehensive earnings for the year ended 30 June 2014							
Cost of sales		(49 122)	–	–	–	(202)	**(49 324)**
Gross earnings		3 837	–	–	–	(202)	**3 635**
Other earnings		254	15	33	–	–	**302**
Operating expenses	17	(3 373)	–	–	–	202	**(3 171)**
Share of dividend earnings from financial investments		33	–	(33)	–	–	**–**
Net operating earnings		784	15	–	–	–	**799**
Impairment of non-financial assets		(831)	–	–	831	–	**–**
Impairment of property, plant and equipment and intangibles		–	–	–	(15)	–	**(15)**
Impairment of goodwill arising on consolidation		–	–	–	(816)	–	**(816)**
Fair value adjustments		15	(15)	–		–	**–**

Summarised audited accounting policies continued

for the year ended 30 June 2015

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

	Balance as previously reported Rm	3.3.1 Derivative instruments split Rm	3.3.2 Reallocation of fair value Rm	3.3.6 Segment reallocation Rm	**Restated balance Rm**
Segmental report as at 30 June 2014					
Total assets					
Construction and Engineering: South Africa and rest of Africa	4 546	–	–	522	**5 068**
Construction and Engineering: Australasia and Asia	13 340	–	–	–	**13 340**
Mining	4 848	–	–	–	**4 848**
Manufacturing and Processing	7 029	–	–	–	**7 029**
Other and Eliminations	1 224	1	–	(522)	**703**
	30 987	1	–	–	**30 988**
Total liabilities					
Construction and Engineering: South Africa and rest of Africa	2 450	–	–	114	**2 564**
Construction and Engineering: Australasia and Asia	8 623	–	–	–	**8 623**
Mining	2 244	–	–	–	**2 244**
Manufacturing and Processing	2 589	–	–	–	**2 589**
Other and Eliminations	1 685	1	–	(114)	**1 572**
	17 591	1	–	–	**17 592**
Segmental report for the year ended 30 June 2014					
Net operating earnings					
Construction and Engineering: South Africa and rest of Africa	(566)	–	–	132	**(434)**
Construction and Engineering: Australasia and Asia	271	–	–	–	**271**
Mining	529	–	–	–	**529**
Manufacturing and Processing	364	–	–	–	**364**
Other and Eliminations	186	–	15	(132)	**69**
	784	–	15	–	**799**

3.1 Standards and interpretations effective and adopted in the current year

In the current period, the Group has adopted the following standards and interpretations that are effective for the current financial year or may be early adopted and that are relevant to its operations.

Standard	**Description**	**Matter**	**Impact**
IFRS 9 (2010)	*Financial Instruments*	*IFRS 9 (2010)* provides guidance on the classification and measurement of financial assets and financial liabilities.	*Refer to note 3.2* and Accounting policies detailed in the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional. @

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

3.2 Change in accounting policy – Financial instruments (early adoption of *IFRS 9 (2010)*)

The Group early adopted *IFRS 9 (2010)* with a date of initial application of 1 July 2014.

As a result the Group has classified its debt type financial assets as subsequently measured at either amortised cost or FVTPL, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. In accordance with the transitional provisions of *IFRS 9 (2010)*, the Group has classified the financial assets held at 1 July 2014 retrospectively based on the facts and circumstances of the business model in which the financial assets were held at that date.

As a result of *IFRS 9 (2010)* R114 million (R93 million net of tax) was reclassified at 1 July 2014 from the fair value reserve to retained earnings, because the investments were reclassified from available-for-sale investments to financial assets measured at FVTPL.

Changes in accounting policies resulting from the adoption of *IFRS 9* have been applied on a retrospective basis.

Because the Group does not have any financial liabilities designated at FVTPL or embedded derivatives, the adoption of *IFRS 9 (2010)* did not impact the Group's accounting policy for financial liabilities and derivative financial instruments.

The provisions of *IFRS 9* have not been applied to financial assets and financial liabilities derecognised before 1 July 2014. The change in accounting policy had no impact on basic and diluted earnings per share for the period.

Classification of financial assets on date of initial application

The following table summarises the transitional classification and measurement adjustments to the Group's financial assets on 1 July 2014, the Group's date of initial application. In addition, the table sets out the measurement adjustments, which were recognised as an adjustment to the opening equity as at 1 July 2014:

	Original classification under IAS 39	New classification under IFRS 9	**2015 Original carrying amount under IAS 39 Rm**	**New carrying amount under IFRS 9 Rm**	2014 Original carrying amount under IAS 39 Rm	New carrying amount under IFRS 9 Rm
Financial investments	Available-for-sale	Fair value	**190***	**190***	190	190
Trade and other receivables	Amortised cost	Amortised cost	**2 424**	**2 424**	2 785	2 785
Amounts due from contract customers	Amortised cost	Amortised cost	**10 294**	**10 294**	11 351	11 351
Cash and bank balances	Amortised cost	Amortised cost	**2 856**	**2 856**	4 136	4 136

** With effect from 1 July 2014, financial assets were transferred to infrastructure investments. The balance as at 30 June 2015 was Rnil.*

The Group's accounting policies on classification of financial instruments under *IFRS 9 (2010)* are set out in note 3.3 and financial instruments. Application of these policies resulted in reclassifications, which are set out in the table above and explained further below:

- Under *IFRS 9*, all equity instruments other than those for which the fair value through other comprehensive earnings option is selected are measured at FVTPL. Prior to the adoption of *IFRS 9 (2010)*, all equity instruments not held for trading were classified as available-for-sale equity investments.

The Group has elected to early adopt *IFRS 9 (2010)*, with a date of initial application of 1 July 2014, which is the beginning of the reporting period. As the impairment and hedge accounting requirements of *IFRS 9 (2014)* have not been adopted, no restatements were made relating to these topics.

For more information and details on the new classification refer to the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional. @

Summarised audited accounting policies continued

for the year ended 30 June 2015

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

3.3 Other reclassifications affecting comparative figures

As part of the Group's financial reporting improvement initiatives, the structure, format and presentation of disclosures in the 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.

3.3.1 ***Derivatives instruments*** of R62 million were reclassified from trade and other payables to a separately disclosed line item.

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

3.3.3 ***Share of dividend earnings from financial investments*** of R33 million was combined with other earnings.

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

3.3.5 ***Operating expenses*** of R202 million was reallocated to cost of sales to more accurately allocate overheads to cost of sales.

3.3.6 ***ACP*** was reallocated from the Other and Eliminations segment to Construction and Engineering: South Africa and rest of Africa. The adjustments accurately reflect the value chain inherent in the Construction and Engineering: South Africa and rest of Africa business model.

Impact of change in disclosure

The impact of new standards and interpretations adopted retrospectively as well as other reclassifications were not considered significant on the statement of financial position at 1 July 2013 and accordingly, a third statement of financial position is not presented.

For additional information regarding the accounting policies refer to the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional. @

4. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

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

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

	2015 Rm
Cash outflow on acquisition	
Consideration paid	**25**
Less: Cash and bank balance acquired with the subsidiary	**(2)**
	23
Goodwill arising on acquisition	
Consideration paid	**25**
Less: Fair value of identifiable net assets acquired	**(15)**
	10

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Atval as at the date of acquisition were:

	Note	2015 Rm Fair value recognised on acquisition
Assets		**22**
Liabilities		**(7)**
Total identifiable net assets at fair value		**15**
Goodwill arising on acquisition	8	**10**
Consideration paid		**25**

Since its acquisition, Atval contributed external revenue of R28 million and earnings before interest and tax of R3,5 million to the Group for the period 1 July 2014 to 30 June 2015. As the acquisition occurred on 1 July 2014, the impact of Atval on the Group's revenue and earnings / (loss) before taxation is for the full reporting period.

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

5. DISPOSAL OF SUBSIDIARY

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

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

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

	2015 Rm
Net cash impact of sale	
Total assets (excluding cash and bank balances)	**756**
Property, plant and equipment, net of accumulated depreciation	**144**
Deferred taxation	**59**
Inventories	**19**
Amounts due from contract customers	**510**
Trade and other receivables, net of provisions	**24**
Cash and bank balances	**129**
Total liabilities	**(536)**
Amounts due to contract customers	**(72)**
Borrowings and other liabilities	**(12)**
Payables other than contract-related	**(1)**
Employee-related payables	**(181)**
Trade and other payables	**(260)**
Taxation payable	**(10)**
Net assets sold	**349**
Profit on disposal (before tax)	**777**
Add back: Associated obligations and transaction costs	**464**
Less: FCTR recycled to earnings	**(111)**
Total proceeds received in cash	**1 479**
Less: Cash and bank balances sold	**(129)**
Less: Transaction costs paid	**(36)**
Net cash received	**1 314**

6. SEGMENT 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 operating segments are components of the Group:

– that engage in business activities from which they earn revenue and incur expenses; and
– which 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 assess their performance.

The Group's operating segments are categorised as follows:

1. Construction and Engineering

1.1 Construction and Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA, Aveng Engineering and ACP.
Details of the revenues from this segment are the supply of expertise in a number of market sectors: power, mining, infrastructure, commercial, retail, industrial, oil and gas.

1.2 Construction and Engineering: Australasia and Asia

This operating segment comprises McConnell Dowell.
This operating segment specialises in the construction and maintenance of tunnels and pipelines, railway infrastructure maintenance and construction, marine and mechanical engineering, industrial building projects, oil and gas construction and mining and mineral construction.

2. Mining

This operating segment comprises Aveng Moolmans and Aveng Shafts & Underground. During the second half of the year, the business of Aveng Moolmans and Aveng Shafts & Underground were merged under a single Aveng Mining leadership team.

Details of the revenues from this segment is derived from mining related activities.

3. Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

The revenues from this segment are the supply of products, services and solutions to the mining, construction, oil and gas, water, power and rail sectors across the value chain locally and internationally.

4. Other and Eliminations

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

6. SEGMENT REPORT continued

Statement of financial position

	Construction and Engineering: South Africa and rest of Africa			Construction and Engineering: Australasia and Asia			Mining		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%
Assets									
Investment property	**–**	–	–	**–**	–	–	**–**	–	–
Goodwill arising on consolidation	**–**	–	–	**100**	431	(76,8)	**–**	–	–
Intangible assets	**2**	6	(66,7)	**–**	35	(100,0)	**8**	–	100,0
Property, plant and equipment	**494**	702	(29,6)	**799**	1 170	(31,7)	**2 506**	2 746	(8,7)
Equity-accounted investments	**131**	196	(33,2)	**56**	56	–	**4**	4	–
Infrastructure investments	**706**	–	100,0	**72**	–	100,0	**–**	–	–
Financial investments	**–**	126	(100,0)	**–**	64	(100,0)	**–**	–	–
Deferred taxation	**1 463**	970	50,8	**617**	472	30,7	**195**	238	(18,1)
Derivative instruments	**–**	–	–	**15**	–	100,0	**–**	–	–
Amounts due from contract customers	**2 256**	2 185	3,2	**6 895**	8 085	(14,7)	**1 253**	997	25,7
Inventories	**31**	98	(68,4)	**7**	23	(69,6)	**225**	304	(26,0)
Trade and other receivables	**469**	434	8,1	**186**	174	6,9	**91**	93	(2,2)
Cash and bank balances	**215**	351	(38,7)	**2 350**	2 830	(17,0)	**266**	466	(42,9)
Non-current assets held-for-sale	**–**	–	–	**–**	–	–	**–**	–	–
Total assets	**5 767**	5 068	13,8	**11 097**	13 340	(16,8)	**4 548**	4 848	(6,2)
Liabilities									
Deferred taxation	**99**	17	>100,0	**72**	–	100,0	**182**	211	(13,7)
Borrowings and other liabilities	**–**	–	–	**250**	862	(71,0)	**557**	653	(14,7)
Payables other than contract-related	**102**	197	(48,2)	**–**	–	–	**–**	–	–
Employee-related payables	**211**	200	5,5	**446**	886	(49,7)	**273**	230	18,7
Derivative instruments	**–**	29	(100,0)	**–**	34	(100,0)	**–**	–	–
Trade and other payables	**1 382**	1 333	3,7	**3 928**	5 168	(24,0)	**701**	824	(14,9)
Amounts due to contract customers	**614**	728	(15,7)	**1 588**	1 612	(1,5)	**272**	231	17,7
Taxation payable	**31**	60	(48,3)	**11**	61	(82,0)	**42**	95	(55,8)
Total liabilities	**2 439**	2 564	(4,9)	**6 295**	8 623	(27,0)	**2 027**	2 244	(9,7)

Manufacturing and Processing			Other and Eliminations			Total		
2015	2014	%	2015	2014	%	2015	2014	%
–	–	–	–	86	(100,0)	–	86	(100,0)
10	–	100,0	232	232	–	342	663	(48,4)
152	155	(1,9)	177	125	41,6	339	321	5,6
1 326	1 374	(3,5)	501	354	41,5	5 626	6 346	(11,3)
–	–	–	(40)	50	>(100,0)	151	306	(50,7)
–	–	–	–	–	–	778	–	>100,0
–	–	–	–	–	–	–	190	(100)
(154)	(102)	(51,0)	(541)	(175)	>(100,0)	1 580	1 403	12,6
9	–	100,0	17	1	>100,0	41	1	>100,0
472	534	(11,6)	(582)	(450)	(29,3)	10 294	11 351	(9,3)
2 266	2 368	(4,3)	–	–	–	2 529	2 793	(9,5)
1 463	1 980	(26,1)	215	104	>100	2 424	2 785	(13,0)
271	720	(62,4)	(246)	(231)	(6,5)	2 856	4 136	(30,9)
–	–	–	559	607	(7,9)	559	607	(7,9)
5 815	7 029	(17,3)	292	703	(58,5)	27 519	30 988	(11,2)
(54)	18	>(100,0)	(78)	11	>(100,0)	221	257	(14,0)
5	7	(28,6)	1 651	1 345	22,8	2 463	2 867	(14,1)
–	–	–	–	–	–	102	197	(48,2)
122	151	(19,2)	64	108	(40,7)	1 116	1 575	(29,1)
2	–	100,0	–	–	–	2	63	(96,8)
1 757	2 307	(23,8)	193	111	73,9	7 961	9 743	(18,3)
88	106	(17,0)	–	–	–	2 562	2 677	(4,3)
16	–	100,0	(6)	(3)	(100,0)	94	213	(55,9)
1 936	2 589	(25,2)	1 824	1 572	16,0	14 521	17 592	(17,5)

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

6. SEGMENT REPORT continued

Statement of comprehensive earnings

	Construction and Engineering: South Africa and rest of Africa			Construction and Engineering: Australasia and Asia			Mining		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%
Gross revenue	**8 355**	8 677	(3,7)	**20 912**	28 169	(25,8)	**5 956**	6 582	(9,5)
Cost of sales	**(8 491)**	(8 549)	0,7	**(19 678)**	(26 594)	26,0	**(5 258)**	(5 708)	7,9
Gross (loss) / earnings	**(136)**	128	>(100,0)	**1 234**	1 575	(21,7)	**698**	874	(20,1)
Other earnings	**226**	88	>100,0	**45**	(10)	>100,0	**1**	(14)	>100,0
Operating expenses	**(736)**	(678)	(8,6)	**(1 152)**	(1 296)	11,1	**(286)**	(332)	13,9
(Loss) / earnings from equity-accounted investments	**(51)**	28	>(100,0)	**(15)**	2	>(100,0)	**–**	1	(100,0)
Net operating (loss) / earnings	**(697)**	(434)	(60,6)	**112**	271	(58,7)	**413**	529	(21,9)
Impairment of property, plant and equipment and intangible assets	**(209)**	–	>(100,0)	**(44)**	–	>(100,0)	**(32)**	–	>(100,0)
Impairment of goodwill arising on consolidation	**–**	–	–	**(291)**	–	>(100,0)	**–**	–	–
Profit on sale of subsidiary	**–**	–	–	**777**	–	>100,0	**–**	–	–
(Loss) / earnings before financing transactions	**(906)**	(434)	>(100,0)	**554**	271	>100,0	**381**	529	(28,0)
Net finance earnings / expenses	**15**	6	>100,0	**(36)**	(62)	41,9	**(42)**	(42)	–
Loss before taxation	**(891)**	(428)	>(100,0)	**518**	209	>100,0	**339**	487	(30,4)
Taxation	**111**	119	(6,7)	**(14)**	(14)	–	**(194)**	(163)	(19,0)
(Loss) / earnings for the period	**(780)**	(309)	>(100,0)	**504**	195	>100,0	**145**	324	(55,2)
Capital expenditure	**96**	152	(36,8)	**262**	243	7,8	**257**	298	(13,8)
Depreciation	**(91)**	(85)	(7,1)	**(286)**	(258)	(10,9)	**(418)**	(407)	(2,7)
Amortisation	**(5)**	(13)	61,5	**–**	–	–	**–**	–	–
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**(601)**	(336)	(78,9)	**398**	529	(24,8)	**831**	936	(11,2)

	Manufacturing and Processing			Other and Eliminations			Total		
	2015	2014	%	**2015**	2014	%	**2015**	2014	%
	9 928	10 612	(6,4)	**(1 221)**	(1 081)	(13,0)	**43 930**	52 959	(17,0)
	(9 243)	(9 661)	4,3	**1 104**	1 188	(7,1)	**(41 566)**	(49 324)	15,7
	685	951	(28,0)	**(117)**	107	>(100,0)	**2 364**	3 635	(35,0)
	164	248	(33,9)	**35**	(10)	>100,0	**471**	302	56,0
	(795)	(834)	4,7	**(94)**	(31)	>(100,0)	**(3 063)**	(3 171)	3,4
	–	(1)	>100,0	**6**	3	100,0	**(60)**	33	>(100,0)
	54	364	(85,2)	**(170)**	69	>(100,0)	**(288)**	799	>(100,0)
	(32)	–	>(100,0)	**(13)**	(15)	13,3	**(330)**	(15)	>(100,0)
	–	–	–	**–**	(816)	100,0	**(291)**	(816)	64,3
	–	–	–	**–**	–	–	**777**	–	100,0
	22	364	(94,0)	**(183)**	(762)	76,0	**(132)**	(32)	>(100,0)
	(25)	4	>(100,0)	**(218)**	(89)	>(100,0)	**(306)**	(183)	(67,2)
	(3)	368	>(100,0)	**(401)**	(851)	52,9	**(438)**	(215)	>(100,0)
	(7)	(110)	93,6	**24**	7	>100,0	**(80)**	(161)	50,3
	(10)	258	>(100,0)	**(377)**	(844)	55,3	**(518)**	(376)	(37,8)
	180	406	(55,7)	**81**	138	(41,3)	**876**	1 237	(29,2)
	(119)	(112)	(6,3)	**(15)**	(19)	21,1	**(929)**	(881)	(5,4)
	(12)	(5)	>(100,0)	**(4)**	(10)	60,0	**(21)**	(28)	25,0
	185	481	(61,5)	**(151)**	98	>(100,0)	**662**	1 708	(61,2)

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2015 Revenue Rm	2014 Revenue Rm	2015 Segment assets Rm	2014 Segment assets Rm	2015 Capital expenditure Rm	2014 Capital expenditure Rm
South Africa	**19 628**	19 489	**14 048**	14 206	**541**	794
Rest of Africa including Mauritius	**2 908**	4 609	**1 625**	2 706	**65**	199
Australasia and Asia	**15 880**	25 001	**9 383**	12 377	**110**	225
Southeast Asia	**5 115**	3 300	**2 154**	1 244	**160**	19
Middle East and other regions	**399**	560	**309**	455	**–**	–
	43 930	52 959	**27 519**	30 988	**876**	1 237

7. IMPAIRMENTS

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

As at 30 June 2015, it was necessary to impair assets due to the subdued economic conditions and the resultant pressure on the order book. An impairment charge totalling R273 million was recognised against ancillary operations comprising property, plant and equipment in the Construction and Engineering: South Africa and rest of Africa (R198 million charge), Mining (R32 million charge), Manufacturing and Processing (R32 million charge) and Construction and Engineering: Australasia and Asia (R11 million) segments respectively.

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

Goodwill of R291 million associated with the Built Environs business in the Construction and Engineering: Australasia and Asia segment was fully impaired during the period ended 30 June 2015.

There was no impairment of property, plant and equipment during the previous year.

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

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

During the period ended 30 June 2014, the goodwill associated with Aveng Grinaker-LTA was also fully impaired amounting to R741 million.

For more detail refer to the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional.

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Impairments recognised during the year

	2015 Rm	2014 Rm
Goodwill	**(291)**	(816)
Intangible assets	**(57)**	(15)
Property, plant and equipment	**(273)**	–
	(621)	(831)

8. GOODWILL ARISING ON CONSOLIDATION

Reconciliation of goodwill arising on consolidation

	2015 Rm	2014 Rm
Cost		
Opening balance	**1 479**	1 425
Acquisition	**10**	–
Foreign exchange movements	**(34)**	54
	1 455	1 479
Accumulated impairment		
Opening balance	**(816)**	–
Impairment*	**(291)**	(816)
Foreign exchange movements	**(6)**	–
	(1 113)	(816)
Carrying amount	**342**	663

** Further detail on the impairment relating to goodwill is presented in impairment of goodwill arising on consolidation note as detailed in the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional.*

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Allocation of goodwill to CGUs

Goodwill is allocated to the Group's CGUs identified according to the CGUs that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated to the following CGUs:

	2015 Rm	2014 Rm
Dynamic Fluid Control	**242**	232
McConnell Dowell	**100**	431
	342	663

9. EQUITY-ACCOUNTED INVESTMENTS

	2015 Rm	2014 Rm
Opening balance	**306**	144
Transfer to infrastructure investments held at fair value*	**(3)**	–
Transfer of shareholder loans to infrastructure investments*	**(168)**	–
Loan advanced	**74**	154
Share of other comprehensive earnings	**–**	(28)
Share of (loss) / earnings before taxation and dividends	**(44)**	44
Amount recorded in the statement of comprehensive earnings	**(60)**	33
Excluding: Fair value adjustments on foreign exchange contracts disclosed as derivative instruments	**16**	11
Dividends received	**(6)**	(13)
Foreign currency translation movement	**7**	6
Impairment	**(7)**	–
Disposal	**(5)**	–
Other	**(3)**	(1)
	151	306

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

9. EQUITY-ACCOUNTED INVESTMENTS continued

Reconciliation of investments	Holdings %	2015 Rm	2014 Rm
Blue Falcon 140 Trading Proprietary Limited*	29	–	60
Imvelo Concession Company Proprietary Limited*	30	–	40
Oakleaf Investment Holdings 86 Proprietary Limited	50	**48**	41
REHM Grinaker Construction Co Limited	43	**7**	14
REHM Grinaker Property Co Limited	43	**11**	(7)
RPP Developments Proprietary Limited	10	**10**	7
RPP JV Property Proprietary Limited	40	**7**	7
Windfall 59 Properties Proprietary Limited*	29	–	71
Dutco McConnell Dowell Middle East Limited	49	**56**	56
Other		**12**	17
		151	306

* *In accordance with IAS 28, the exemption from equity accounting was applied from 1 July 2014 in respect of the following investments, which were previously equity-accounted:*
– Blue Falcon 140 Trading Proprietary Limited;
– Windfall 59 Properties Limited; and
– Imvelo Concession Company Proprietary Limited.

Refer to note 10: *Infrastructure investments* for further detail of the investments detailed above that were transferred to infrastructure investments held at fair value. ACP has been determined to be operating as a venture capital organisation, these investments have therefore been reclassified as financial assets at FVTPL in accordance with the IAS 28 exemption. These investments are managed, reported and evaluated on a fair value basis in term of ACP's investment methodology.

9. EQUITY-ACCOUNTED INVESTMENTS continued

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

	2015 Rm	2014 Rm
Aggregate carrying amount of associates	**103**	282
Aggregate carrying amount of joint ventures	**48**	24
	151	306
The Group's share of results of operations of equity-accounted investments are summarised below:		
Associates		
Earnings from continued operations	**11**	20
Joint ventures		
(Loss) / earnings from continued operations	**(55)**	24
Other comprehensive earnings from continued operations	**–**	(28)
	(55)	(4)
(Loss) / earnings from the equity-accounted investments	**(44)**	44
Forward exchange contract losses*	**(16)**	(11)
Total share of (loss) / earnings from equity-accounted investments	**(60)**	33

** The underlying performance of renewable energy contracts housed within Oakleaf Investment Holdings 86 Proprietary Limited was influenced by fluctuations in the ZAR exchange rate against the USD and EUR. This was offset by the realised and unrealised fair value losses on the forward exchange contracts ("FEC") held within the contract within the Other and Eliminations segment and presented as part of earnings from equity-accounted investments, in order to reflect the true economic performance of the contract within the context of the Group's economic interest. The carrying amount of the FECs are recognised in derivative instruments (refer to note Derivative instruments as detailed in the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional).*

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Regulatory constraints

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

Contingent liabilities

The Group's share of bank guarantees issued by its joint ventures and associates is R537 million (June 2014: R820 million). Other than as stated above, the Group did not incur any other contingent liabilities with regard to associates and joint ventures.

For the list of Group entities, refer to Group operating entities note as detailed in the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional. @

Joint operations in the Group are unincorporated and therefore do not have year-ends different to the Group year-end. The Group accounts for the relative share of assets, liabilities, revenue and expenses of joint operations.

For detail on the Commitments note refer to the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional and *note 20: Contingent liabilities* in this set for the Group's contingent liabilities relating to its associates and joint ventures. @

The ability of the Group's associates or joint ventures to transfer funds or distribute its profits to the Group in the form of cash dividends, or to repay loans or advances made by the Group resulting from borrowing arrangements are governed by approval from the investors.

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

10. INFRASTRUCTURE INVESTMENTS

	2015 Rm	2014 Rm
South African infrastructure investments		
Financial investments at FVTPL	706	–
Other infrastructure investments		
Financial investments at FVTPL	72	–
Total infrastructure investments	778	–

With effect from 1 July 2014, the Group's South African infrastructure investments managed by ACP were measured at fair value. These include all South African infrastructure investments in which the Group holds less than 50%. These investments are managed, reported and evaluated on a fair value basis in terms of ACP's investment methodology. Refer to note 9: *Equity-accounted investments* for the details pertaining to these investments. To the extent that these investments were previously equity-accounted, they have been reclassified to infrastructure investments at their equity-accounted values as at 30 June 2014. This is not considered to be a change in accounting policy but rather a change in the business management as the ACP business model was only approved from 1 July 2014.

	2015 Rm	2014 Rm
South African infrastructure investments		
Opening balance	–	–
Reclassification of equity investments from equity-accounted investments	3	–
Reclassification of shareholder loans from equity-accounted investments	168	–
Recycling of equity-accounted earnings from other comprehensive earnings	28	–
Reclassification from financial investments	126	–
Fair value remeasurement through comprehensive earnings	173	–
Loans advanced	208	–
	706	–
Balance at the end of the year comprises:		
Blue Falcon 140 Trading Proprietary Limited	217	–
Imvelo Company Proprietary Limited	40	–
N3 Toll Concessions (RF) Proprietary Limited	128	–
Windfall Proprietary Limited	321	–
	706	–
Other infrastructure investments		
Opening balance	–	–
Reclassification from financial investments	64	–
Foreign currency translation movement	(4)	–
Fair value remeasurement through comprehensive earnings	12	–
	72	–

11. DEFERRED TAXATION

	2015 Rm	2014 Rm
Reconciliation of deferred taxation asset		
At the beginning of the year	**1 403**	1 347
Recognised in earnings or loss – current year	**143**	234
Recognised in earnings or loss – adjustment for prior year	**81**	(97)
Effect of change in foreign tax rate	**–**	(2)
Foreign currency translation movement	**13**	49
Reallocation from deferred taxation liability	**–**	33
Restructuring	**(1)**	(161)
Disposal of subsidiary	**(59)**	–
	1 580	1 403
Reconciliation of deferred taxation liability		
At the beginning of the year	**(257)**	(319)
Recognised in earnings or loss	**11**	(42)
Recognised in earnings or loss – adjustment for prior year	**25**	1
Available-for-sale fair value reserve	**–**	(21)
Reallocation to deferred taxation asset	**–**	(33)
Restructuring	**1**	161
Foreign currency translation movement	**(1)**	(4)
	(221)	(257)
Deferred taxation asset balance at the year-end comprises		
Accelerated capital allowances	**(303)**	(368)
Provisions	**370**	577
Contracts	**(70)**	(194)
Other	**358**	426
Assessed losses carried forward	**1 225**	962
	1 580	1 403

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

11. DEFERRED TAXATION continued

	2015 Rm	2014 Rm
Deferred taxation liability balance at the year-end comprises		
Accelerated capital allowances	**(327)**	(304)
Provisions	**29**	20
Contracts	**17**	1
Other	**22**	(3)
Assessed losses carried forward	**38**	29
	(221)	(257)

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

As at 30 June 2015, the Group had unused taxation losses of R5 603 million (2014: R4 301 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R4 116 million (2014: R3 691 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R1 487 million (2014: R610 million) due to the uncertainty of future taxable profits in the related specific legal entities.

Unused tax losses – Assumptions

The Group performed a five-year forecast for the financial years 2016 to 2020 which is the key evidence that supports the recognition of the deferred taxation asset. This forecast specifically focused on Aveng (Africa) Proprietary Limited, out of which Aveng Grinaker-LTA operates and which, given its financial performance over the past three years, has contributed significantly to these assessed losses in the Group. Aveng Grinaker-LTA has been repositioned in 2013 and 2014 to strengthen its service offering to clients in its core operations. This process saw new executive leadership progressively appointed during the year. The new management has been tasked with minimising losses and cash outflows on existing contracts, strengthening project execution and commercial management and to return Aveng Grinaker-LTA to profitability. Fundamental to these initiatives is securing quality contracts that fulfil both risk and return requirements for the Group. Inputs used were based on perceived risk within the business and attainable revenue and gross profit margins which are consistent with market observations. Although the turnaround in 2015 was slower than anticipated good progress was made in positioning Aveng Grinaker-LTA for the future. This included considerable restructuring and right-sizing of the business in line with the current market conditions. Attention has also been given to the commercial and risk management processes and pre-tender assessments. This will protect our margins into the future.

Also included in Aveng (Africa) Proprietary Limited are Aveng Manufacturing, Aveng Steel operating groups as well as Aveng Shafts & Underground. Aveng Steel will continue to focus on reducing overheads in line with the current subdued steel market. Aveng Manufacturing enters challenging market environments in a strong position in the 2016 financial year. Aveng Shafts & Underground is expected to improve performance. Aveng Manufacturing and Aveng Steel as well as Aveng Shafts & Underground are expected to contribute to earnings and thereby reduce the extent of assessed losses in Aveng (Africa) Proprietary Limited. Aveng Grinaker-LTA is expected to break even in 2016 and start contributing to profitability thereafter.

12. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	2015 Rm	2014 Rm
Uncertified claims and variations (underclaims)[1]	**5 862**	6 763
Provision for amounts due from contract customers[1]	**(958)**	(1 102)
Progress billings received (including overclaims)[2]	**(1 921)**	(1 766)
Uncertified claims and variations less progress billings received	**2 983**	3 895
Contract receivables[3]	**5 147**	5 527
Provision for contract receivables	**–**	(46)
Retention receivables[4]	**243**	209
	8 373	9 585
Amounts received in advance[5]	**(641)**	(911)
Net amounts due from contract customers	**7 732**	8 674
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations	**5 862**	6 763
Provision for amounts due from contract customers	**(958)**	(1 102)
Contract and retention receivables	**5 390**	5 736
Provision for contract receivables	**–**	(46)
Amounts due from contract customers	**10 294**	11 351
Progress billings received	**(1 921)**	(1 766)
Amounts received in advance	**(641)**	(911)
Amounts due to contract customers	**(2 562)**	(2 677)
Net amounts due from contract customers	**7 732**	8 674

[1] *Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.*
[2] *Progress billings are amounts billed for work performed above revenue recognised.*
[3] *Amounts invoiced still due from customers.*
[4] *Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified.*
[5] *Advances are amounts received from the customer before 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
2015						
Non-current assets	**900**	**–**	**–**	**–**	**–**	**900**
Current assets	**4 962**	**(958)**	**5 147**	**–**	**243**	**9 394**
	5 862	**(958)**	**5 147**	**–**	**243**	**10 294**
2014						
Non-current assets	3 460	(737)	223	–	–	2 946
Current assets	3 303	(365)	5 304	(46)	209	8 405
	6 763	(1 102)	5 527	(46)	209	11 351

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

13. NON-CURRENT ASSETS HELD-FOR-SALE

During the previous financial year, the Group made a decision to dispose of non-core properties. These properties were classified as non-current assets held-for-sale and will be sold as a single portfolio of land and buildings.

These properties continue to meet the definition of a disposal group. When assessed for impairment (as a single portfolio), the fair value of the properties, as determined by valuation experts significantly exceeded the carrying amount of the properties. No impairment is therefore necessary. The Other and Elimination segment houses the disposal group.

As at year-end, the Group had a binding agreement with Imbali Props 21 Proprietary Limited, a member of the Collins Property Group for approximately R1,2 billion. Certain properties were removed from the originally anticipated transaction while a number of cranes were added during the negotiation process. The Group will retain a 30% interest in Dimopoint Proprietary Limited, a special purpose vehicle created for the purpose of holding the non-core properties and which is currently wholly owned by Aveng (Africa) Proprietary Limited. The Competition Commission approval has been obtained for this transaction and all necessary documents have been signed after year-end. All conditions precedent have been met and therefore the disposal transaction is substantially complete.

	2015 Rm	2014 Rm
Non-current assets held-for-sale		
Land and buildings	**559**	607
Movement during the period		
Opening balance	**607**	–
Transferred to property, plant and equipment	**(123)**	–
Transferred from property, plant and equipment	**75**	607
	559	607
Operating leases commitments		
Future minimum lease payment under this non-cancellable operating lease:		
– within one year	**113**	–
– within two and five years	**815**	–
– later than five years	**1 271**	–
	2 199	–

14. BORROWINGS AND OTHER LIABILITIES

14.1 Borrowings held at amortised cost

Description	Terms	Rate of interest	2015 Rm	2014 Rm
Convertible bond of R2 billion	Interest coupon payable bi-annually for a period of 5 years	Coupon of 7,25%	**1 651**	–
Finance sale and lease back amounting to AUD10 million*	Monthly instalment from 2012 to June 2018	Fixed range 5,5% to 7,6%	**91**	259
Short-term facility of AUD10 million	Repayable in May 2016	Bank bill swap rate plus 1,65%	**94**	603
Secured loan agreement denominated in ZAR	Interest on loan repayable monthly with principal owing in June 2021	Fixed interest rate of 9,82%	**–**	66
Hire purchase agreement in AUD7 million*	Monthly instalment from 2014 to September 2019	Fixed interest rate of 6,81%	**65**	–
Hire purchase agreement in USD*	Quarterly instalments ending June 2017	Fixed rate ranging 4,58% to 4,65%	**253**	312
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in November 2017	South African prime less 2%	**74**	100
Hire purchase agreement denominated in ZAR*	Monthly instalment ending in March 2017	South African prime less 1,7%	**148**	138
Hire purchase agreement in ZAR*	Monthly instalment ending in May 2018	Fixed interest rate of 9,7%	**69**	102
Revolving credit facility in ZAR	Interest payable monthly with bullet payment payable in June 2016	Jibar + 2,75%	**–**	1 000
Revolving credit facility in ZAR	Interest payable monthly with bullet payment payable in December 2016	Jibar + 1,75%	**–**	250
Finance lease facilities in ZAR*	Monthly instalment ending in March 2017	South African prime	**13**	9
Interest-bearing borrowings			**2 458**	2 839
Interest outstanding on interest-bearing borrowings**			**5**	28
Total interest-bearing borrowings			**2 463**	2 867

** These borrowings and other liabilities are finance leases and are included in the analysis of the payable finance lease liability.*

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

14. BORROWINGS AND OTHER LIABILITIES continued

14.2 Borrowings held at amortised cost continued

	2015 Rm	2014 Rm
Finance lease liability are payable as follows:		
Minimum lease payments due		
– within one year	**369**	324
– within two and five years	**411**	671
Less: Future finance charges	**(62)**	(75)
Present value of minimum lease payments	**718**	920
Present value of minimum lease payments due		
– within one year	**332**	286
– within two and five years	**386**	634
	718	920

The Construction and Engineering: Australasia and Asia operating segment entered into a finance sale and leaseback arrangement in the 2012 financial year and in the current year entered into an asset based finance arrangement.

The arrangement, amounting to AUD10 million (R91 million) (2014: AUD26 million (R259 million) has been secured by plant and equipment with a net carrying amount of R60 million (2014: R283 million). The arrangements are repayable in monthly instalments with the final instalment payable in June 2018 and bears interest at fixed rates, ranging from 5,5% to 7,6%.

The new arrangement amounting to AUD7 million (R65 million) has been secured by assets with a net carrying amount of R49 million. The arrangement is repayable in monthly instalments with the final instalment payable in September 2019 and bears interest at 6,81%.

The Mining operating segment entered into various asset-based finance lease agreements in 2012, 2013, 2014 and the current financial year to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and is repayable in monthly and quarterly instalments with the final repayment to be made in May 2018. Equipment with a net carrying amount of R613 million (2014: R673 million) has been pledged as security for the facility.

The Mining and Manufacturing and Processing operating segments entered into various vehicle lease arrangements in the 2014 and 2015 period. Equipment with the net carrying amount of R10 million (2013: R8 million) has been pledged as security.

14.3 Convertible bonds

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

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

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

14. BORROWINGS AND OTHER LIABILITIES continued

14.3 Convertible bonds continued

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

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

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

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

	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	Total Rm
Issued July 2014	1 562	438	–	2 000
Transaction costs	(41)	–	–	(41)
Payment	(73)	–	–	(73)
Fair value adjustment to comprehensive earnings*	–	(36)	–	(36)
Transfer to equity	–	(402)	402	–
Transaction costs allocated to equity component	–	–	(12)	(12)
Interest determined with the effective interest rate*	203	–	–	203
Accrual of coupon interest for convertible bond	136	–	–	136
Unwinding of liability owing to:				
– Transaction costs capitalised	6	–	–	6
– Effect of fair value adjustment of derivative liability	5	–	–	5
– Effect of fair value of conversion option reclassification to equity	56	–	–	56
	1 651	–	390	2 041

** Interest on convertible bond.*

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

15. TRADE AND OTHER PAYABLES

	2015 Rm	2014 Rm
Trade payables	**2 859**	3 287
Subcontractors	**425**	409
Accrued expenses	**3 180**	3 600
Income received in advance	**1 072**	1 438
Promissory notes	**425**	1 009
	7 961	9 743*

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

Trade and other payables comprise amounts owing to suppliers for goods and services supplied in the normal course of business.

Promissory notes issued to the Group amount to R425 million (2014: R1 billion). The notes bear interest between a range of 7,7% and 7,8% per annum. Terms vary in accordance with contracts of supply and service but are generally settled on 30 to 90 day terms.

Included in accrued expenses is advance payments received relating to the Queensland Curtis Liquified Natural Gas contract of AUD112,5 million (R1 055 million) which is backed by bank guarantees. AUD30 million (R301 million) of the advance payment was paid back on 3 July 2014.

16. EMPLOYEE-RELATED PAYABLES

IFRS 2 Share-based payment obligation

Share-based payment obligations comprise cash-settled options for executives and senior employees. The cost of cash-settled transactions is measured initially at fair value at the grant date using an adjusted binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings. Refer to *Share-based payments note as detailed* in the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional. @

Employee entitlements

Employee entitlements are obligations raised for the various employee incentive plans in place throughout the Group. Included in employee entitlements are short and medium-term incentive plan obligations, along with statutorily determined retrenchment commitments.

Leave pay benefits

Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at year-end. Discounting of these obligations amount to R10 million (2014: R12 million) accretion.

16. EMPLOYEE-RELATED PAYABLES continued

	Opening balance Rm	Recognised / (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Unwinding of discount Rm	Total Rm
Reconciliation of employee-related payables – 2015						
IFRS 2 *Share-based Payment*	31	(31)	–	–	–	*
Employee entitlements	789	195	(374)	(4)	*	606
Leave pay benefits	755	431	(640)	(26)	(10)	510
	1 575	595	(1 014)	(30)	(10)	1 116

* *Amounts less than R1 million.*

	Opening balance Rm	Recognised / (reversed) in earnings or loss Rm	Utilised Rm	Currency adjustment Rm	Unwinding of discount Rm	Total Rm
Reconciliation of employee- related payables – 2014						
IFRS 2 *Share-based Payment*	55	(2)	(22)	–	–	31
Employee entitlements	966	425	(540)	(70)	8	789
Leave pay benefits	649	525	(492)	61	12	755
	1 670	948	(1 054)	(9)	20	1 575

	2015 Rm	2014 Rm
Non-current	468	682
Current	648	893
	1 116	1 575

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

17. OPERATING EXPENSES

	2015 Rm	2014* Rm
Operating lease charges – premises	**88**	92
Operating lease charges – plant and equipment	**9**	10
Rationalisation and restructuring	**123**	66
Depreciation of property, plant and equipment	**47**	105
Amortisation of intangible assets	**21**	28
Share-based payment expense	**(20)**	(13)
Employee costs	**1 895**	1 980
Employee benefits	**65**	98
Computer costs	**105**	103
Consulting fees	**119**	89
Audit fees	**54**	54
Other	**557**	559
	3 063	3 171

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

18. TAXATION

Major components of the taxation expense

	2015 Rm	2014 Rm
Current		
Local income taxation – current period	**25**	30
Local income taxation – recognised in current taxation for prior periods	**(4)**	(9)
Foreign income taxation or withholding taxation – current period	**377**	262
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	**(58)**	(28)
	340	255
Deferred		
Deferred taxation – current period	**(154)**	(192)
Deferred taxation – foreign rate change	**–**	2
Deferred taxation – arising from prior period adjustments	**(106)**	96
	(260)	(94)
	80	161

The net movement on deferred taxation amounts to R213 million (2014: R118 million), which comprises a credit to the statement of comprehensive earnings of R260 million (2014: R94 million credit), a debit of Rnil fair value adjustment on financial investments (2014: R21 million debit), (2014: Rnil at the CGT rate of 18,7%) (2014: R114 million) and a credit of R12 million (2014: R45 million debit) to the foreign currency translation reserve, and R59 million (2014: Rnil) relating to the disposal of a subsidiary.

	2015 %	2014 %
Reconciliation of the taxation expense		
Reconciliation between applicable taxation rate and effective taxation rate		
Effective taxation rate	**(18,3)**	(74,9)
Goodwill impairment charge	**(36,0)**	101,0
Effective taxation rate on earnings excluding goodwill impairment loss	**(54,3)**	26,1
Exempt income	**(134,4)**	14,3
Deferred taxation asset not recognised	**186,8**	(14,4)
Disallowable charges	**43,0**	(4,8)
Change in tax rate	**–**	(0,4)
Prior year adjustment	**(34,9)**	5,3
Effects of other jurisdictions and other	**21,8**	1,9
	28,0	28,0

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

19. NON-CASH AND OTHER MOVEMENTS

	2015 Rm	2014 Rm
Earnings from disposal of property, plant and equipment	**(61)**	(66)
Impairment of goodwill, property, plant and equipment and intangible assets	**628**	831
Profit on disposal of subsidiary	**(777)**	–
Fair value adjustments	**(196)**	(15)
Movements in foreign currency translation	**(62)**	(206)
Movement in equity-settled share-based payment reserve	**11**	5
	(457)	549

20. CONTINGENT LIABILITIES

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

	2015 Rm	2014* Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**3 721**	3 895
Parent company guarantees (ZARm)	**898**	2 987
	4 619	6 882
Australasia		
Guarantees and bonds (AUDm)	**647**	651
Parent company guarantees (AUDm)	**1 215**	4 149
	1 862	4 800

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

Aveng has a rehabilitation liability relating to the sale of the properties. Refer to *Non-current assets held-for-sale* note as detailed in the consolidated financial statements available on http://www.financialresults.co.za/2015/aveng-additional. The amount of this liability will be confirmed as soon as the environmental experts have completed their assessment of the extent and amount of damage.

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Contract performance guarantees issued by the parent company on behalf of its group companies are calculated based on the probability of draw down.

Claims and legal disputes in the ordinary course of business

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

21. HEADLINE EARNINGS

	2015		2014	
	Gross of taxation Rm	**Net of taxation Rm**	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings				
Loss for the period attributable to equity holders of parent	**–**	**(460)**	–	(381)
Impairment of goodwill	**291**	**291**	816	816
Impairment of property, plant and equipment	**273**	**252**	–	–
Impairment of intangible assets	**57**	**57**	15	15
(Loss) / profit on sale of property, plant and equipment	**6**	**4**	(25)	(18)
Profit on sale of subsidiary	**(777)**	**(713)**	–	–
Fair value adjustment on investment property	**(11)**	**(9)**	(15)	(11)
Headline (loss) / earnings		**(578)**		421

22. EVENTS AFTER THE REPORTING PERIOD

Disposal of non-core assets

The non-core properties have been classified as non-current assets held-for-sale. Refer to note 13: *Non-current assets held-for-sale* of the consolidated financial statements. The Competition Commission approval has been obtained for this transaction and all necessary documents have been signed after year-end. All conditions precedent have been met and therefore the disposal transaction is substantially complete.

As part of this transaction the Group will have committed lease payments for these properties after the disposal.

Corporate information

Company secretary
Michelle Nana

Business address and registered office
Aveng Park
1 Jurgens Street, Jet Park
Boksburg
South Africa
Telephone +27 (0) 11 779 2800
Telefax +27 (0) 11 784 5030

Company registration number
1944/018119/06

Share codes
JSE: AEG
ISIN: ZAE 000111829

Website
www.aveng.co.za

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

Principal bankers
Absa Bank Limited
Australia and New Zealand Banking Group Limited
Barclays Bank Public Limited Company
Commonwealth Bank of Australia Limited
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
Standard Chartered Bank Public Limited Company
The Hong Kong and Shanghai Banking Corporation Limited
The Standard Bank of South Africa Limited

Corporate legal advisers
Backer & McKenzie
Cliffe Dekker Hofmeyr
Norton Rose Fulbright
Webber Wentzel

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

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