Integrated report
2019

AVENG

Providing a better life

OUR STRATEGY

To be an international infrastructure, resources and mining group operating in selected fast-growing markets

PURPOSE
Providing a better life

MISSION
We create and deliver infrastructure, resource and mining solutions.

- Capital restructure
- Non-core asset disposals
- Core operational performance

OUR VALUES

We do not compromise on, and hold each other accountable for:

1 Safety and care

"Home Without Harm Everyone Everyday". We care for the health and wellbeing of our people, the communities we work in and for our environment.

2 Honesty and integrity

We do what is right – consistently and transparently.

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Aveng at a glance

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Navigating this report: 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.**

WELCOME TO THE AVENG INTEGRATED REPORT

For more than 125 years, Aveng has evolved in character, capacity and reach and continues to make its mark across the globe. Over the years Aveng developed world-class expertise in steel, engineering, manufacturing, mining, concessions, public infrastructure and water treatment in a diverse range of sectoral and geographic markets. Now the Group is forging a new future as it responds to material changes in its traditional markets.

We are transforming into an international infrastructure, resources and mining group capitalising on the expertise and experience of our core businesses in growing markets in sub-Saharan Africa, Australia, New Zealand and Pacific Islands, and Southeast Asia.

3 Customer focus

We build relationships by engaging, listening, understanding, collaborating and delivering on our promises with excellence.

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4 Working together

We are team players who are committed to the Aveng purpose, mission and values. We respect, cooperate and collaborate with each other, tapping into our rich diversity.

Corporate governance report	58
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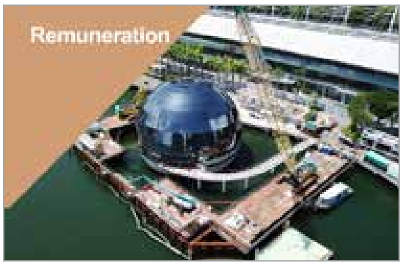
5 Performance excellence

We are clear about results and what we need to do to get there. We deliver with excellence as we strive to create ever-improving value to our stakeholders.



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Providing a better life

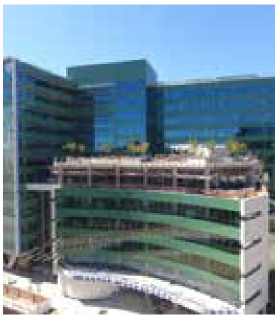
Our focus in 2019 was to ensure Aveng's longer-term sustainability in order to provide a better life for our employees, communities and other stakeholders.

A stable platform for growth

Decisive actions including a **R493 million rights issue**, early redemption of a **R2 billion convertible bond**, repayment of R300 million of bank debt and non-core disposals reduced the debt:equity ratio from 127% to 87%.

Pages 31 and 39

R1,1 billion non-core disposals



Non-core disposals created liquidity, preserved jobs, and contributed to **transformation** of the construction and manufacturing sectors in South Africa.

Pages 31, 32 and 33

New leadership

Appointed a new Group CEO and **strengthened management** in the core businesses.

Pages 34 and 55

Safety and care

Regrettably, we did not achieve our primary goal of "Home Without Harm Everyone Everyday" as the lives of two employees were lost on our work sites in South Africa and Burkina Faso. Our lost-time and **recordable injury rates improved** and we **strengthened** the identification and **management of health risks**.

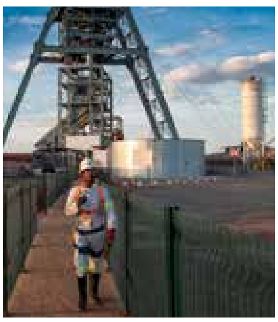
Pages 54 and 55

Stronger core businesses

McConnell Dowell delivered consistent profitability. A Group-led intervention addressed **Moolmans'** underperformance, positioning the business to return to modest profitability in 2020.

Pages 44 and 48

Future growth prospects



The **order book** of the core operations **grew by 36% to R17,7 billion**. McConnell Dowell and Moolmans remain focused on **achieving their longer-term growth** targets.

Pages 34, 47 and 51

2019 performance overview

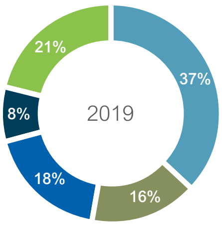
FINANCIAL

Revenue
R25,7 billion
(2018: R30,6 billion)

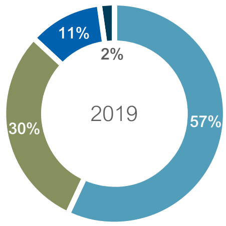
Core two-year order book
R17,7 billion
(2018: R13 billion)

Net operating loss
R1,1 billion
(2018: R401 million loss)

Non-core asset sales
R1,1 billion
– R520 million proceeds received
– R560 million disposals in progress



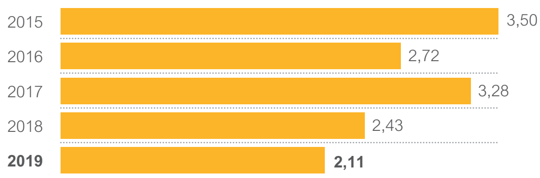
Revenue by operating group
- McConnell Dowell
- Moolmans
- Aveng Grinaker-LTA
- Aveng Manufacturing
- Aveng steel



Two-year order book by operating group
- McConnell Dowell
- Moolmans
- Aveng Grinaker-LTA
- Aveng Manufacturing

NON-FINANCIAL

Five-year safety trend



Five-year all injury frequency rate (AIFR) trend (per 200 000 hours)

BBBEE contributor status
Level 2
(2018: level 2)

Transformation
R3,4 billion
paid to black-owned suppliers,
20% to black women-owned suppliers

Investment in people
R12,8 million
invested in education focused socio-economic development

Learning and development
6 894 Moolmans employees trained
33 000 hours of training for McConnell Dowell employees

Read more about the Group's performance on pages 28 to 55.

About this report

Our 2019 integrated report provides information to our shareholders and other stakeholders about the performance, governance, material risks and opportunities, strategy and future prospects of Aveng.

Scope and boundary

This report covers the performance of the Group's operations across the geographies it operated in during the financial period 1 July 2018 to 30 June 2019. Relevant developments between 1 July 2019 and the date of publication are included. We endeavour to report on matters that influence our ability to create value, including information about the effect of our business activities on our stakeholders.

Our reporting process is guided by the principles and requirements of the International Integrated Reporting <IR> Framework, the King IV Report on Corporate Governance™* (King IV), the Companies Act 71 of 2008 (as amended) (Companies Act), the Listings Requirements of the JSE Limited (JSE), the International Financial Reporting Standards (IFRS), the Aveng safety, health and environment and human resource policies and frameworks, the Global Reporting Initiative (GRI), the Greenhouse Gas (GHG) protocol, the BBBEE codes of good practice and the Construction Sector Charter.

Reporting approach

Aveng applies the principle of materiality to determine the content of its reporting and defines materiality as matters that substantially affect the Group's ability to create and sustain value over the short, medium and long term.

In this integrated report Aveng demonstrates how it is executing its strategy to become an international infrastructure, resources and mining business. We show how our business model and strategy are informed by an understanding of the relationships and resources we rely on to create value.

▶ Materiality and strategy report, pages 18 to 27.

Assurance and comparability

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 sections.

The summarised audited consolidated financial statements are extracted from the audited consolidated financial statements, prepared in accordance with IFRS, the Companies Act and the JSE Listings Requirements, and independently audited by Ernst & Young Inc.

Pursuant to the Group's commitment to transparency and effective communication, Aveng has provided disclosures in this report and the sustainability report on the website in line with best practice and internationally accepted standards, where possible. Certain sustainability information has been correctly extracted from the online sustainability report.

Independent assurance on selected safety, health and environment metrics was obtained from our external auditors, Ernst & Young Inc. The limited assurance engagement was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information and in accordance with ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

Aveng's combined risk management assurance model is encapsulated in its "three lines of defence" approach and is continuously improved, as reported on page 19.

2019 suite of reports

The integrated report should be read in conjunction with:

- the Group annual financial statements, which provide full audited financial statements, a directors' report, an independent auditor's report and an audit and risk committee report; and
- the Aveng sustainability report, which provides information on safety, health and environment, people management, diversity and inclusion and corporate social investment.

Stay informed

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

Feedback

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

Board responsibility and approval

The Board, assisted by its audit and risk committee and other Board 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 <IR> Framework.

The integrated report was approved by the Board on 30 October 2019 and signed on its behalf by:

EK Diack
Executive chairman

SJ Flanagan
Group chief executive officer

AH Macartney
Group finance director

Who we are and how we create value

Gamsberg mine, South Africa

IN THIS SECTION

SALIENT FEATURES

Aveng generated revenue of R25,7 billion across its diversified markets:

63%
Africa

29%
Australia, New Zealand and Pacific Islands

8%
Southeast Asia

Who we are and how we create value

Aveng **optimises its business model** through **effective strategy implementation** to **create value for stakeholders**.

The **scale, specialist capabilities, management capacity and brand reputation** of the Group's core operations equip them to capitalise on growing markets.

Core operations

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

Delivering innovative solutions to complex projects for our clients for over 50 years, with a proven track record of success on smaller to mid-range construction projects.

Over 3 500 employees, professional engineers and construction teams working across Australia, New Zealand and Southeast Asia, earning the trust and loyalty of our clients with a strong safety record and systematic structured approach to project management.

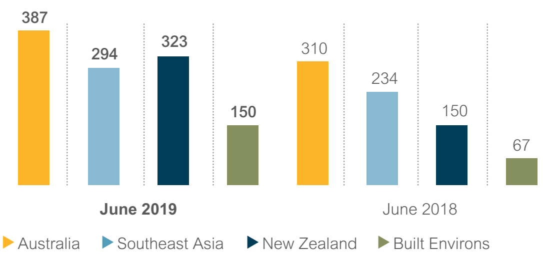
Competitive advantages

- Brand reputation
- Strong management
- Engineering and innovation excellence
- Collaborative and reliable delivery partner
- Specialist capabilities
- Diversity by sector, discipline, geography

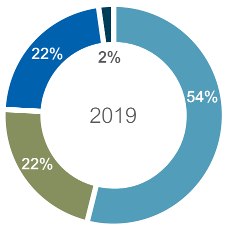
Growth prospects

Two-year order book – AUD1,15 billion

Two-year order book (AUDm)

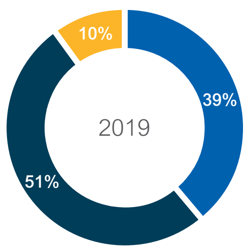


Revenue by geography



- Australia
- Southeast Asia
- New Zealand
- Middle East

Revenue by sector



- Water and environmental
- General infrastructure
- Oil and gas

Industry accolades

- 2019 Australian Construction Achievement Award for Amrun Chith export facility
- Hynds Construction Excellence Award for Army Bay Outfall project
- MBA Professional Excellence Award for Urbanest Student Accommodation
- 2019 Minex Award for Sumner Road project
- 2019 Workplace Health and Safety SHARP Award for Marina Bay Sands project

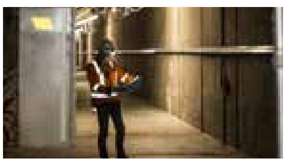
Specialist capabilities


Rail


Civils


Marine


Building


Tunnel and underground


Pipelines


Mechanical

Our core operations' scale, specialist capability, management capacity and brand reputation equip them to capitalise on growing markets.

Moolmans

For more than 60 years Moolmans has delivered specialised services throughout Africa, mining in a range of commodities for several reputable clients. Our ability to develop sound client relationships and work in remote and difficult locations has earned us a strong reputation in our selected markets.

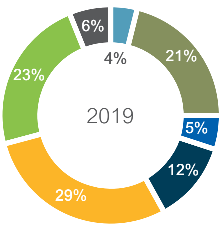
Moolmans is positioning to be a multinational contract mining solutions provider, leveraging its strengths and core competencies. An integrated management system enables Moolmans to provide best mining safety practices.

Competitive advantages

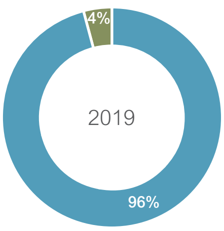
- Brand reputation
- African leader in open-cut contract mining
- Experience in remote and difficult environments
- Relationships with established mining houses
- R2,3 billion fleet to serve clients' on-site needs
- Diversity by client, commodity, discipline

Growth prospects

Two-year order book – R6 billion



Two-year order book by commodity
- Gold
- Zinc
- Nickel
- Coal
- Iron ore and waste
- Manganese
- Platinum



Two-year order book by geography
- South Africa
- Rest of Africa

Footprint

Current projects

South Africa

▲ Northern Cape
– Gamsberg
– Klipbankfontein
– Sishen
– Tshipi

▲ Mpumalanga
– Klipspruit
– Khutala
– Nkomati

▲ Limpopo
– Platreef

Rest of Africa

▲ Burkina Faso
– Taparko

▲ Guinea
– Lefa

Specialist capabilities


Open-cut mining


Shaft sinking


Underground mining

Excavators/face shovels
Mass range: 170 – 700 tonnes

Dump trucks
Mass range: 100 – 200 tonnes

Drill rigs

Support equipment

Underground equipment

Industry accolades

- Globally recognised integrated SHEQ system

Market risks and opportunities

1 AUSTRALIA

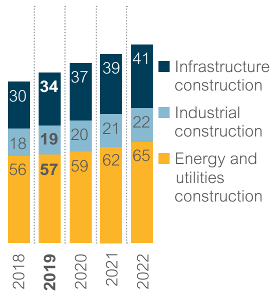
Risk and opportunity

- Energy, industrial and infrastructure sectors continue to grow
- Infrastructure activity underpinned by government-led investment plans
- Increasing competition for projects below AUD500 million

Our response

McConnell Dowell is positioned in high-growth markets and areas of specialisation in which it has a reputation for successful project delivery. A decision to shift away from complex mega projects was validated by significant challenges experienced by mega project contractors. The adoption of a preferred status approach reduces project risk but lengthens bidding processes. These factors have improved the quality of our order book but necessitated an increase in bidding activity to grow revenue.

Australia – engineering and construction output (AUD billion)



2 NEW ZEALAND

Risk and opportunity

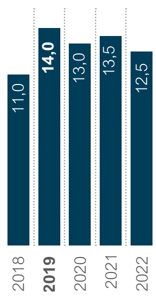
- Construction market buoyancy driven by growing demand
- Significant public sector investment in transport and energy infrastructure for growing population
- Acute capacity constraints and cost inflation contributing to cash flow pressures

Our response

McConnell Dowell diversifies its business geographically to capitalise on growth opportunities in its targeted regions. We have a strong reputation in New Zealand for delivering consistently sound performance in safety, productivity, innovation and quality and are the market leader in the marine and tunnel sectors.

Built Environs' expansion into New Zealand resulted in new awards and the prospect of future growth opportunities.

New Zealand – infrastructure spending (AUD billion)



3 SOUTHEAST ASIA

Risk and opportunity

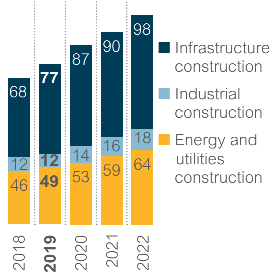
- Regional economy gaining prominence as its contribution to Asia's GDP grows to 12%
- Urbanisation and growing populations driving investment in privately backed infrastructure projects
- Opportunities tempered by political uncertainty and competition

Our response

McConnell Dowell's Southeast Asia operations have the capacity to perform across marine, pipeline, tunnel and underground sectors.

The business unit focuses on select opportunities where it can demonstrate competitive advantage in complexity and scale. Senior management changes are strengthening business development in response to highly competitive markets.

Indonesia – engineering and construction output (AUD billion)



Aveng operates in complex environments where risk and opportunity are inherent in all of our activities. By understanding these, we can respond to them with our risk and opportunity management process.

4

AFRICA

Risk and opportunity

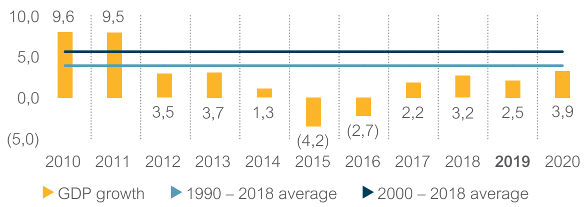
- Stagnant economic growth, with limited investment in the South African construction, infrastructure and mining sectors
- Metal prices expected to continue recovery to 2020
- African ore production increasing since 2014
- Emerging market exporters experiencing positive GDP growth
- Economic growth hampered by socio-political turmoil in some countries

Our response

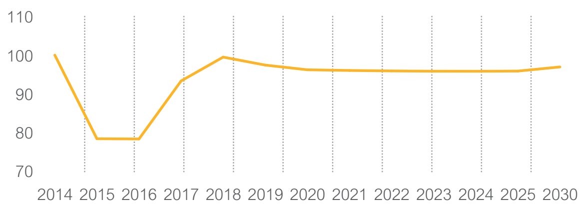
Aveng is divesting from its South African construction and related businesses and using the disposal proceeds to optimise its capital structure and capitalise on growth opportunities in mining and selected regional construction markets.

Moolmans is well established in South Africa and has a strong reputation in the rest of Africa. Moolmans is pursuing opportunities in selected markets to restore its presence on the continent.

Commodity exporting emerging markets



Price index of Moolmans selected commodities



Our business model

Aveng optimises its business model through the effective implementation of its strategy to achieve its business objectives.

INPUTS

The key resources we need to optimally manage the business

Financial capital

- Stabilised balance sheet
- Access to affordable borrowings
- Proceeds from non-core disposals
- Improved working capital management
- Quality order book growth

FD report

Human capital

- 11 544 employees
- New Group CEO
- New Moolmans leadership
- Highly skilled project management and stronger bench strength across core businesses
- Values-driven culture

Chairman and Group CEO review
Sustainability report

Social and relationship capital

- Effective stakeholder engagement
- Sound relationships with investors and financial community, clients and employees

Chairman and Group CEO review

Intellectual capital

- Specialist capabilities in construction, engineering and mining
- Engineering excellence, innovation and value creation across specialist capabilities
- Business administration expertise

Chairman and Group CEO review
Operational review

Manufactured capital

- Diverse R2,3 billion mining fleet to serve client's on-site needs

Core operations
Operational review

Natural capital

- Energy and water use in operations

Sustainability report

BUSINESS ACTIVITIES

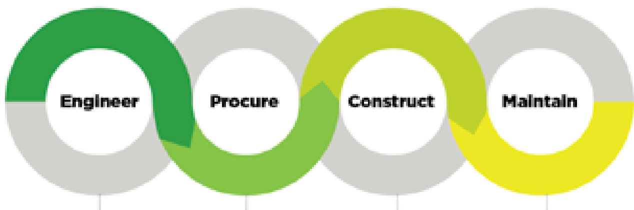
We apply Aveng's resources and relationships in an ethical and responsible manner to create and sustain value for our stakeholders.

Our core businesses leverage their world-class brands and specialist capabilities to deliver these services to their clients:

McCONNELL DOWELL
CREATIVE CONSTRUCTION

- Delivering innovative solutions to complex projects for over 50 years.
- Offering multidisciplinary expertise across building, civil, fabrication, marine, mechanical, pipelines, rail, tunnel and underground construction to clients in Australia, Southeast Asia, New Zealand and Pacific Islands.

Value offering



Moolmans

- Delivering specialised services across the mining value chain for over 60 years.
- Offering open-cut mining, shaft sinking and access development, and underground mining services in a range of commodities to reputable clients across Africa.

The core businesses are supported by an agile corporate office that provides:

- **Strategic leadership**
- **Capital allocation**
- **Treasury and financial reporting**
- **Performance management**
- **People management**
- **Culture and values**

Other areas of expertise required by our clients are outsourced or embedded in the core businesses, which provide input to the corporate office on:

Risk | **IT** | **Procurement** | **Safety**

The Group has realigned its business model with its strategy to become an international infrastructure, resources and mining group.

OUTPUTS

Our business activities generate projects and services that create value for our clients and other stakeholders whose lives are influenced by our built environments.

OUTCOMES

Our business activities and outputs have the following impacts on our stakeholders:

Financial capital

- Completed capital market transactions
- Restructured bank debt and repaid R300 million
- Proceeds from the several non-core disposals created liquidity
- Renegotiated loss-making projects
- Grew core order book by 36%

Group FD report

Human capital

- Effective leadership
- Stronger operational management
- Two fatalities (2018: one)
- Reduction in employee complement tempered by responsible disposal process

Chairman and Group CEO review
Sustainability report

Social and relationship capital

- Retained BBBEE level 2
- R12,8 million invested in socio-economic development projects
- Strengthened engagement with investors, clients, employees

Chairman and Group CEO review
Sustainability report

Intellectual capital

- Brand reputation of established core businesses
- Extending the systematic, structured McConnell Dowell Way to Moolmans

Chairman and Group CEO review
Operational review

Manufactured capital

- Invested R584 million in Moolmans fleet

Operational review

Natural capital

- Zero major environmental incidents (2018: zero)

Sustainability report

Board of directors

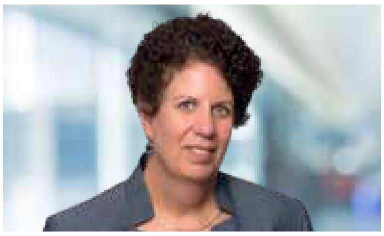
EXECUTIVE DIRECTORS

Eric Diack (62)*
Executive chairman
BAcc, CA(SA), AMP Harvard and UCT
Appointed to the Board: December 2013
Experience: 33 years of industry and related experience
Board committees:
Chairman: IC
Member: RN TR

Sean Flanagan (59)*
Group chief executive officer
BSc (Building)
Appointed to the Board: November 2015
Experience: 30 years of industry and related experience
Board committees:
Member: TR

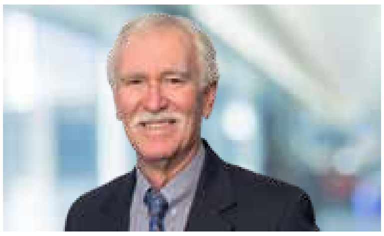
Adrian Macartney (51)
Group finance director
BCom, BCompt (Hons), CA(SA)
Appointed to the Board: September 2014
Experience: 25 years of industry and related experience
Board committees:
Member: TR

INDEPENDENT NON-EXECUTIVE DIRECTORS



May Hermanus (59)
Lead independent non-executive director
BSc (Geology), MSc (Physical Metallurgy), Takemi Fellow, Harvard University
Appointed to the Board: September 2009
Board committees:
Chairman: SHE SET
Member: AR RN

Philip Hourquebie (66)
Independent non-executive director
CA(SA), BCom (Hons), BAcc
Appointed to the Board: August 2015
Board committees:
Chairman: AR
Member: IC RN SET SHE TR



Michael Kilbride (67)
Independent non-executive director
BSc (Hons) Mining Engineering (RSM, London University), MDP (Unisa), SEP (London Business School)
Appointed to the Board: July 2012
Board committees:
Chairman: TR RN
Member: AR IC SHE SET

AR	Audit and risk committee
IC	Investment committee
RN	Remuneration and nomination committee
SET	Social, ethics and transformation committee
SHE	Safety, health and environmental committee
TR	Tender risk committee
	Executive committee

* EK Diack and SJ Flanagan attend all committee meetings by invitation.

Refer to page 59 on the change in directorate.

Detailed CVs **www.aveng.co.za**

Key and senior management

Scott Cummins (56)

Chief executive officer, McConnell Dowell Corporation Limited

Experience:
29 years of industry and related experience

At Aveng for:
Three years

Jerome Govender (47)

Managing director, Moolmans

Experience: 25 years of industry and related experience

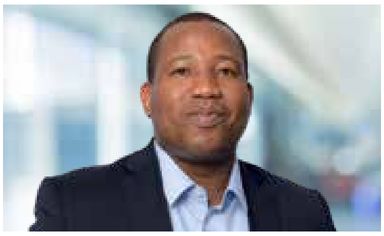
At Aveng for:
Six months

Hercu Aucamp (51)**

Managing director, Aveng Steel

Experience:
30 years of industry and related experience

At Aveng for:
Eight years



Bhekani Mdlalose (40)**

Managing director, Aveng Grinaker-LTA

Experience:
19 years of industry and related experience

At Aveng for:
Nine years

Wouter de Gidts (65)**

Interim managing director, Aveng Manufacturing

Experience:
40 years of industry and related experience

At Aveng for:
One year

Michael Canterbury (55)

Group executive, Strategy and investor relations

Experience:
28 years of industry and related experience

At Aveng for:
Three years

Grant Stock (50)

Commercial executive

Experience:
24 years of industry and related experience

At Aveng for:
Four years

Edinah Mandizha (39)

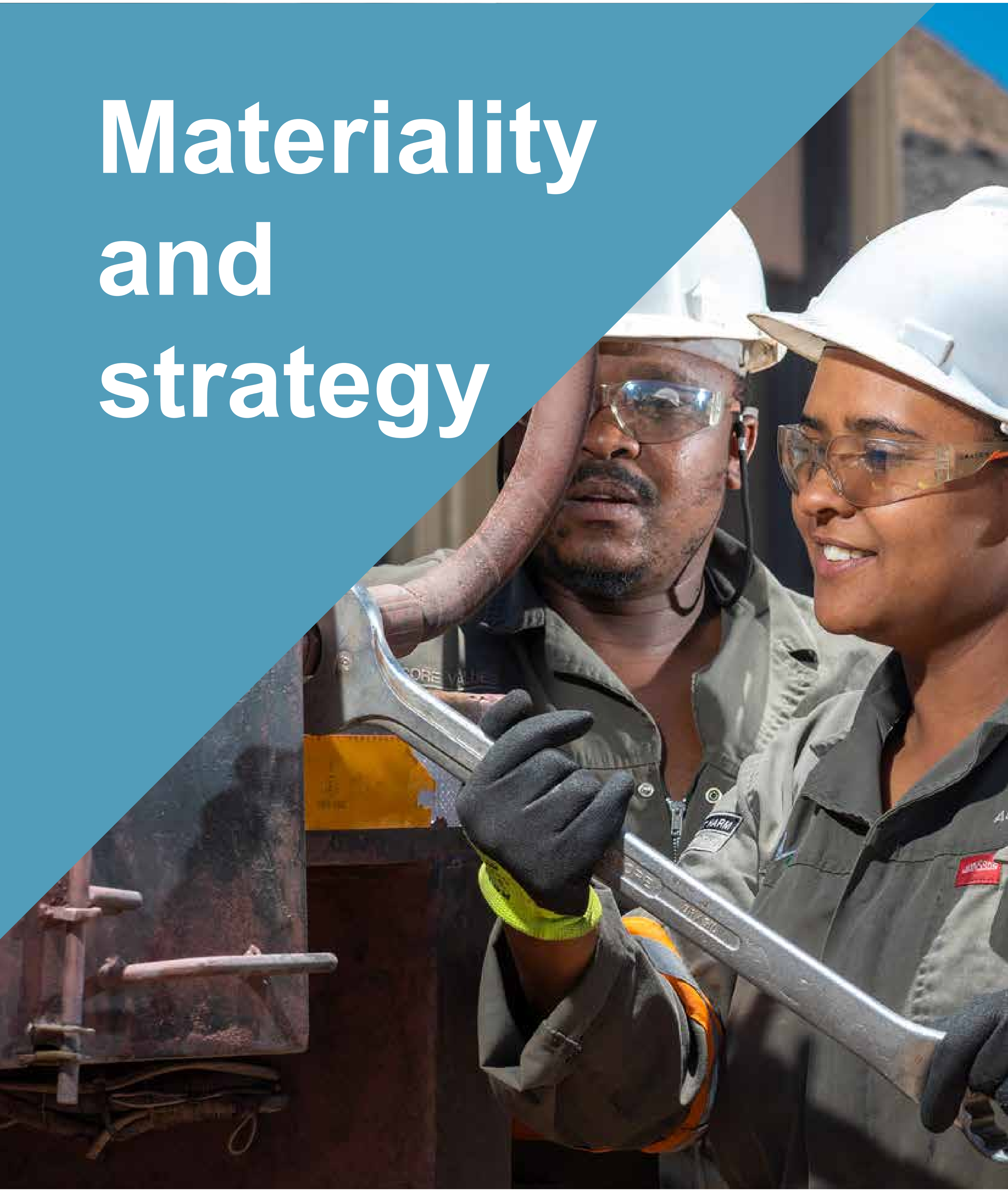
Group company secretary

Experience:
13 years of industry and related experience

At Aveng for:
Seven years

*** These executives will cease to be Aveng key and senior management when the non-core disposal process is completed.*

Materiality and strategy



Tshipi Borwa, Northern Cape

IN THIS SECTION

SALIENT FEATURES

Our top material matters in 2019

Capital restructure

Core operational performance

Non-core asset disposals

Human capital

Safety

Materiality and strategy

Aveng continuously **determines** and **assesses material matters** that affect the Group's ability to **create and sustain value**. Our material matters inform our strategy, thereby **enabling the Group to create value**.

A strategic **review** and **action plan** enabled the Group to address material short-term risks while continuing to **execute** its **long-term strategy**.

Materiality

Aveng has a well-established process to identify, evaluate and manage risks and opportunities.

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

We determine and assess material matters regularly by proactively assessing trends in the changing business environment and responding to unforeseen developments. Our material matters inform our strategy, thereby enabling the Group to create value.

Our three-stage material matters determination process is guided by the International Integrated Reporting <IR> Framework:

STEP 1

Relevant internal and external matters are identified

STEP 2

The importance of matters identified is evaluated

STEP 3

Material matters are prioritised

1 IDENTIFYING RELEVANT INTERNAL AND EXTERNAL MATTERS

Aveng enterprise risk management

Risk and opportunity management approach

Our approach to managing risk and opportunity is based on a "three lines of defence" combined assurance model.

Governance oversight

The Board's audit and risk committee acts as the governing body for the combined assurance model by:

- Overseeing the activities and efficacy of all three lines of defence
- Reviewing all material risks, major and problematic projects with specific focus on delays, changes in costs, commercial claims, margins and other items of concern
- Communicating concerns raised by the committee to the relevant operating groups for management actions
- Ensuring that lessons learnt from underperforming or successful projects enable continuous improvement in processes and project execution
- Overseeing the activities of the external and internal audit functions and receiving input on the adequacy of financial reporting and control mechanisms and on material risk issues that could impact the financial results.

The tender risk committee, a sub-committee of the audit and risk committee:

- Reviews all major bids and high-risk projects to ensure that appropriate processes are followed in bid preparation and that risks are considered and appropriately mitigated before bid submission
- Provides a mandate specifying the terms under which operations may conclude a contract.

Key business risks and opportunities

Risk and opportunity management involves a continuous process of regular review and management of changes in the Group's business or project environments.

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 employees, matters which may fundamentally undermine the Group's competitive position and adversely impact its reputation.

A Group risk register is updated quarterly and reported to the audit and risk committee.

Opportunity management focuses on identifying and removing barriers to success, thereby enabling the Group to capitalise on opportunities at a strategic, business and project level. Opportunities are identified by exploring previously perceived but unexamined risk, such as learning from best practice, scenario planning and learning from past ignored or missed opportunities. Opportunities offer the potential benefits of strategic alignment and advancement of business objectives which create value for stakeholders.

▶ Market risks and opportunities report, page 10.

Stakeholder engagement

Aveng has a diverse range of stakeholders who have an interest in our business and may be affected by it. Our stakeholders influence our ability to create sustainable value. This is why we engage openly and constructively with them to ensure that we understand and respond to their expectations and concerns. By doing so effectively, we can create lasting value for our business and our stakeholders.

Aveng has a stakeholder engagement plan and report-back process that enables the corporate office and operating groups to identify and respond to their material stakeholders.

Materiality continued

Aveng's diverse range of stakeholders includes:

- Employees
- Shareholders and financial institutions
- Clients, subcontractors and other suppliers
- Trade unions
- Government and regulators
- Industry bodies
- Communities

During 2019, our stakeholder engagement plan focused on:

Clients, sub-contractors and other suppliers	Employees	Shareholders and financial institutions	Government and regulators
WHAT THEY EXPECT OF US			
A business that delivers projects or services safely, on time and within budget	An employer that offers its people the opportunity to realise their full potential in safe working environments	A trustworthy business that fulfils its promise of financial stability and sound, sustainable future returns	A compliant business that shares its industry knowledge to ensure fair regulatory environments
HOW WE RESPONDED			
▸ Improved delivery of a substantial number of projects ▸ Addressed under-performing projects in consultation with clients.	▸ Embedding Aveng values and a high-performance culture in core businesses ▸ Rewarding exceptional performance based on clearly defined standards ▸ Disposing of non-core assets in a responsible manner.	▸ Implemented a strategic plan to ensure a long-term sustainable capital structure ▸ Completed capital market transactions ▸ Restructured bank debt and repaid R300 million ▸ Disposed of non-core businesses as going concerns.	▸ Compliance with laws, regulations, and codes of best practice in all countries in which we operate ▸ Reinforced Aveng values throughout organisation ▸ Aveng Code of Business Conduct requires ethical conduct of all our companies and employees.
Performance review, pages 44 to 55.	People management, sustainability report www.aveng.co.za	Performance review, pages 30 to 39.	Governance report, pages 58 to 61.

Business model pages 12 and 13.

2 EVALUATING IMPORTANCE OF MATTERS IDENTIFIED

Aveng risk management, stakeholder engagement and the business environment inform the material matters.

Magnitude of effect on the Group

Once the relevant material matters are identified, they are assessed based on their potential impact on Aveng. The assessed impact of these material matters focuses on:

Impact on the safety of our people	Loss of profit or increased capital cost	Delays in achieving strategic objectives	Legal ramifications	Environmental impact	Reputational damage

Likelihood of occurrence

These matters are assessed according to the likelihood that they will occur based on the following ranges:

Improbable >0% – 3%	**Unlikely** >3% – 10%	**Possible** >10% – 30%	**Probable** >30% – 60%	**Highly likely** >60% – <100%

If a material matter has occurred, lessons learnt are undertaken to ascertain the likelihood of reoccurrence and to ensure that correct processes are implemented to mitigate reoccurrence.

Quantitative and qualitative considerations

Quantitative considerations focus largely on financial impacts, an increase in capital cost and the ability to achieve business objectives. Qualitative considerations focus primarily on safety, legal, environmental and reputational impacts. These are assessed based on the likelihood of occurrence.

3 PRIORITISING MATTERS

The identified material matters are ranked based on their potential probability of occurring in the Group as well as their potential quantitative and qualitative impact on the Group.

The resultant matters are then plotted on a heat map to demonstrate that only the most material matters emerge.

Focus on the most important matters

The top material matters are discussed more fully on pages 22 and 23.

Materiality continued

MATERIAL MATTERS

Aveng's material matters which the Group reviews regularly in line with the recommendations of King IV, and our strategic responses, are discussed below:

	1	2
MATERIAL MATTER	**Capital restructure** Aveng depends on a sound, sustainable balance sheet, with manageable levels of debt, to develop the foundation for long-term growth and value creation.	**Core operational performance** Sound project execution, quality order books and scale create sustainable value. Underperformance impacts financial performance and undermines future work opportunities.
STAKEHOLDERS IMPACTED	**Investors and financial institutions**	**Clients and subcontractors** **Investors and financial institutions** **Employees**
OUR RESPONSE	• Completed early redemption of R2 billion convertible bond • Disposed of Rail and Water non-core businesses and properties • Announced sales of Infraset, Dynamic Fluid Control, Duraset (Alrode), Building and Civils, Rand Roads, Ground Engineering and Mechanical and Electrical	• McConnell Dowell remained profitable and has increased its bidding activity to grow its order book • A Group-led intervention at Moolmans addressed poor performance by renegotiating an underperforming contract and securing contract extensions
LINK TO STRATEGY	**Capital restructure**	**Core operational performance**
OUTLOOK	• Strong focus on working capital management • Complete non-core disposals • Focus on core operational performance and quality order books	• McConnell Dowell secured 77% of 2020 revenue; well positioned in growing markets • Moolmans grew its order book by 50% to R6 billion and secured 82% of 2020 revenue; pursuing additional opportunities

The transformation and stakeholder relationships and reputation material matters that were reported in 2018 continue to be mitigated and managed and are closely monitored.

3	4	5
Non-core assets	**Human capital**	**Safety**
Disposals improve liquidity and strengthen the focus on core businesses. A delayed disposal process is disruptive to operations and employees and may negatively impact performance.	Specialist skills and performance excellence are vital for organisational performance. Loss of critical skills affects performance and has a negative impact on earnings.	Aveng operates in a diverse, complex environment and employs a large workforce. The safety of employees is a core value that is integral to the way the Group conducts its business and will not be compromised.
Employees **Investors and financial institutions**	**Employees** **Clients** **Investors and financial institutions**	**Employees** **Clients and subcontractors**
• Announced majority of non-core disposals as going concerns • Remaining disposals due to be completed by June 2020 • Continued support and drive for improved performance pending the disposal of the remaining businesses	• Embedding a values-driven high-performance culture • Developing management capability and bench strength in Moolmans and McConnell Dowell • Short-term incentivisation to drive performance and talent retention	• Leadership visibility at workplaces, employee awareness and accountability for safety • Increased road safety controls and addressed risk factors such as fatigue through the Employee Wellness Programme
Capital restructure **Non-core asset disposal**	**Non-core asset disposal** **Core operational performance**	**Non-core asset disposal** **Core operational performance**
• Well positioned to sell the balance of non-core businesses to reduce debt and strengthen the Group's financial position	• Revising scheme to incentivise targeted behaviour and performance in line with shareholder expectations • Holding employees accountable for performance	• Continued focus on leadership visibility and employee awareness and accountability • Targeting zero harm and ongoing reduction in lost-time and recordable injuries

The execution of strategy material matter is inclusive in all of our published material matters and, as a consequence, continues to receive a high level of management attention.

Strategy

Aveng's long-term strategy is to become an international infrastructure, resources and mining group operating in selected fast-growing markets and capitalising on the expertise and experience of our core businesses.

A strategic review and action plan implemented in 2018 enabled the Group to address material short-term risks while continuing to execute its long-term strategy.

The perfect storm

- Complexity of multiple business units
- High debt burden
- Operational and financial underperformance
- Unsustainable capital structure
- Weak share price – significantly below net asset value
- A stagnant South African economy, limited infrastructure investment to stimulate growth

Stability

1
Capital restructure

2
Non-core asset disposal

3
Core operational performance

OUR PURPOSE AND VALUES

Our strategy is underpinned by our purpose of **providing a better life** and our **values:**

1 **Safety and care**

2 **Honesty and integrity**

During this process, we are transitioning to a robust and sustainable business, underpinned by a common purpose and values, and capable of achieving its strategic objectives.

Our strategy is responsive to our stakeholders and to risks and opportunities in our operating environments.

We believe that our strategy remains valid – it has enabled us to weather the storm of an industry in turmoil – and we will continue to fulfil each strategic commitment we make. With every milestone we pass, we are building a foundation for sustainable value creation. **This is our strategic journey:**

Consistent performance

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

Sustainable profitability

McCONNELL DOWELL CREATIVE CONSTRUCTION™

Moolmans

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

3 Customer focus

4 Working together

5 Performance excellence

Strategy continued

Progress achieved in implementing the strategy is summarised in the timeline below and on the opposite page.

2017

- Write-down of R5,1 billion in uncertified revenue triggered by under-recovery of QCLNG claims
- Board and executive management changes
- McConnell Dowell restructured under new management
- Aveng Capital Partners infrastructure investments sold to empowerment group Royal Bafokeng Holdings for R860 million

2018

- R493 million raised in rights offer
- Early redemption of R2 billion convertible bond
- Additional R400 million in bank debt secured
- Accuracy of cash flow forecasting improved
- Jet Park and Vanderbijlpark properties sold for R254 million

2019

February

Announced sale of Aveng Infraset to 100% black-owned Colossal Africa Consortium for R180 million

Repaid R200 million bank debt

May

Aveng Rail sold to 100% black-owned Mathupha Capital for R133 million

June

Aveng Water sold to 100% black-owned Infinity Partners for R85 million

July

Announced sales:

- Dynamic Fluid Control to 100% black-owned Copaflo Fluid Control, for R114 million
- Duraset Alrode to Videx for R50 million
- Rand Roads to Ultra Asphalt for R37,5 million
- Ground Engineering (GEL) to GEL's management and another shareholder for R7,5 million

August

- Announced sale of Building and Civil Engineering to 100% black-owned Laula Consortium for R100 million
- Repaid R100 million bank debt
- Renegotiated bank debt

October

- Announced sale of Mechanical and Electrical to Laula Consortium for R72 million

OUR STRATEGY

To be an international infrastructure, resources and mining group operating in selected fast-growing markets

- ● Achieved
- ● Progress made
- ● Not achieved

1 CAPITAL RESTRUCTURE

CAPITAL MARKETS TRANSACTION

RIGHTS OFFER

Achieved

- R493 million new capital raised in rights offer

EARLY BOND REDEMPTION

Achieved

- Early redemption of R2 billion convertible bond
- R1,4 billion new shares issued to equity settle convertible bond
- New R460 million debt instrument

RESTRUCTURE BANK DEBT

Achieved

- Restructured bank funding and extended term to 2021
- Secured additional facilities of R400 million
- Repaid R300 million of bank debt

2 NON-CORE ASSET DISPOSAL

ANNOUNCED

Achieved

- R1,1 billion of non-core asset disposals
  - R520 million proceeds received
  - R560 million disposals in progress

IN PROGRESS

Progress made

- Outstanding deals include Trident Steel and Automation & Control Solutions
- Target completion date June 2020

3 CORE OPERATIONAL PERFORMANCE

McCONNELL DOWELL

Progress made

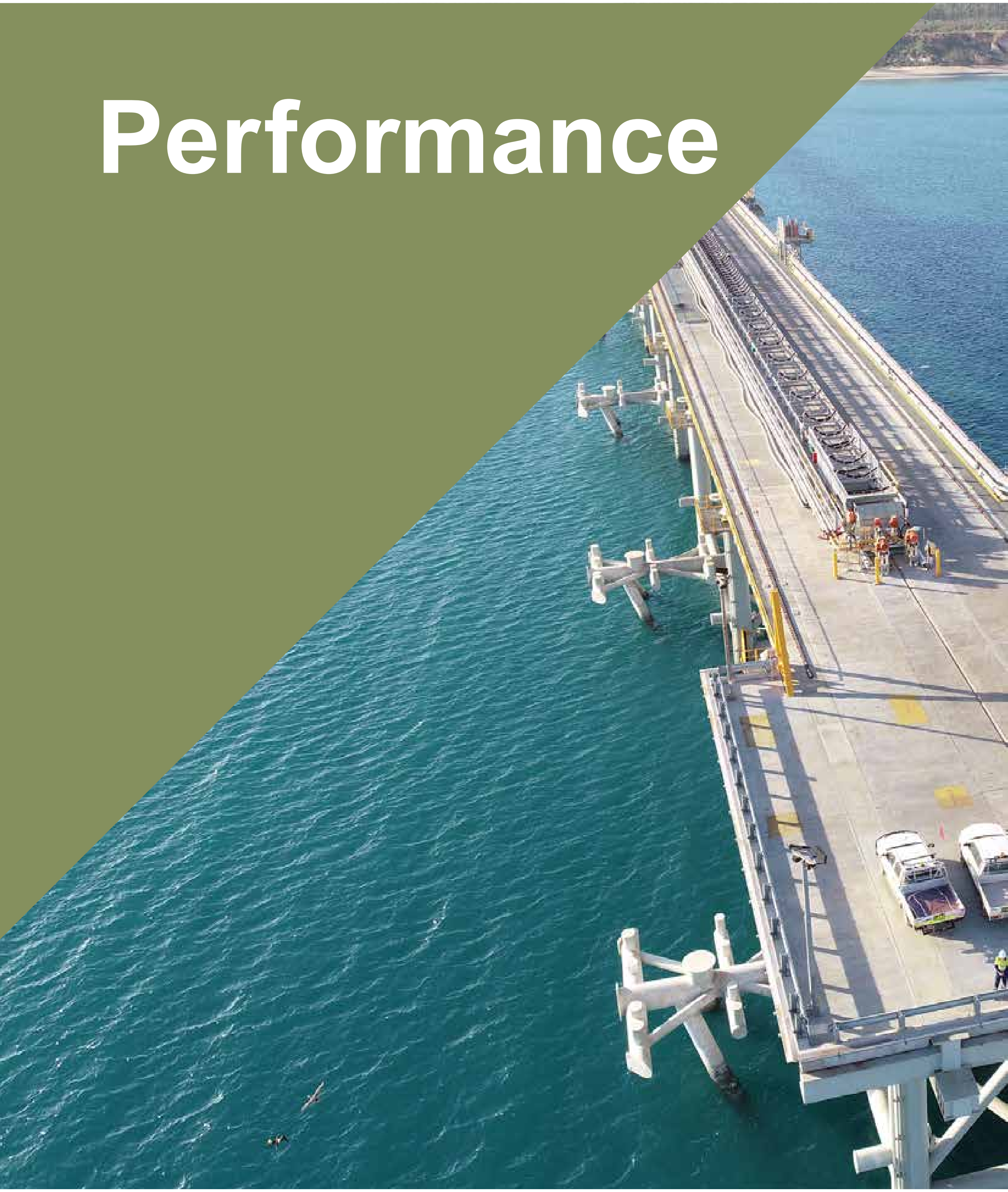
- Sustained positive EBIT performance
- Cash of AUD104 million at 30 June 2019
- Secured 77% of 2020 order book

MOOLMANS

Progress made

- Poor performance due to Gamsberg contract (now renegotiated)
- New leadership appointed
- Secured 82% of 2020 revenue from contract extensions

Performance



Amrun Chith export facility jetty, Queensland, Australia

IN THIS SECTION

SALIENT FEATURES

Major projects successfully completed in 2019

Amrun Chith Export Facility

Northern Gas Pipeline

Murray Basin Rail Upgrade

Swanson Dock East rehabilitation

Watercare Mangere BNR

Performance

Aveng has **met** its **strategic commitments** to date and **stabilised** the Group.

This has laid the **foundation** for our **longer-term goal** of acceptable returns for the providers of our **capital** and a **better future** for our **employees**, **clients** and **suppliers**.

Executive chairman's and Group chief executive officer's review

Aveng's strategy remains valid. We have reduced debt and created liquidity by disposing of non-core assets. In doing so, we are creating a more sustainable long-term capital structure for the Group which will enable our core businesses to reach their full potential. We are committed to returning Moolmans to profitability, growing McConnell Dowell's order book and improving equity value for shareholders.

2019 STRATEGIC ACTIONS

Leadership changes

– Group CEO
– Moolmans management team

Balance sheet restructure

– R493 million rights issue
– R2 billion early bond redemption
– R300 million bank debt repaid

Liquidity improvement

R1,1 billion non-core disposals
– R520 million proceeds received
– R560 million transactions in progress

Stakeholder support

– Shareholders, bondholders, bankers
– Employees, clients, suppliers

Core performance

– McConnell Dowell consistently profitable, pursuing order book growth
– Moolmans renegotiated loss-making project, 50% order book growth

Achieved
Progress made

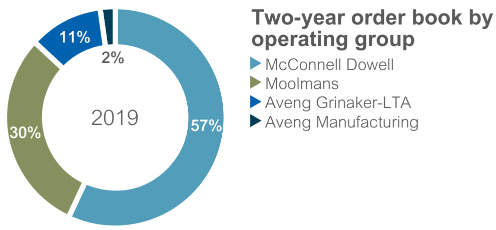
BALANCE SHEET AT 30 JUNE

R3,9 billion
stated capital

R1,6 billion
cash in the bank

Net debt reduced to
R540 million

87%
debt:equity ratio



Aveng entered the 2019 financial year in a precarious financial position, anticipating the completion of its rights offering and the early redemption of the convertible bond. These capital market transactions were made necessary by the lower than expected QCLNG award which triggered a material write-down of uncertified revenue in the 2017 financial results, followed by the renegotiation of bank debt and a strategic review.

Aveng's position was compounded by sustained weakness in its domestic markets which restricted the Group's ability to generate adequate cash flows from its South African operations.

The initial stages of the strategic plan implemented in 2018 enabled the Group to address these material short-term risks while focusing on the longer-term strategy to be an international infrastructure, resources and mining group operating in selected fast-growing markets and capitalising on the knowledge and experience of its core businesses.

The strategic plan involved identifying businesses and assets that were core to the Group and supported the long-term strategy, determining the most appropriate operating structure and recommending a sustainable future capital and funding model. Management identified non-core assets and announced plans for their disposal during the prior year.

Overview

We have met our strategic commitments to date and stabilised Aveng. This has laid the foundation for our longer-term goal of acceptable returns for the providers of our capital and a better future for our employees, clients and suppliers.

However, the broader context of turbulent domestic market conditions in which we are implementing our strategy cannot be ignored – it has taken a heavy toll on many of our industry peers and is reflected in the Group's financial performance for 2019. Aveng reported a headline loss of R1,54 billion (2018: R1,56 billion loss restated). This was attributable to a number of detrimental events which are detailed throughout this report and the FD's report.

FD's report, page 36.

Strategy implementation

Aveng has implemented the strategic plan systematically to create a more robust and sustainable organisation capable of achieving its long-term strategic objectives. We have made the following progress to date:

Ensuring a sustainable long-term capital structure

Our most urgent priority was to reduce Aveng's unsustainable debt of R3,3 billion (including R1,3 billion bank debt and R2 billion convertible bonds) at 30 June 2018. We strengthened our balance sheet by:

- Raising R493 million in a 98,6% subscribed rights issue in July 2018 to reduce our net debt position
- Redeeming the R2 billion convertible bonds in September 2018, 10 months before they matured, and converting them to equity
- Securing an additional R400 million in bank debt from a consortium of lenders on extended repayment terms. We have since repaid R300 million
- Renegotiating the debt repayment terms in August 2019 and extending the term and revolving credit facilities to September 2021
- Improving cash flow forecasting to allow for more efficient planning and cash management.

Aveng's debt:equity ratio improved from 127% to 87% at 30 June 2019. The Group continues to focus on progressive improvement in the quality of the balance sheet to achieve the capital structure necessary to sustain our growth objectives.

Creating liquidity by selling non-core assets

Disposal of non-core businesses and other assets is a key component of the strategic plan. It creates the liquidity necessary to sustain Aveng's operations and repay debt. This enables us to simplify the Group's operating structure and allocate resources, including management's attention and focus, to our core businesses.

Despite the slowdown in merger and acquisition activity in South Africa, we have reported non-core disposals amounting to R1,1 billion up to the date of this report. Proceeds of R520 million were received for the sale of Jet Park and other properties, Aveng Rail and Aveng Water. The following sales amounting to R560 million were announced and are being concluded:

- February 2019 – Aveng Infraset to 100% black-owned Colossal Africa Consortium, for R180 million
- July 2019 – Dynamic Fluid Control (DFC) to 100% black-owned Copaflo Fluid Control, for R114 million
- July 2019 – Rand Roads to Ultra Asphalt for R37,5 million

Executive chairman's and Group chief executive officer's review continued

- July 2019 – Ground Engineering (GEL) to GEL's management and another shareholder for R7,5 million
- August 2019 – Duraset Alrode to Videx for R50 million
- August 2019 – Building and Civil Engineering to 100% black-owned Laula Consortium for R100 million
- October 2019 – Mechanical and Electrical to Laula Consortium for R72 million.

The businesses have been sold as going concerns and the disposal process has been conducted in a responsible manner to create liquidity for the Group, preserve jobs and contribute to the transformation and sustainability of the sectors in which these businesses operate. Most were acquired by 100% empowered businesses, some in consortium with management. The Building and Civils transaction will satisfy the Group's Voluntary Rebuild Programme commitment to government.

The process to dispose of the balance of non-core businesses, including Trident Steel and Automation & Control Solutions (ACS) remains under way. Both remained profitable in difficult operating conditions and the Group continues to support them. We expect the disposal process to be completed by June 2020.

FD's report, page 36.
Operational review, page 44.

Improving performance of core businesses

McConnell Dowell and Moolmans form the core of the longer-term strategy. Key factors in the decision to base Aveng's future on the two businesses were geographic diversification, market selection based on growth opportunity, reputational strength founded on specialist capabilities, and the capacity to sustain sound relationships with quality clients and deliver attractive returns.

Both businesses have required management changes and focused strategies to set them on a longer-term growth trajectory. McConnell Dowell has been profitable since December 2017 and is leveraging its competitive advantages to capitalise on growth in all of its selected markets. Moolmans has been stabilised and positioned to return to modest profitability in 2020.

McConnell Dowell

During 2019, McConnell Dowell was consistently profitable as it focused on smaller specialised projects and continued to improve operational performance.

While McConnell Dowell's two-year order book grew from a low base to AUD1,15 billion, which supports 77% of budgeted revenue for 2020, the business requires larger scale to achieve its longer-term growth objectives. The value of outstanding tenders is currently AUD2,5 billion, including AUD1,2 billion of preferred status projects.

McConnell Dowell remains focused on pursuing opportunities in the areas of specialisation in which it has a proven track record of success. To strengthen its growth momentum, the business has increased bidding activity in line with its strategy and successfully negotiated repeat work with major clients in Australia on the strength of sound performances on projects such as the long-term Western Program Alliance and Swanson Dock in Melbourne.

Moolmans

Moolmans' disappointing financial performance was attributable largely to underperformance on the Gamsberg and Khutala contracts and the previously reported additional closure costs incurred during the early termination of the Karowe contract in Botswana.

The Group-led intervention at Moolmans focused on operational performance, asset health, contract renegotiations and extensions, and timely and improved reporting and monitoring. Following the intervention, Moolmans renegotiated the costs and conditions of the Gamsberg contract and the Khutala contract ended in September 2019. Moolmans secured five contract extensions, including rate and scope increases, which contributed to 50% growth in the order book to R6 billion since December 2018. This represents 82% of Moolmans' budgeted revenue for 2020.

Pending a decision on the future of the Nkomati mine, Moolmans negotiated an extension of the contract to September 2020. Opportunities are being explored to redeploy the equipment used on the Nkomati project to existing or new project opportunities in South Africa.

The asset health review led to a focus on asset availability and related component replacement. This resulted in continued investment in the fleet of R584 million.

FD's report, page 36.
Operational review, page 44.

Corporate office

We are realigning our corporate office into a smaller agile centre that will serve the key strategic and governance requirements of the core operations, including:

- **Strategic leadership:** setting and aligning strategic direction
- **Capital allocation:** minimising the cost of capital and funding growth
- **Performance management:** exercising control on behalf of the Board and shareholders
- **People management:** assessing bench strength and ensuring access to world-class capabilities
- **Culture and values:** promoting shared values and purpose.

The core operations will be responsible for operational performance and management of critical functions such as risk, HR and payroll, safety, IT and procurement.

Market review

Investment in infrastructure across Australia, New Zealand and Southeast Asia remains on an upward trajectory, largely in line with annual growth forecasts for the next three years.

Strategy in action

A responsible non-core disposal process

Aveng Water was sold to Infinity Partners, a company owned by E-Squared Investments and Aveng Water CEO, Suzie Nkambule.

Nkambule has led Aveng Water successfully for the past three years and will continue to develop it into a leading water infrastructure development and technology company operating in the mining, municipal, water utilities and industrial water sectors across sub-Saharan Africa. E-Squared invests in businesses developed by Allan Gray Orbis Fellows, such as Nkambule.

Suzie Nkambule

The transaction meets important goals of Aveng's non-core disposal process. It enables the preservation of existing jobs, ensures the continuation of clients' existing contracts and paves the way for a sustainable future for the businesses. The sale of Grinaker-LTA's Building and Civil Engineering operations had the effect of settling the Group's Voluntary Rebuild Programme commitment to government.

Strong opportunities in the building and infrastructure sectors are driven mainly by population growth and urbanisation.

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

New Zealand's construction industry remains buoyant, with the pace of growth accelerating in line with increased demand. The key growth drivers are government plans to develop transport networks and reliable electricity infrastructure for New Zealand's growing population.

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

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

Market risks and opportunities report, page 10.

Governance and Board composition

Aveng is committed to high standards of governance by demonstrating integrity, competence, accountability, fairness and transparency in all of its business activities. To ensure that we consistently practice effective governance throughout the Group, the Aveng Board embraces the principles of King IV which the Group adopted in 2017.

King IV register **www.aveng.co.za**

On 1 February 2019, Sean Flanagan was appointed Group chief executive officer.

May Hermanus was appointed lead independent non-executive director on 24 December 2018 and became a member of the audit and risk committee on 20 February 2019. Michael Kilbride was appointed chairman of the remuneration committee on 24 December 2018 and a member of the social, ethics and transformation committee on 22 February 2019. Philip Hourquebie was appointed to the safety, health and environment committee on 22 February 2019.

Kholeka Mzondeki resigned as a non-executive director on 24 December 2018 and Juba Mashaba resigned as Group executive director with effect from 31 August 2018. We wish Kholeka and Juba well in their future endeavours.

Governance report, page 58.

Safety

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

We regret to report that two employees lost their lives at work during 2019:

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

Executive chairman's and Group chief executive officer's review continued

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

The lost-time injury frequency rate (LTIFR) was 0,20 (2018: 0,21). The total recordable injury frequency rate (TRIFR) was 0,75 (2018: 0,91), which was better than the Group's target of 0,82, largely due to the focus on leadership visibility in workplaces, employee awareness and accountability for maintaining safe work environments. The LTIFR and TRIFR improved over the past three years and we strengthened the identification and management of health risks.

Some of our operations achieved exceptional safety performances, notably:

- McConnell Dowell operations achieved eight months LTI-free safety performance; the Amrun Chith export facility won the client Rio Tinto's Annual CEO Global Safety Award for Best Contractor; and the Southeast Asia business unit won a Silver WSH (Workplace Safety and Health Council) Performance Award and two SHARP (Safety and Health Achievement Recognition Programme) Awards from the Ministry of Manpower, Singapore
- Moolmans' Klipbankfontein mine achieved 852 lost-time injury (LTI)-free days, Union mine achieved 416 LTI-free days and Platreef mine achieved 407 LTI-free days
- Grinaker-LTA's Aquarelle apartments in Port Elizabeth won first place in the Regional Master Builders Association Safety competition (category E – R40 million to R100 million).

People management

Our primary focus in 2019 was preparing our core businesses to achieve their full potential. This included strategic leadership appointments, development of management capability and building the succession pipeline. We appointed a new managing director, financial director, commercial executive and SHERQ executive for Moolmans, with good consequences. The appointments of a new managing director for McConnell Dowell's Southeast Asia operation and general managers of new business and strategy for the New Zealand and Built Environs operations are contributing to growth in both operations.

In line with our responsible non-core disposal process, we made every effort to drive performance improvement, fill vacant management positions and ensure a seamless transition of employees to their new owners.

Despite a difficult financial year, we continued to invest in learning and development initiatives to maintain our talent pipeline and fulfil our broad-based black economic empowerment (BBBEE) commitments.

Performance management is central to our core operations, where management is held accountable for business performance through performance contracts and KPI-linked incentivisation to promote achievement of short-term and medium-term strategic targets.

Transformation

Our Group upheld its commitment to meaningful and sustainable transformation in South Africa while implementing the strategic plan. We comply with the spirit and intent of the principles of BBBEE and our commitment is premised on the notion that transformation is "the right thing to do".

Aveng currently measures its transformation progress against the revised Construction Charter. Despite the difficult operating conditions in the construction and infrastructure sector, we maintained level 2 BBBEE certification.

Transformation performance in Moolmans remains a key focus area and will be measured against the generic BBBEE codes of good practice in future. Transformation in the non-core businesses has been managed and tracked in line with a responsible disposal strategy.

Acknowledgment

Stakeholder engagement has been critical to our ability to stabilise Aveng. The Group received invaluable support from its shareholders, bondholders and bankers, and many other stakeholders played vitally important roles. Our Board met 14 times with 97% attendance to provide direction at critical times. Our executive management and operational teams implemented the strategic plan in difficult markets and during a period of stressful organisational change. We are also grateful to our clients and suppliers who continue to support our businesses.

Outlook and prospects

The order book for the Group's core assets amounted to R17,7 billion at 30 June 2019, increasing by 36% since 30 June 2018. The geographic split of the order book was 49% Australasia, 17% Southeast Asia, 32% South Africa and 2% rest of Africa.

Having secured 77% of its 2020 revenue, McConnell Dowell is well positioned to win additional work in the near term as more than AUD1,2 billion worth of tenders have preferred status. Although current market conditions remain competitive, Moolmans has secured 82% of its 2020 revenue and is pursuing several additional opportunities in South Africa and West Africa.

Aveng's strategy remains valid. We have reduced debt and created liquidity by disposing of non-core assets. In doing so, we are creating a more sustainable long-term capital structure for the Group which will enable our core businesses to reach their full potential.

We are committed to completing the disposal process, returning Moolmans to profitability, capitalising on growth in McConnell Dowell's markets and improving equity value for shareholders.

Gamsberg mine, South Africa

2019 MILESTONES

36%
increase in the core operations order book

Successful
debt restructuring

R300 million
debt repayment

Deleveraging
the Group

R520 million
cash received from disposal of non-core assets

2020 MILESTONES

Complete
non-core
disposals

Return
Moolmans
to profitability

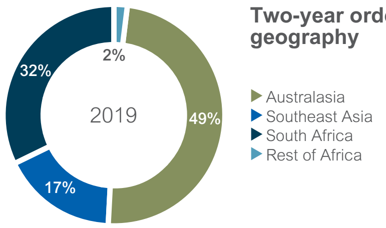
Capitalise on
growth
in McConnell Dowell's markets

Improve
equity value for shareholders

Group finance director's report

Aveng's 2019 performance reflects sustained economic weakness and difficult operating conditions in the Group's domestic markets. However, our focused implementation of the strategic plan has established a stable financial platform for the achievement of Aveng's longer-term growth potential and shareholder value.

Two-year order book by geography



Financial performance

Aveng reported a headline loss of R1,54 billion (2018: R1,56 billion, restated) and a net loss of R1,68 billion (2018: R3,52 billion). The basic loss per share was 10,5 cents compared to a 653,9 cents loss per share in the comparative period and the headline loss per share was 9,7 cents (2018: 290,1 cents loss per share, restated).

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

Adrian Macartney
Group finance director

Statement of comprehensive earnings

	2019 Rm	2018 Rm
Revenue	**25 676**	30 580
Gross margin	**4,1**	5,9
Net operating loss	**(1 119)**	(401)
Net interest	**(406)**	(439)
Total comprehensive earnings for the period	**(1 680)**	(3 519)

Revenue growth was impacted by lower construction order books at the start of the financial year and the completion of several major projects. Moolmans' revenue was impacted by operational difficulties at Gamsberg and Khutala projects.

Moolmans and Grinaker-LTA reported lower margins.

Includes R241 million impairment charge comprising R163 million following the Moolmans asset health review and R78 million additional impairment recognised against the measurement of intangible assets and property, plant and equipment assets Held for Sale.

- Fair value adjustments on assets transferred to Held for Sale amounted to R51 million
- R244 million gain on disposal of Aveng Rail, Aveng Water and certain properties.

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

Operational performance

	Revenue		Net operating earnings / (loss)	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
McConnell Dowell	**9 527**	11 716	**110**	103
Moolmans	**4 143**	4 713	**(372)**	11
Other eliminations	**(122)**	176	**(327)**	19
Total core	**13 548**	16 605	**(589)**	133
Aveng Grinaker-LTA	**4 617**	6 622	**(401)**	(367)
Aveng Manufacturing	**2 027**	2 132	**(168)**	(196)
Aveng Steel	**5 484**	5 221	**39**	29
Total non-core	**12 128**	13 975	**(530)**	(534)
	25 676	30 580	**(1 119)**	(401)

Revenue decreased due to a lower order book at the start of the financial year, but McConnell Dowell remained profitable for the fourth consecutive reporting period.

Disappointing performance was largely attributable to underperformance on the Gamsberg and Khutala contracts, and additional closure costs incurred during the early termination of the Karowe diamond mine contract.

Non-recurring consulting fees associated with disposal of non-core assets, cash management and restructure of debt.

- Profitability impacted by loss-making contracts in Civil Engineering and Buildings, coupled with sustained market weakness
- Mechanical and Electrical recorded a profit for the year and has a strong order book.

ACS reported a profit for the year and is well positioned to grow. Other businesses reported losses due to weak market conditions.

Reported a profit for the second consecutive year due to higher steel prices, operational cost savings and improved working capital management.

Operational review, page 44.

Group finance director's report continued

Statement of financial position

	2019 Rm	2018 Rm
Total assets	**12 282**	15 070
Total liabilities	**9 828**	12 476
Net cash and cash equivalents	**1 605**	2 076
Total borrowings	**2 145**	3 287
Total equity	**2 454**	2 594
Uncertified revenue and claims		
Amounts due from customers	**2 621**	3 310
Amounts due to customers	**(813)**	(1 140)
Basic loss per share (cents)	**(10,5)**	(653,9)
Basic headline loss per share (cents)	**(9,7)**	(290,1)

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

- R137 million at McConnell Dowell, relating to specific projects across the various business units
- R584 million at Moolmans, primarily investing in existing fleet
- R82 million at Aveng Manufacturing and Processing.

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

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

Amounts due from contract customers (non-current and current) improved to R3,0 billion before Held for Sale (June 2018: R4,0 billion) due to the unwinding of contracts and the transition adjustment of R267 million, reflected in the opening balance of retained earnings following the adoption of IFRS 15 *Revenue from Contracts with Customers*. Contract provisions increased, specifically in Grinaker-LTA for civil and building projects.

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

Liquidity

	June 2019 Rm	December 2018 Rm	June 2018 Rm
Net cash	**1 605**	2 310	2 076
South African operations	**581**	1 072	633
McConnell Dowell	**1 024**	1 238	1 443
Borrowings	**2 145**	2 345	3 287
Convertible bonds	**–**	–	1 929
South African operations	**1 967**	2 154	1 154
McConnell Dowell	**178**	191	204
Net debt	**(540)**	(35)	(1 211)

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

- Cash outflow of R362 million in McConnell Dowell due to utilisation of advance payments received in June 2018
- Cash outflow of R488 million at Grinaker-LTA
- Cash outflow of R201 million at Moolmans
- Cash outflow at Aveng Manufacturing of R131 million
- Net capital expenditure of R624 million
- R520 million of proceeds on disposal of non-core assets
- Net finance charges of R332 million
- Taxation of R90 million.

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

Ensuring a sustainable long-term capital structure

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

The Group's debt:equity ratio improved from 127% to 87% at 30 June 2019. The early redemption of the bond and cash realised through the disposal of non-core assets strengthened the balance sheet.

Disposals amounting to R1,1 billion were reported and proceeds of R520 million have been received. Proceeds are made up of:

- Aveng Properties – R292 million
- Aveng Water – R85 million
- Aveng Rail – R133 million
- Other small investments.

Transactions amounting to R560 million are in progress. Aveng Infraset was announced in the year under review, while the rest of the transactions were announced subsequent to the financial year end. Agreements were reached on the following transactions:

Aveng Infraset: Aveng entered into a binding term sheet for the sale of Infraset to the Colossal Africa Consortium. Colossal is a 100% black-owned investment special purpose vehicle. The transaction will be structured on a cash and debt-free basis for a net consideration of R180 million to be settled in cash and a further cash top up of R20 million payable within two years of the effective date.

Dynamic Fluid Control (DFC): The Group announced on 5 July 2019 that it had entered into a binding term sheet for the sale of DFC to Copaflo Proprietary Limited. The transaction comprises the sale of the business for R129 million. The net cash proceeds will be R114 million: R129 million purchase price less R11 million via a subordinated loan advanced by Aveng to Copaflo less R4 million lease termination costs payable by Aveng to Dimopoint.

Rand Roads and GEL: Aveng announced on 12 July 2019 that it entered into a fully funded binding sale of business agreement with Ultra Asphalt for the sale of Aveng Grinaker-LTA's Rand Roads business, subject to certain conditions. The consideration is R30 million plus the value of inventory at the effective date, estimated at R7,5 million.

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

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

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

The sale comprises Aveng Grinaker-LTA Buildings Inland, Aveng Grinaker-LTA Buildings South, Aveng Grinaker-LTA Buildings KZN, Aveng Grinaker-LTA Civil Engineering, Aveng Grinaker-LTA Plant and Yard and Aveng Grinaker-LTA Training School. Contracts nearing completion will remain with Aveng. The transaction consideration is R100 million in cash and will be subject to a net working capital adjustment with a deferred and spread out payment mechanism.

Trident Steel's Roodekop plant: The Group concluded a bulk sale in the ordinary course of business of lines of steel inventory at its Roodekop plant to a single buyer for R150 million. This sale allowed Aveng to monetise a significant part of its stock and significantly reduce its working capital. The cash will be used to reduce debt and strengthen the financial position of Aveng.

Grinaker-LTA Mechanical and Electrical: Subsequent to the year end, on 4 October 2019, Aveng announced that it had entered into an agreement for the sale of the Grinaker-LTA Mechanical and Electrical business through the sale of shares in Grinaker Proprietary Limited, with Laula Consortium for R72 million.

Outlook

Management continues to focus on progressive improvement in the quality of the Group's balance sheet to achieve a sustainable long-term capital structure and improve equity value for shareholders. Our key focus in 2020 is successfully completing non-core disposals and improving value from the core businesses, McConnell Dowell and Moolmans, through improved performance and growth.

Management financial review and key ratios

Consolidated statement of financial position

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Property, plant and equipment	**2 814**	3 010	4 611	4 843	5 626
Goodwill and other intangibles	**139**	147	613	667	681
Equity-accounted investments	**45**	73	334	100	151
Infrastructure investments	**142**	142	265	177	778
Deferred taxation	**622**	747	1 290	1 858	1 580
Inventories	**214**	255	2 085	2 211	2 529
Receivables*	**2 858**	3 532	6 371	11 542	12 759
Cash and bank balances	**1 605**	2 391	1 996	2 450	2 856
Assets Held for Sale	**3 843**	4 773	122	1 484	559
Total assets	**12 282**	15 070	17 687	25 332	27 519
Total equity	**2 454**	2 594	6 058	13 556	12 998
Deferred tax liability	**86**	49	319	266	221
Payables**	**4 161**	4 745	8 090	8 279	11 735
Payables other than contract related	**–**	–	154	–	102
Borrowings and other liabilities	**2 145**	3 287	3 066	2 984	2 463
Bank overdrafts	**–**	315	–	–	–
Liabilities Held for Sale	**3 436**	4 080	–	247	–
Total liabilities	**9 828**	12 476	11 629	11 776	14 521
Non-controlling interests	**7**	9	8	37	23
Total equity and liabilities	**12 282**	15 070	17 687	25 332	27 519

* *Including trade and other receivables, amounts due from contact customers and derivative instruments.*
** *Including trade and other payables, amounts due to contract customers, derivative instruments, taxation payables and employee-related payables.*

Working capital#

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Inventory	**1 872**	2 045	2 085	2 211	2 529
Trade and other receivables	**1 471**	1 580	1 840	2 058	2 424
Amounts due from contract customers	**3 022**	3 964	4 468	9 464	10 294
Current trade and other payables	**(4 877)**	(5 722)	(5 909)	(5 886)	(7 961)
Amounts due to contract customers	**(1 037)**	(1 489)	(1 351)	(1 322)	(2 562)
Net working capital	**451**	378	1 133	6 525	4 724

Reflects working capital before Held for Sale adjustments.

Uncertified revenue and claims***

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Uncertified claims and variations	**1 316**	1 646	1 760	6 584	5 157
Contract contingencies	**(638)**	(490)	(701)	(390)	(253)
Contract and retention receivables	**2 344**	2 808	3 409	3 270	5 390
Amounts due from customers	**3 022**	3 964	4 468	9 464	10 294
Progress billings received	**(977)**	(1 404)	(1 205)	(1 014)	(1 921)
Amounts received in advance	**(60)**	(85)	(146)	(308)	(641)
Amounts due to customers	**(1 037)**	(1 489)	(1 351)	(1 322)	(2 562)
Net amounts due from contract customers	**1 985**	2 475	3 117	8 142	7 732
Foreign exchange impact	**34**	8	(462)	910	–

*** *Reflect uncertified revenue and claims before Held for Sale adjustments.*

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Revenue	**25 676**	30 580	23 456	33 755	43 930
Gross earnings	**1 048**	1 798	(3 135)	2 495	2 364
Other earnings	**110**	106	206	591	471
Operating expenses	**(2 247)**	(2 292)	(2 305)	(2 808)	(3 063)
Earnings / (loss) from equity-accounted investments	**(30)**	(13)	4	(132)	(60)
Operating (loss) / earnings	**(1 119)**	(401)	(5 230)	146	(288)
South African government settlement		–	(165)	–	–
Net operating (loss) / earnings	**(1 119)**	(401)	(5 395)	146	(288)
Impairment on non-financial assets*	**(292)**	(2 300)	(278)	(333)	(621)
Gain on redemption of convertible bonds	**102**	–	–	–	–
Gain on sale of assets Held for Sale	**203**	–	–	–	–
Gain on sale of subsidiary	**41**	–	–	–	777
Gain on sale of property, plant and equipment	**36**	47	4	592	–
Operating (loss) / earnings before finance transactions	**(1 029)**	(2 654)	(5 669)	405	(132)
Finance earnings	**181**	246	198	211	177
Convertible bond	**(63)**	(251)	(237)	(225)	(167)
Other finance expenses	**(524)**	(434)	(405)	(327)	(316)
(Loss) / earnings before taxation	**(1 435)**	(3 093)	(6 113)	64	(438)
Taxation	**(245)**	(426)	(626)	(129)	(80)
(Loss) / earnings for the period	**(1 680)**	(3 519)	(6 739)	(65)	(518)
Loss from continuing operations	**(927)**	(1 050)	(6 238)	–	–
Loss from discontinued operations	**(753)**	(2 469)	(501)	–	–
Other comprehensive earnings / (loss) for the period:					
Exchange differences on translation of foreign operations	**(73)**	48	(773)	786	(372)
Movement in insurance and other reserves	**20**	–	–	–	28
Total comprehensive earnings / (loss) for the period	**(1 733)**	(3 471)	(7 512)	721	(862)
(Loss) / earnings for the year attributable to:					
Equity holders of Aveng Limited	**(1 681)**	(3 523)	(6 708)	(101)	(460)
Non-controlling interests	**(1)**	4	(31)	36	(58)
(Loss) / earnings for the period:	**(1 680)**	(3 519)	(6 739)	(65)	(518)
Total comprehensive (loss) / earnings attributable to:					
Equity holders of Aveng Limited	**(1 731)**	(3 473)	(7 481)	676	(804)
Non-controlling interests	**(2)**	2	(31)	45	(58)
	(1 733)	(3 471)	(7 512)	721	(862)
Determination of headline (loss) / earnings					
(Loss) / earnings for the year attributable to equity-holders of Aveng	**(1 681)**	(3 523)	(6 708)	(101)	(460)
Headline earnings adjustment	**136**	1 960	259	(198)	(118)
Headline (loss) / earnings	**(1 545)**	(1 563)**	(6 449)	(299)	(578)

** For FY19 this includes impairment loss on goodwill, intangible assets, property, plant and equipment (R241 million) and fair value adjustments on properties and disposal groups classified as Held for Sale (R51 million).*

*** Following an extensive assessment of asset health within Moolmans carried out at the end of the prior year and beginning of the current year, certain costs were disaggregated within already recorded cost of sales to better reflect how the asset components were utilised. Consequently, these costs were reflected as a loss on derecognition of components following early component failure, resulting in restatement of headline loss.*

Management financial review and key ratios continued

Consolidated statement of cash flows

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Cash from operating activities	**(1 002)**	430	(622)	(1 834)	(1 535)
Cash from investing activities	**(1)**	(464)	314	709	508
Operating free cash flow	**(1 003)**	(34)	(308)	(1 125)	(1 027)
Cash from financing activities	**613**	133	(23)	384	(57)
Net increase / (decrease) in cash and bank balances before foreign exchange movements in cash	**(390)**	99	(331)	(741)	(1 084)
Returns and productivity					
Net (debt) / cash position	**(540)**	(1 211)	(1 070)	(534)	393
CPI (%)	**4,5**	4,4	1,9	4,7	4,7
Current ratio (times)	**1,0**	1,0	1,1	1,8	1,5
Effective tax rate before impairment (%)	**(17,1)**	(13,8)	(10,2)	201,0	(54,3)
Margin – gross (%)	**4,1**	5,9	6,7	7,4	5,4
– net operating earnings (%)	**(4,4)**	(1,3)	(1,6)	0,4	(0,7)
Property, plant and equipment					
– expansion capital expenditure	**47**	138	135	175	175
– replacement capital expenditure	**674**	625	793	319	649
Operating free cash flow before expansion capital expenditure	**(956)**	104	(102)	(950)	(852)
Headline earnings growth (%)	**(1,2)**	74,0	(<100)	48,3	(<100)
Return on invested capital (%)*	**(16,2)**	(7,0)	(65,8)	0,7	(1,9)
Return on equity (%)	**(68,5)**	(135,8)	(100,9)	(2,2)	(4,5)
Number of employees at year end	**11 544**	14 158	15 495	16 948	25 466

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

Operating free cash flow

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Construction and Engineering: Australasia and Asia	**(362)**	202	(583)	(2 583)	329
Moolmans	**(201)**	(79)	(41)	363	193
Construction and Engineering: South Africa and the rest of Africa	**(488)**	27	422	364	(1 286)
Manufacturing	**(131)**	(107)	(76)	(29)	167
Steel	**(11)**	3	59	304	(155)
Other	**190**	(80)	(89)	456	(275)
Total	**(1 003)**	(34)	(308)	(1 125)	(1 027)

Net cash

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Cash	**1 605**	2 076	1 996	2 450	2 856
South African operations	**581**	633	759	1 009	506
McConnell Dowell	**1 024**	1 443	1 237	1 441	2 350
Borrowings	**2 145**	3 287	3 066	2 984	2 463
Convertible bond	**–**	1 929	1 823	1 731	1 651
South African operations	**1 967**	1 154	322	348	562
McConnell Dowell	**178**	204	921	905	250
QCLNG advance payment					(1 055)
Net debt	**(540)**	(1 211)	(1 070)	(534)	(662)

Shares performance (cents per share)

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
Headline loss	**(9,7)**	(290,1)#	(1 197,0)	(75,2)	(144,3)
Diluted headline loss	**(9,7)**	(285,2)#	(1 185,5)	(74,4)	(143,8)
Basic loss	**(10,5)**	(653,9)	(1 245,1)	(25,4)	(114,8)
Diluted basic loss	**(10,5)**	(643,0)	(1 233,1)	(25,1)	(114,4)
Cash (utilised) / generated by operating activities	**(580)**	813	(124)	(440)	(368)
Net asset value	**13**	14##	31##	70##	67##
Closing share price	**3**	14	585	351	575
Number of shares (million)					
In issue	**19 394,5**	416,2	416,7	416,7	416,7
Weighted average	**15 995,5**	538,8	538,8	397,4	400,6
Diluted weighted average	**15 995,5**	548,0	–	402,1	402,1
Rand to AUD					
Closing	**9,90**	10,12	10,05	10,97	9,38
Average	**10,15**	9,98	9,75	11,14	9,58
Rand to USD					
Closing	**14,10**	13,71	13,07	14,73	12,17
Average	**14,19**	13,32	12,90	15,04	12,29

Following an extensive assessment of asset health within Moolmans carried out at the end of the prior year and beginning of the current year, certain costs were disaggregated within already recorded cost of sales to better reflect how the asset components were utilised. Consequently, these costs were reflected as a loss on derecognition of components following early component failure, resulting in restatement of headline loss.

NAV has been restated taking into account the number of shares in issue at the end of 2019.

Operational review

Construction and Engineering: Australasia and Asia

37%
Group revenue

57%
Group order book

17%
of Group workforce

LTIFR improved to
0,03

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

McConnell Dowell is a selective tier one construction contractor, delivering projects in the infrastructure, resources and building sectors for clients in Australia, Southeast Asia, New Zealand and Pacific Islands.

Focus	2019 performance
Pursue disciplined growth in strong markets	▸ Re-entered expanding infrastructure market in New South Wales – well positioned for opportunities ▸ Re-established in Western Australia – successfully won and executed APA pipeline project ▸ New Zealand and Pacific Islands operation returned to profitability and positioned for sustained growth ▸ Secured major water project in Singapore. Commenced work on C1A Tuas ▸ Improved opportunity and risk assessment process.
Grow order book	▸ Experienced a shortfall in bidding volume across Australia and Southeast Asia operations ▸ AUD2,5 billion pipeline of outstanding tenders ▸ Good level of preferred status projects, but ongoing delays in tender awards impacted revenue ▸ Increasing bidding activities in line with the strategy to support revenue growth.
Leverage engineering, technology and innovation	▸ Engineering, technology and innovation function supports engineering excellence, innovation and value creation across specialist capabilities ▸ Strengthened by appointment of executive general manager.
Address underperformance and legacy matters	▸ Mitigated commercial issues and cost inflation on four existing projects ▸ Improved project controls to ensure early warning ▸ Successfully concluded legacy Mitchell Water claim ▸ Pursuing resolution of legacy Gold Coast, Wheatstone and Perth Airport claims.

Scott Cummins
Chief executive officer,
McConnell Dowell Corporation Limited

Strategic alignment

Through its 100% investment in McConnell Dowell, Aveng achieves geographic diversification. McConnell Dowell capitalises on its strong brand and positioning as a local expert in its geographic markets. A core element of McConnell Dowell's growth strategy is to differentiate its value offerings across diversified market sectors to secure higher-return projects that require specialised capabilities.

McConnell Dowell aims to be the preferred contractor, partner and employer of choice across its core sectors and has been repositioned for growth and sustainable long-term profitability.

McConnell Dowell's growth strategy is being implemented in the following stages:

RESET

- Fundamentally restructured under new leadership to deliver sustainable future growth

DELIVER

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

GROW

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

EXTENDED GROWTH

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

Operational review continued

Construction and Engineering: Australasia and Asia continued

Strategy in action

Amrun Chith export facility recognised by Australia's pre-eminent construction award

For the second time in three years McConnell Dowell won the 2019 Australian Construction Achievement Award, this time for the delivery of Rio Tinto's Amrun Chith export facility in Queensland.

The award was created by the Australian Constructors Association and Engineers Australia to recognise and reward innovation and the highest standard of work in the Australian construction industry.

The Amrun Chith export facility was also awarded the client Rio Tinto's Annual CEO Global Safety Award for Best Contractor.

The winning project comprises a 650 metre access jetty, a 350 metre loading wharf and an onshore conveyor system that services Rio Tinto's Amrun bauxite mine.

This was a large, complex and remotely located construction project that revolutionised the design and construction approach for the delivery of large-scale marine infrastructure. Awarded on a preferred status basis, the project showcased the benefits of open and collaborative relationships between the owner, project manager, designer and contractor.

2019 performance

Financial highlights

	AUDm			Rm		
	2019	2018	Variance %	**2019**	2018	Variance %
Revenue	**939**	1 170	(20)	**9 527**	11 716	(19)
Gross earnings	**110**	98	12	**990**	978	1
Net operating earnings	**11**	10	10	**110**	103	7
Operating free cash flow	**(35)**	17	> (100)	**(362)**	202	>(100)
Capital expenditure	**13**	14	7	**137**	136	–*
Total assets	**531**	556	(4)	**4 657**	5 662	(18)
Total liabilities	**284**	367	(23)	**2 862**	3 711	(23)
Two-year order book	**1 154**	761	52	**11 686**	7 704	52

** Amounts less than 1%.*

Operational and financial performance

McConnell Dowell comprises four business units: Australia, Southeast Asia, New Zealand and Pacific Islands and Built Environs. The operations in the Middle East business were ceased in 2019.

McConnell Dowell's revenue decreased by 20% to AUD939 million (2018: AUD1,2 billion) due to a lower order book at the start of the financial year. Considerable effort to address the order book resulted in contract awards amounting to AUD1,35 billion for the year across all selected markets, representing a 52% increase in work in hand compared to June 2018. Strong operational performances from most projects improved the operating margin, mitigating the decline in revenue and resulting in operating earnings of AUD11 million (2018: AUD10 million).

The revenue of the **Australia** operations decreased by 25% to AUD443 million (2018: AUD587 million) due to a lower order book and completion of several large projects. Operating earnings were maintained as a result of strong project execution on the Amrun Chith export facility jetty in Queensland, Northern Gas Pipeline in the Northern Territory, the Murray Basin rail upgrade, the Swanson Dock East rehabilitation works and the Abbotts Road level crossing removal in Victoria. Challenges experienced on the Regional Bridges project in South Australia and Dryandra Road project were addressed.

To mitigate delays in the awards of several preferred status contracts, the Australian operations increased bidding activity and negotiated additional work on the strength of sound performances on projects such as the long-term

Western Program Alliance and Swanson Dock in Melbourne. New awards included a major works contract with alliance partners on the North-South corridor, Regency Road to Pym Street project in South Australia and early works on the Mordialloc freeway project for Major Roads Project Victoria.

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

Southeast Asia secured work on the Tuas Water Reclamation project following the successful completion of the Tuas Road Bridges, but the business unit continues to experience difficulty securing additional work in a highly competitive market. Tom Dockray was appointed managing director of the business unit from within McConnell Dowell to restore focus on opportunities across Singapore, Malaysia, Thailand, Indonesia and the Philippines.

The revenue of the **New Zealand and the Pacific Islands** operations increased by 22% to AUD212 million (2018: AUD174 million) under new management and new awards contributed to a solid baseload of work. These included the Pukekohe Wastewater Treatment Plant and Wynyard Edge alliance project to construct infrastructure for the 2021 Americas Cup in Auckland. The business unit also secured repeat work for Watercare following the successful completion of the client's Mangere BNR project. Targeting growth opportunities in areas where McConnell Dowell has a record of successful project implementation enabled the business unit to return to profitability and secure budgeted revenue for 2020.

McConnell Dowell's commercial building operation, **Built Environs'** revenue decreased by 19% to AUD73 million (2018: AUD90 million) as the business completed the West Franklin apartments in Adelaide ahead of schedule, and secured new work in New Zealand following the strategy to expand its geographic footprint. New awards included a building contract for Auckland City Mission, a wharf extension in Port Nelson and a preferred status contract, in partnership with McConnell Dowell's New Zealand operation, for the Puhinui Station Interchange in Auckland.

Safety and health performance

McConnell Dowell continued to focus on lead indicator initiatives to increase hazard awareness, subcontractor engagement, hazard reporting and an improvement in safety culture across all business units. LTIFR improved to 0,03 (2018: 0,11), reflecting an industry leading safety performance. Performance highlights include recognising eight months LTI-free operations, and successfully launching the CodeSafe platform and the Permit to Work programme.

McConnell Dowell's health, safety, environment and quality (HSEQ) database, CMO, provides access to Group HSEQ data trends and internal HSEQ auditing, allowing automatic tracking and monitoring of action close-out. A SharePoint platform allows greater search functionality and easier collaboration and access to Group documents.

McConnell Dowell focuses on employee wellbeing and mental health, with an emphasis on work life balance, flexibility and mental health support systems.

Environmental performance

McConnell Dowell experienced sound environmental performance with no serious environmental incidents recorded and a serious environmental incident frequency rate of zero. This outcome was the result of consistent application of the environmental elements of the McConnell Dowell Management System, and a strong focus on environmental awareness.

McConnell Dowell continues to strengthen networks and relationships with sustainability organisations. McConnell Dowell is a member of the UN Global Compact and an active contributor to the Infrastructure Sustainability Council of Australia.

Human capital performance

In addition to the appointment of a new managing director for Southeast Asia, new general managers of new business and strategy were appointed for the New Zealand and Built Environs operations.

Looking ahead

McConnell Dowell has a strong foundation for future growth with a well-diversified business portfolio. All core market sectors continue to grow at a steady pace, driven largely by public and private sector investment in transport infrastructure projects. There is also an anticipated increase in activity in the resource market. McConnell Dowell will continue to maximise growth opportunities across the core markets in its existing footprint by leveraging its brand reputation, technical expertise and diversity.

Operational review continued

Mining

16%
Group revenue

30%
Group order book

36%
of Group workforce

LTIFR improved to
0,22

Moolmans

Moolmans is a South African-based leader in open cut, shaft sinking and underground contract mining throughout Africa, offering services across the mining value chain.

Focus	2019 performance
Preserve financial performance in subdued market conditions	▸ Loss-making projects addressed by exiting contracts or renegotiating contract rates and conditions ▸ Improved performance monitoring in all contracts ▸ Strengthening risk management and performance culture ▸ Secured several contract extensions, including rate and scope increases.
Position business to benefit from market recovery	▸ Improving business development and increasing pipeline ▸ Consolidating existing client relationships and broadening client base beyond current footprint.
Rebalance geographic, client and commodity weighting of order book	▸ Contract extensions maintained diversity of clients and commodities ▸ Pursuing growth opportunities with clients outside South Africa.
Embed safety, health, environmental and quality (SHEQ) integrated management systems	▸ One fatality at Taparko project in Burkina Faso ▸ SHEQ disciplines on single platform embedded in all mining and maintenance activities.

Jerome Govender
Managing director, Moolmans

Strategic alignment

Moolmans has a strong brand with sound client relationships, a diverse fleet of mining equipment to meet clients' on-site operating requirements, and extensive experience in remote and difficult operating environments. Moolmans is positioned to offer clients comprehensive services across the mining value chain.

A new management team is stabilising Moolmans and repositioning it for growth and sustainable long-term profitability. Moolmans' turnaround plan is being implemented as follows:

RESET

- Return to profitability
- Improve business development and grow pipeline
- Broaden customer base
- Strengthen risk management systems and performance

DELIVER

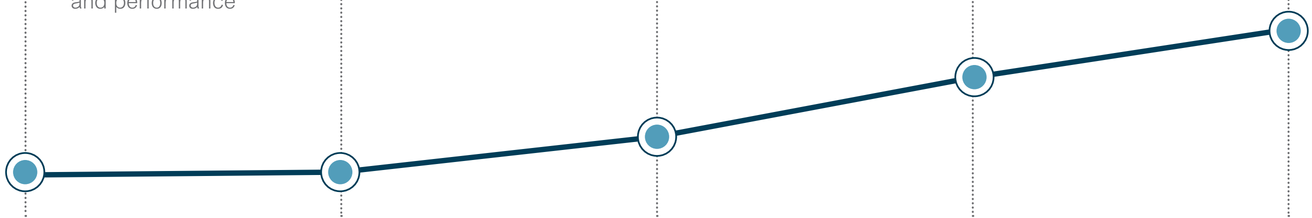
- Achieve consistent financial and operational performance
- Create a balanced portfolio
- Leverage customer relationships

GROW

- Deliver strong performance across expanding footprint
- Grow business in selective new markets

EXTENDED GROWTH

- Sustainable international footprint
- Increased repeat business
- Consistent profitability
- Respected mining solutions provider



Progress to date

Operational review

Mining continued

Strategy in action

A sound client relationship that has stood the test of time
Moolmans' history at Sishen Iron Ore dates back to 2006 and spans numerous commodity cycles.

The current 60-month waste removal contract at Sishen was resecured in 2017. At peak production, Moolmans was mining in excess of 60 million tonnes per annum. In addition to the load and haul contract, Moolmans is also constructing haul roads and undertaking dump rehabilitation activities on behalf of the client.

Moolmans has established a full training centre with two simulators for training operators and apprentices that is used not only by the Sishen mine, but also by the industry at large.

Moolmans has been part of Kumba's mining team for the past 13 years, moving cubic metres safely and to plan.

2019 performance

Financial highlights

	2019 Rm	2018 Rm	Variance %
Revenue	**4 143**	4 713	(12)
Gross earnings	**(182)**	261	>(100)
Net operating earnings	**(372)**	11	>(100)
Operating free cash flow	**(201)**	(79)	>(100)
Capital expenditure	**584**	507	(15)
Total assets	**3 168**	3 752	(16)
Total liabilities	**1 254**	1 260	–*
Two-year order book	**5 980**	5 273	13

** Amounts less than 1%.*

Operational and financial performance

Moolmans reported a 12% decline in revenue to R4,1 billion (2018: R4,7 billion) and an operating loss of R372 million (2018: R11 million profit). Moolmans' disappointing performance was largely attributable to underperformance on the Gamsberg and Khutala contracts, as well as additional closure costs incurred as a result of the early termination of the Karowe diamond mine contract in Botswana during the first half of the financial year.

The loss-making Gamsberg project was addressed by renegotiating the contract rates and conditions. The Khutala contract was completed in September 2019.

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

- Appointment of Jerome Govender as managing director and the strengthening of financial, operational, commercial and human resources management
- Award of the new Klipspruit contract to December 2020
- Renegotiation of the Gamsberg contract with effect from 1 April 2019
- Conclusion of four contract extensions, including rate and scope increases
- Improvement in performance monitoring for all Moolmans contracts
- Completion of the organisational design and cost structure review
- An asset health review resulting in continued investment in fleet maintenance of R584 million and fleet impairment of R163 million.

The following contract extensions were concluded:

- Gamsberg South Pit – extended to December 2020
- Klipbankfontein – extended to June 2022
- Platreef – scope increased to 982 metres
- Tshipi éntle – extended to 2024.

Pending a decision on the future of the Nkomati mine, Moolmans negotiated an extension of the contract to September 2020.

Safety, health and environment performance

Regrettably, an employee lost his life at our Taparko site in Burkina Faso. Mr Ousseni Sore, a dump truck operator, was fatally injured while busy with operations. Moolmans directors and employees express their sincere condolences to the grieving family.

Moolmans improved its overall safety performance, with an LTIFR of 0,22 (2018: 0,23) and a TRIFR of 0,77 (2018: 0,84). A strong focus on creating safe working environments included increased employee engagement on site by senior management, higher levels of awareness among employees of risk controls in all mining and maintenance activities and sharing of lessons learnt from incident investigations.

Several mining projects recorded significant safety milestones. The Klipbankfontein mine achieved 2,1 million LTI-free man hours (852 days), Union mine achieved 416 LTI-free days, Platreef mine achieved 407 LTI-free days and the engineering workshops achieved 1,3 million LTI-free man hours (1 114 days).

The SHEQ integrated management system (IMS) combines the management of safety, health and wellness, environmental and quality management onto a single platform and is embedding the four disciplines in all mining and maintenance activities. The SHEQ IMS was accredited in terms of ISO 14001:2015, ISO 9001:2015 and OHSACT 18001:2007.

No significant environmental incidents were reported.

Human capital performance

Moolmans continues to strive for operational excellence through effective human resource practices and training. Accredited training centres respond to key requirements of the business and emphasis is placed on the engineering learnership programme.

During 2019, 328 apprentices were enrolled on the programme, 279 of whom are black or coloured people. Most apprentices who qualified were employed by Moolmans. In total, 6 894 people benefited from a range of training interventions conducted by Moolmans.

Moolmans was restructured to reduce its costs in line with industry demand. This resulted in the retrenchment of 34 head office employees. This was in addition to the reduction in the head count of 43 during 2018 to optimise the overhead structure.

Moolmans concluded a three-year collective wage agreement for its South African open cut operations in June 2018 and its shaft and underground operations in December 2018. These bode well for the future stability of the operations, as well as for an effective labour relations climate.

Looking ahead

The corrective action Moolmans has taken to address loss-making and underperforming contracts is expected to contribute to a gradual recovery and a return to modest profitability in 2020.

Moolmans enters the new financial year with a two-year order book of R5,9 billion (December 2018: R3,9 billion). The key focus will be on building the pipeline of opportunities in selected markets in Africa and leveraging McConnell Dowell's footprint in Southeast Asia.

Moolmans will continue to invest in its mining fleet.

Operational review continued

Non-core operations

Following the decision to dispose of non-core businesses as going concerns, Aveng has announced disposals amounting to R1,1 billion. These are reported in the operational review of each business.

Focus	2019 performance
Complete disposal process	▸ Sound progress ▸ Disposals of Trident Steel and Manufacturing: ACS are under way ▸ Completion June 2020.
Target empowerment buyers best positioned to offer the businesses sustainable futures	▸ Majority of non-core businesses sold to 100% black-owned companies ▸ Two businesses sold to consortiums including current management.
Realise acceptable value for Aveng	▸ Non-core businesses sold as going concerns.
Support businesses and drive improved performances pending disposal	▸ Aveng supported the non-core businesses prior to their disposal, enabling them to optimise performance in difficult operating conditions.

2019 performance
Financial highlights

	Grinaker-LTA			Trident Steel			Aveng Manufacturing			Total	
	2019	2018	Variance %	2019	2018	Variance %	2019	2018	Variance %	2019	2018
Revenue	**4 617**	6 622	(30)	**5 484**	5 221	5	**2 027**	2 132	(5)	**12 128**	13 975
Gross earnings	**(87)**	(38)	>(100)	**212**	244	13	**139**	110	26	**264**	316
Net operating loss / earnings	**(401)**	(367)	(9)	**39**	29	34	**(168)**	(196)	14	**129**	(534)
Operating free cash flow	**(488)**	27	>(100)	**(11)**	3	>(100)	**(131)**	(107)	(22)	**(630)**	(77)
Capital expenditure	**31**	49	37	**39**	19	>(100)	**43**	69	38	**113**	137
Two-year order book	**2 259**	4 682	(52)	**–**	–	–	**403**	314	28	**2 662**	4 996

Aveng Grinaker-LTA

Aveng Grinaker-LTA comprised Building Inland and Coastal, Civil Engineering, Mechanical and Electrical and Aveng Water.

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

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

Mechanical and Electrical remained profitable but its revenue and profits were impacted by the postponement of a refinery shutdown to 2020. The business unit is well positioned with a strong order book in the petrochemical market and growth opportunities in the mining and paper and pulp markets. The disposal of Mechanical and Electrical to 100% black-owned Laula Consortium was announced in October 2019.

The **Building Inland** business unit completed the 129 Rivonia building in Sandton and Coral Point development in KwaZulu-Natal. Industrial expansions and public sector social infrastructure projects continue to provide the baseload of work for the **Building Coastal** operation.

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

The disposal of the Building and Civil Engineering business units to Laula Consortium was announced in August 2019. The Rand Roads and GEL business units were disposed in July 2019.

Grinaker-LTA reported the regrettable loss of an employee's life at its N1 Ventersburg road project. Daniel Mathule, a labour hire worker for a V-drain and kerb subcontractor, was fatally injured when he was struck by a public motorcycle while crossing the N1 highway on 23 November 2018. Aveng expresses its condolences to the family and colleagues of the deceased.

Grinaker-LTA's TRIFR improved to 0,64 (2018: 0,93). The business strengthened its safety, health and environment management and implemented campaigns to reinforce a culture of safety. Management engaged regularly with staff to maintain sound safety behaviour and morale during the disposal process.

Trident Steel

A pleasing result was achieved by a strong management team in difficult trading conditions. Revenue increased by 5% to R5,5 billion largely as a result of higher selling prices per tonne but margins were slightly lower than the previous year.

Operating profit increased by 34% to R39 million due to disciplined cost and working capital management.

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

Trident Steel reported a deterioration in its TRIFR to 2,00 (2018: 1,26) due to disruptive restructuring processes. The business increased its focus on improving safety behaviour and performance. No major environmental incidents were reported.

Aveng Manufacturing

Aveng Manufacturing comprised Aveng Automation & Control Solutions (ACS), Aveng Dynamic Fluid Control (DFC), Aveng Duraset, Aveng Infraset and Aveng Rail.

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

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

DFC reported a 4% reduction in revenue to R434 million and an operating loss as low levels of investment in the water infrastructure and maintenance markets persisted and the business incurred higher stock write-offs. Export performance and the opening of a sales office in Brazil had a marginally positive impact on performance. The disposal of DFC to 100% black-owned Copaflo Fluid Control was announced in July 2019.

Duraset reported a similar loss to the prior year on lower revenue of R364 million as it continued to be impacted by closures, strikes and increased competition in the mining industry. The disposal of DFC to Videx was announced in August 2019.

Infraset reported a 18% decline in revenue to R530 million and a significant loss due to weakness in demand for all of its building and infrastructure products. Demand for railway sleepers improved during the second half of the year but remains significantly below historic demand. The disposal of Infraset to 100% black-owned Colossal consortium was announced in February 2019.

Aveng Rail performed to budget, reporting a loss on a marginal increase in revenue which was well below historic levels, primarily as a result of limited expenditure in the rail maintenance market. Aveng Rail was sold to 100% black-owned Mathupha Capital with effect from 1 May 2019 and reported on for 10 months.

Aveng Manufacturing reported an increase in TRIFR to 1,35 (2018: 1,14), reflecting the stress caused by difficult operating conditions and the disruptive disposal process. The remaining businesses maintained their ISO accreditations for safety, environmental and quality management and focused on improving safety behaviour and performance. No major environmental incidents were reported.

Sustainability overview

Aveng recognises that it needs to be financially stable and socially and environmentally responsible to create value for its stakeholders. This requires efficient and ethical management of its resources and stakeholder relationships.

The sustainability overview presents a summary of Aveng's sustainability report which is available at www.aveng.co.za. The sustainability report provides information on the following sustainability focus areas, impacts and the management of these.

Safety and health

Securing the safety and health of Aveng employees, contractors and other stakeholders at our workplaces is an important part of managing our businesses. The Group identifies safety and health risks associated with its work processes and implements and monitors the measures taken to reduce these risks.

Non-negotiable lifesaving and cardinal rules, reporting of at-risk conditions or behaviour, engagement between leadership and employees, improvement initiatives and appropriate risk-based responses to incidents are key to our management systems and keep us focused on maintaining safe working environments during Aveng's strategic transition.

Performance area – Safety	2019	Target	2018	2017	2016	2015
Lives lost under Aveng supervision	**2**	0	1	2	0	4
AIFR	**2,11**	3,28	2,43	3,28	2,7	3,5
LTIFR	**0,20** (LA)	0,18	0,21	0,30	0,22	0,24
TRIFR	**0,75** (LA)	0,82	0,91	1,10	–	–
Safety leadership visits by senior management	**1 038**	999	1 412	928	729	903
Operations with OHSAS 18001 certification (by headcount) (%)	**>95**	90	>95	>95	>90	70

Regrettably, Aveng did not achieve its primary goal of "Home Without Harm Everyone Everyday" in 2019, as the lives of two employees were lost on our work sites.

- Mr Daniel Mathule, a labour hire worker, lost his life in a road accident at the N1 Ventersburg road project
- Mr Ousseni Sore, a dump truck operator, was fatally injured at Moolmans' Taparko site in Burkina Faso.

The Group's lost-time and recordable injury rates improved and we strengthened the identification and management of health risks despite factors such as operational challenges, lower man-hours and disruption caused by the disposal of non-core businesses.

Performance area – Health	2019	Benchmark	2018	2017	2016	2015
Occupational health examinations	**9 861**	–	13 890	18 850	20 915	25 592
Ill-health profile (outcome of medical testing)*	**8,11**	30*	7,29	7,13	10,9	6,81
HIV counselling and testing** employees	**2 136**	–	4 062	2 588	2 104	3 068
Noise-induced hearing loss	**1** (LA)	18%*** 458 600	25	8	25	48
Employee wellness engagement rate (%)	**13,1**	19,5	9,30	10,4	10,8	9,3

* *Number of employees who have restrictions and limitations compared to medical testing conducted.*
** *Volunteer training and testing for HIV / TB and wellness screening results for South African operations. McConnell Dowell tests for HIV at clients' request.*
*** *18% benchmark: World Health Organisation estimates of adult-onset workplace hearing losses in some southern African countries (Nelson et al., 2005b).*

Health remains a core enabler of Aveng's safety culture. The Group maintained its commitment to reducing noise-induced hearing loss at work sites and continued to manage communicable and non-communicable diseases. Our approach to health management is supported by an employee wellness programme and external providers of comprehensive preventative care and counselling services for South African and international employees.

Environment

Aveng is committed to sound environmental stewardship that minimises the Group's impact on its work environments. We apply management systems and measures, in line with best practice, to avoid and mitigate environmental risk and continuously improve environmental management.

Performance area – Environment	2019	2018	2017	2016	2015
Major environmental incidents	**0**	0	0	2	4
Operations with ISO 14001 certification of EMS (by headcount) (%)	**>90**	>90	>90	>90	70
Carbon emissions (tCO_2e) total	**67 904** (LA)	111 761	99 632	179 199	247 296

(LA) *This item was the subject of the limited assurance engagement performed by EY (refer to sustainability report on* ***www.aveng.co.za****).*

No major environmental incidents were recorded (2018: 0). These are defined as work-related incidents that result in irreversible environmental harm. Altogether, 136 minor environmental incidents were reported (2018: 231). The nature of most of the minor incidents relates predominantly to hydrocarbon spillages in the South African operations. Other minor incidents recorded by McConnell Dowell operations include spillages on land and flora, and surface water discharges as a result of cementations run-off.

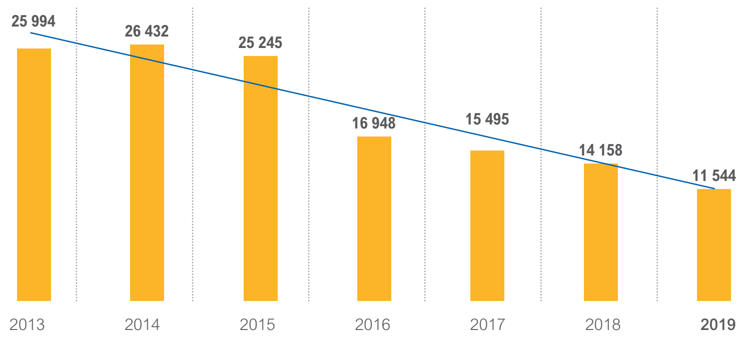
Environmental performance focus areas include setting measurable targets and objectives, implementing monitoring plans against operation-specific impact areas and reducing the Group's carbon footprint. A number of initiatives were implemented to reduce energy, waste and water consumption.

People management

Central to Aveng's people management was the retention of key staff during the implementation of the Group's strategy. The Group focused on ensuring that core and non-core businesses perform to expectation, while disposing of non-core businesses in a responsible manner.

Aveng's employee complement reduced significantly since 2013 as a result of sustained weakness in its key domestic markets and strategic rightsizing in response to market conditions.

Aveng total headcount: 2013 – 2019



A review of our bench strength, including future talent and leadership performance, was conducted to support optimal core business performance. This required replacing certain senior managers and reshaping Aveng's short-term incentive plan to appropriately reward performance excellence.

We reaffirmed the Aveng values and our leadership pledged commitment to instilling the values throughout the Group.

Diversity and inclusion

Aveng maintained level 2 BBBEE certification under the Construction Sector codes, despite difficult operating conditions and a smaller employee complement. The certification is valid until October 2019.

Aveng maintained its investment in employee training and skills development and focused on the long-term sustainability of suppliers that are emerging black-owned and black women-owned enterprises. The Group invests in a development programme that identifies rural companies, emerging entrepreneurs and start-ups, and prepares them to participate in its supply chain.

Aveng's corporate social investment (CSI) programmes focus on exemplary secondary school mathematics and science programmes in poor marginalised communities. The programmes contribute to the development of skilled young people who can be productively employed in the construction and mining sectors.

Aveng's CSI investment is facilitated through the Aveng Community Investment Trust which provides an independent structure for governance, financial accountability, monitoring and reporting. In 2019, the trust invested R12,8 million in educational CSI programmes.

Message from the safety, health and environmental (SHE) committee

Given the fundamental changes under way in Aveng, maintaining focus on the Group's key sustainability goals has been particularly challenging for some of the Group's operations.

Two employees regrettably lost their lives on our work sites during the year, and while the lost-time injury rate improved incrementally, the Group fell short of its primary goal of "Home Without Harm Everyone Everyday". Specific interventions were made, directed towards addressing the risks associated with these unfortunate events.

On a number of sites, the combined commitment of management, supervisors and employees resulted in improved safety, health and environmental outcomes. Key to these successes were leadership, adherence to non-negotiable lifesaving and cardinal rules, improved teamwork and swift correction of conditions or actions that presented risk. At systems level, important features of the Group's approach to safety, health and environment remained risk-based responses to the hazards encountered, assigned accountability for risk and incident management, and effectively engaging contractors.

Attention to the wellbeing and welfare of all of Aveng's people was crucial to the implementation of the Group's transition strategy. This enabled the Group to retain key staff in its core businesses as well as in the businesses which were, or which are, in the process of being sold. This allowed the Group to dispose of its non-core businesses as going concerns.

The Group continued to invest in a development programme focusing on supplier development. The programme contributed to employment opportunities, thereby supporting the development of a more inclusive economy.

During this critical period of change new structures and systems were set up which have supported safe passage through the strategic transition to date. Focused engagement between leadership and employees will nonetheless remain critical to endeavours to create safe work environments as changes are still under way.

May Hermanus
Chairman of SHE committee

Governance

City Rail Link project, New Zealand

IN THIS SECTION

SALIENT FEATURES

Our governance focus areas in 2019 included:

Ethical leadership

Fulfilment of strategic commitments

Responsible disposal process

Governance

To ensure that we consistently practice effective governance throughout the Group, the Aveng Board embraces the principles of King IV which the Group adopted in 2017.

Aveng's **approach to governance** remains founded on unwavering **commitment** to **ethical conduct** in order to reach its full potential.

Corporate governance report

Aveng is committed to applying high standards of corporate governance by demonstrating integrity, competence, accountability, fairness, and transparency in all its business activities. Aveng's approach to governance remains founded on an unwavering commitment to ethical conduct in order to reach its full potential.

To ensure that we consistently practice effective corporate governance throughout the Group, the Aveng Board embraces the principles of King IV which were adopted in 2017. The King IV register is available on our website – www.aveng.co.za. The Board monitors the King IV register regularly.

The focal point of the Board in 2019 was the implementation of the Aveng strategic plan. This included the disposal of the non-core businesses and building profitable and cash generative core businesses that can service the remaining debt and grow shareholder value.

▶ Strategy report, page 24;
chairman and Group CEO review, page 30.

Compliance

The Board functions within the ambit of an annually reviewed charter through which it maintains oversight of the management and control structure of the Aveng Group that directs and executes the delivery of the strategy. The governance framework is structured to ensure compliance with laws, regulations, and codes of best practice applicable in all countries within which the Group operates. The Aveng Code of Business Conduct requires all group companies, employees and directors to comply with all applicable laws. Compliance reports are presented quarterly to the audit and risk, and social, ethics and transformation committees. The Board monitors compliance with the JSE Limited Listings Requirements, King IV, the Companies Act 71 of 2008, and other legislation. Neither the Company nor any members of the Board experienced regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations. The safety, health and environmental committee has oversight of monitoring adherence to environmental laws and reporting of non-compliance to the Board. There were no findings of non-compliance with environmental laws, or criminal sanctions or prosecutions for non-compliance.

Stakeholders

The Board recognises that robust stakeholder relationships and engagement are key to creating and unlocking real stakeholder value, and pursues open, relationship-driven communication with stakeholders to promote confidence, mutual trust and shared growth. Furthermore, Aveng carefully considers feedback from stakeholders and makes every effort to reflect on lessons from the feedback in the Group's future policies and actions where appropriate.

▶ Stakeholder engagement report, pages 19 and 20.

IT governance

The Board is assisted by the audit and risk committee in monitoring IT governance and compliance. The audit and risk committee reviews IT risks with a particular interest as to how they relate to financial reporting and the going concern assessment.

Board statement

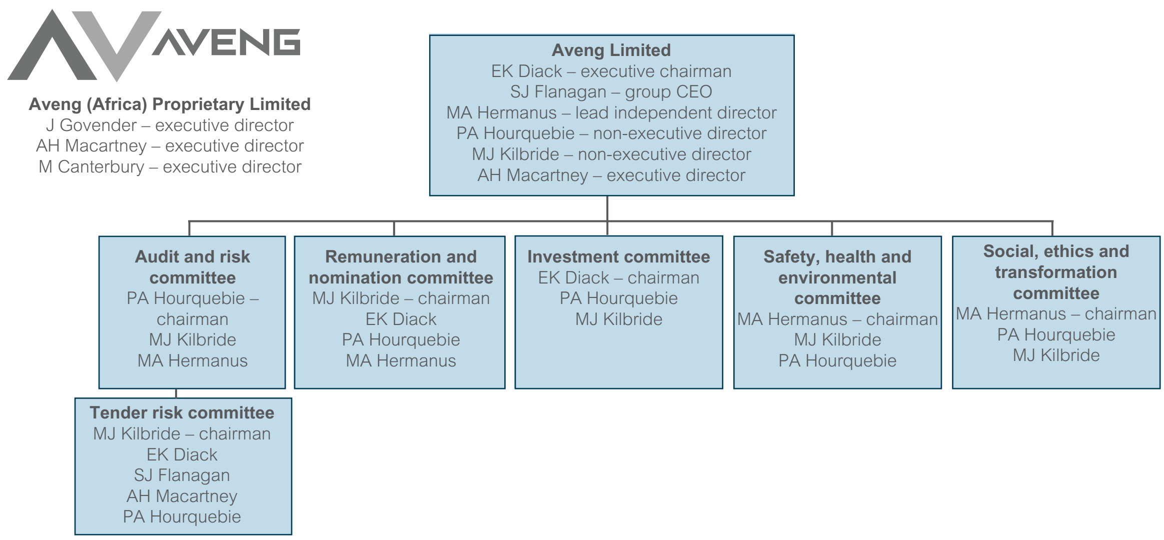
The Board is satisfied that it fulfilled all its duties and obligations in 2019 and is committed to providing effective and ethical leadership characterised by responsibility, accountability, fairness, and transparency while living the values of Aveng.

Culture purpose and values

The Board focused strongly on ethical leadership and emphasised the entrenchment of the Aveng culture and values into the organisation. Some of the business units are already living the Aveng culture and values. A senior management strategic workshop took place on 10 and 11 April 2019 with the top 25 senior managers across the Group, and it was agreed in that session that the purpose of Aveng is *Providing a better life*. The key theme was accountability, living the values and disciplined working capital management.

Governance structure

The composition and roles and responsibilities of the Board and its committees



Board and committee composition

The Board

The aim is to have a vibrant board with directors whose skills complement each other so that they can constructively challenge management's strategies. It was a tough year for the Board, given the business unusual circumstances, but they remained committed to implementing the approved strategy and acting in the best interest of Aveng. While the Board remains accountable and responsible for the performance and activities of the Company, and the need to provide consistent, quality, ethical and effective leadership, it delegates to management and Board committees certain functions to assist it in properly discharging its duties. The composition of the Board and its ability to perform its mandate is scrutinised regularly by the remuneration and nomination committee. There were two resignations during the year. Mr J Mashaba resigned with effect from 31 August 2018 while Ms K Mzondeki resigned with effect from 24 December 2018.

In August 2018, the remuneration and nomination committee considered the size of the Board. As the current Board is smaller than its peers, a decision was taken to appoint two new independent non-executive directors with the requisite board and industry experience.

At the end of 2019, the Board comprised six members compared to eight during the 2018 reporting period, three of whom are independent non-executive directors. Several challenges and changes led to the current size of the Board. Despite these changes, the Board maintains the appropriate balance of power and has the skills, experience, diversity, independence and knowledge to effectively discharge its role and responsibilities.

Board appointments

Appointments to the Board are recommended by the remuneration and nomination committee and considered by the Board. The remuneration and nomination committee follows a rigorous and transparent procedure for the appointment of board and executive members. This process entails due consideration of several factors, such as best practice recommendations, qualifications and skills of prospective candidates, and required demographic representation. After consideration and approval by the Board, newly appointed directors are subject to re-election by shareholders at the annual general meeting following their appointment.

New directors are taken through a formal induction programme and are provided with all the necessary background and information to familiarise them with the issues affecting the Board.

Board oversight

The Board has delegated governance responsibilities to five committees and one sub-committee to assist the Board in meeting its oversight requirements. The composition of all Board committees conforms to the recommendations of King IV, except for the recommendation that members of the remuneration and nomination committee should be non-executive directors and the majority should be independent non-executive directors. Mr Diack remained a member of the committee despite the executive role he currently holds. However, the lead independent director was appointed to this committee to maintain its independence.

Executive leadership

Mr S Flanagan was appointed to the position of Group chief executive officer (Group CEO) with effect from 1 February 2019, and under his leadership, the executive team has settled well. Mr E Diack who had a dual role as executive chairman and interim CEO, initially had a six-month handover period to ensure a smooth transition. His contract as executive chairman was extended for another six months to ensure the completion of the disposal of the non-core assets and other pressing matters. Since Mr Diack is no longer independent, Ms M Hermanus was appointed, after the resignation of Ms K Mzondeki, as the lead independent director (LID) with effect from 24 December 2018.

Audit and risk committee

The committee assisted by the external and internal audit function assesses and interrogates the Company's financial sustainability, financial and integrated reporting, internal controls, and effective risk management, and provides oversight over IT governance. Ms Kholeka Mzondeki resigned as a member of the committee with effect from 24 December 2018. Following the appointment of Mr Flanagan as Group CEO, he was no longer qualified to be a member of the committee given the statutory requirements. Ms M Hermanus was appointed to the audit and risk committee with effect from 20 February 2019. The committee is properly constituted with three independent non-executive directors: Mr P Hourquebie (chairman), Mr M Kilbride and Ms M Hermanus. The chairman of the Board, Group FD and the Group CEO are standing invitees to the committee meetings.

Remuneration and nomination committee

The committee ensures optimal remuneration structures to attract, retain and motivate top employees who will enable and support the business strategy, and source appropriately skilled directors who can individually and collectively add value to the Board. When dealing with nomination matters, the chairman of the Board or in his absence the LID acts as chairman of the committee.

Ms Kholeka Mzondeki resigned as chairman of the remuneration and nomination committee with effect from 24 December 2018, and Mr M Kilbride was appointed to that role. Ms M Hermanus, the LID, was appointed to the committee with effect from 22 February 2019. The committee is properly constituted with three independent non-executive directors: Mr M Kilbride (chairman), Ms M Hermanus and Mr P Hourquebie. The committee decided to retain Mr E Diack as a member of this committee.

Social, ethics and transformation committee

The committee provides assistance to the Board in its oversight role in organisational ethics, responsible corporate citizenship and, in particular, transformation issues within the Group. Ms Kholeka Mzondeki resigned as a member with effect from

Corporate governance report continued

24 December 2018, and Mr M Kilbride was appointed as a member with effect from 22 February 2019. The committee is properly constituted with three independent non-executive directors.

Safety, health and environmental committee

The committee ensures that the Aveng goal of "Home Without Harm Everyone Everyday" is upheld. Mr Hourquebie was appointed to the committee, with effect from 22 February 2019, due to the resignation of Mr Flanagan, following his appointment as Group CEO. The committee is properly constituted with three independent non-executive directors.

Investment committee

The investment committee was established by the Board to assist it in discharging its responsibilities to Aveng Limited in reviewing and monitoring relevant investment-related issues and activities throughout Aveng.

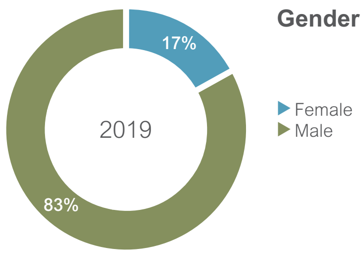
Board effectiveness and tenure

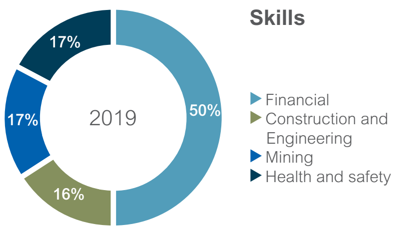
The remuneration and nomination committee ensures that the Board has an appropriate balance of skills, experience and knowledge of the Group, and considers the tenure of its directors to ensure that the Board is regularly refreshed while maintaining a stable leadership and corporate memory.

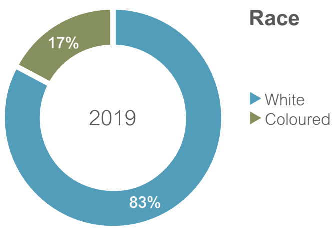
Half of the directors are independent non-executive directors and Aveng acknowledges that this requires attention. The non-executive directors are diverse in their academic qualifications and industry knowledge and have an average tenure of seven years on the Board. Ms May Hermanus reached her tenth year on the Board. She was subjected to an independence test that was assessed by the remuneration and nomination committee together with the Board. The results showed that she remains independent and may continue to serve as an independent non-executive director. The Board also approved the continuation of the services of Messrs Kilbride and Hourquebie as non-executive directors who have reached the age of 65, based on the recommendation of the remuneration and nomination committee. Non-executive directors must retire from the Board by the age of 70.

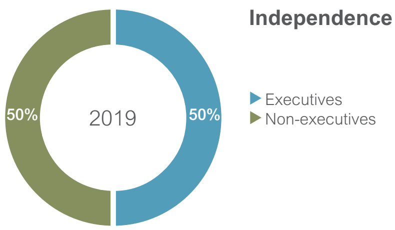
Board race and gender policy

The JSE and King IV both require that the Board has a board race and gender policy built into the compliance framework. The Board must set its own targets and timelines. The remuneration and nomination committee has set a minimum compositional framework of 40% black directors and three female directors. Due to the unfavourable industry and financial pressures Aveng experienced, these targets were not met. Now that the Group has made significant progress with the strategy, the remuneration and nomination committee will focus on refreshing the Board.









Board evaluation

In line with King IV, the Board conducts an evaluation of its performance and that of its committees. An internal Board and committee assessment was carried out and the results concluded that the Board is reasonably effective. The key issue raised was whether there are enough directors to fulfil the Board's responsibilities without burdening the directors. The response from the evaluation process indicated that there is an urgent need to recruit new Board members to avoid under-capacity. The Board's composition of skills, experience, demographics, gender, and race is a major concern which is receiving adequate attention. The most positive responses related to the way members work together in discharging their duties and the appropriateness of the agenda to allow the Board to discharge its responsibilities and deal with all eventualities.

Share dealings and conflicts of interest

In accordance with the JSE Listings Requirements, the Group has a policy requiring directors and officers who have access to price-sensitive information, to be precluded from dealing in the Group's shares during closed periods. Such closed periods commence from the end of December until the release of the Group's interim results in February each year and from the end of June until the release of the Group's annual results in August each year.

To ensure that dealings are not carried out at a time when other price-sensitive information may be known, directors, officers, and participants in the share incentive scheme must always obtain permission from the chairman and the lead independent director before dealing in the Group's shares. The company secretary is notified of any share dealings and, in conjunction with the corporate sponsor, publishes the details of directors' and officers' dealings in the Group's shares.

Directors are aware that when a matter is considered by the Board in which they have a direct or indirect personal financial interest, this interest is to be disclosed prior to the Board meeting. These disclosures are noted by the Board at every Board meeting and recorded in the minutes of the Board meeting.

Board and Board committee attendance

Director	Note	Board	Special board	Audit and risk committee	Special audit and risk committee	Remuneration and nomination committee	Special remuneration and nomination committee	Social, ethics and transformation committee	Safety health and environmental committee	Investment committee
EK Diack – executive chairman		4/4 Ch	6/6 Ch	4/4 In	5/5 In	5/5	1/2	4/4 In	4/4 In	1/1 Ch
SJ Flanagan – Group CEO	2	4/4	6/6	4/4 In*	5/5	4/5 In		2/2 In	4/4 In*	1/1
MA Hermanus – non-executive	3	4/4	5/6	2/2	1/1 In	2/2		4/4 Ch	4/4 Ch	
KW Mzondeki – non-executive	1	2/2	5/5	2/2	3/4	2/2 In	2/2	2/2		
PA Hourquebie – non-executive	6	4/4	6/6	4/4 Ch	5/5 Ch	5/5	2/2	4/4	1/1	1/1
MJ Kilbride – non-executive	5	4/4	6/6	4/4	5/5	3/3 Ch		2/2	4/4	1/1
AH Macartney – executive		4/4	5/6	4/4 In	5/5					1/1
JJA Mashaba – executive	4									
Attendance (%)		100	95	100	96	97	83	100	100	100

[1] *Resigned – 24 December 2018*
[2] *Appointed Group CEO – 1 February 2019*
[3] *Appointed lead independent – 24 December 2018 and member of the audit and risk committee – 20 February 2019*
[4] *Resigned – 31 August 2018*
[5] *Appointed chairman of remuneration and nomination committee – 24 December 2018 and member of the social, ethics and transformation committee – 22 February 2019*
[6] *Appointed member of safety, health and environmental committee – 22 February 2019*
[Ch] *Chairman*
[In] *Invitee*
[In*] *Two meetings attended as invitee*

Key responsibilities in terms of the board charter

- Agreeing the Group's objectives, strategies, and plans for achieving these objectives
- Approving capital funding and expenditure of the Group and the terms and conditions of such funding
- Ensuring that a robust budget and planning process exists across the Group, approving annual budgets and measuring performance against budgets and plans
- Considering and approving the annual financial statements, announcements, circulars and notices to shareholders, and ensuring the integrity of the Group's integrated report
- Considering and agreeing on the going concern status of the Company and the Group, based on the recommendation of the audit and risk committee
- Ensuring that the audit and risk committee is independent and effective
- Ensuring that an independent and effective risk-based internal audit function exists in the Group and reports on the effectiveness of the controls in adequately managing the risks
- Considering and approving any significant changes proposed in accounting policies or practices implemented by the Group, on the recommendation of the audit and risk committee
- Ensuring that appropriate safety, health and environmental management policies and procedures exist throughout the Group, monitoring performance and responsibly overseeing the safety of its employees and the public
- Assuming ultimate responsibility for regulatory compliance and ensuring that a framework is implemented to ensure the effective management of the Group's compliance with applicable laws and consideration of adherence to non-binding rules, codes and standards
- Fulfilling the functions and role of the Board based on the premise that strategy, risk, sustainability, and operational and financial performance are inseparable
- Committing the Group to implement sustainability strategies throughout its operations in line with internationally recognised guidelines and principles
- Acting as the focal point for and being the custodians of corporate governance and ensuring that the Group is managed in accordance with the principles set out in King IV.

2019 focus areas

The Board monitored how its committees discharged its responsibility to ensure effective leadership by:

- Restructuring the balance sheet
- Continued disposal of the Group's non-core assets
- Improving performance in the Group's core assets
- Reviewing the sustainability of the organisation, given the challenging operating conditions.

2020 key focus areas

- Continuing to provide ethical and effective guidance and leadership to ensure an ongoing focus on the Group's core purpose and values
- Guiding, supporting and monitoring the Group CEO's implementation of the Aveng strategy, particularly the continued improvement in the operational performance of the core operations
- Continuing to further reduce the Group's debt
- Ongoing monitoring of the implementation of the principles and recommendations set out in King IV.

Audit and risk committee report

The audit and risk committee (the committee) of Aveng complies with relevant legislation, regulation and governance practices. The responsibilities of the committee are outlined in its written charter, which was most recently reviewed and updated during the reporting period.

The committee has pleasure in submitting its report to the shareholders as required in terms of section 94(7) of the Companies Act No 71 of 2008.

In December 2018, the resignation of Ms Kholeka Mzondeki, followed by the appointment of Mr Sean Flanagan on 1 February 2019 as the Group CEO required a change in the composition of the committee. Mr Sean Flanagan stepped down as a member of the committee and Ms May Hermanus was appointed as a member to this committee on 20 February 2019.

Membership of the committee

The committee comprised the following members at the date of this report:

- PA Hourquebie – chairman
- MJ Kilbride
- M Hermanus.

Each member is an independent director and collectively the committee has adequate relevant knowledge, the financial expertise and experience to equip the committee to properly execute its duties and responsibilities. The experience and qualifications of the members are set out in the integrated report and in more detail at www.aveng.co.za.

Functions of the committee

During the 2019 financial year (2019), four scheduled and five special audit and risk committee meetings were held. A total of nine meetings were held up to June 2019. Details of attendance are set out in the corporate governance section of the integrated report.

The committee reports that it has adopted appropriate formal terms of reference as its mandate and has regulated its affairs in compliance with this mandate, and has discharged all the responsibilities set out therein.

During 2019, the committee reviewed the following matters:

- The quarterly and half-yearly financial reports, the integrated report, the annual financial statements and accounting policies for the Company and all subsidiaries
- The effectiveness of the combined assurance model
- The reports of the internal audit function on the state of internal control, including its forensic reports regarding fraud prevention and detection
- The effectiveness of the internal audit function
- The auditor's findings and recommendations
- Statements on ethical standards for the Company, and considered how they are promoted and enforced.

Independence of auditor

The committee is satisfied with the independence and objectivity of Ernst & Young Inc. as external auditors and Mr AJ Carshagen as the designated auditor. The designated audit partner was assessed in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The committee further approved the fees to be paid to Ernst & Young Inc. and its terms of engagement, and pre-approved each proposed contract with Ernst & Young Inc. for the provision of non-audit services to the Company.

Mandatory audit firm rotation

The committee had a robust discussion regarding mandatory audit firm rotation. The committee concluded that the process to appoint a new external audit firm be put in place. However, the appointment of the new auditors will not be considered in the current year as the matter requires adequate consideration and robust process for selection and transition. The IRBA's requirement for mandatory audit firm rotation will be effective for the Group's financial year ending 30 June 2023.

Statutory reporting

The committee has evaluated the annual financial statements of Aveng and the Group for the year ended 30 June 2019 and, based on the information provided to the committee, considers that the Company and Group comply, in all material respects, with the requirements of the Companies Act of South Africa, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation and financial pronouncements as issued by the Financial Reporting Standards Council.

Internal financial controls

The committee agendas provide for confidential meetings between committee members and both the internal and independent external auditors. The committee has oversight of the Group's financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring the Group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The committee oversees cooperation between internal and external auditors, and serves as a link between the Board of directors and these functions.

The head of internal audit reports administratively to the Group finance director and functionally to the chairman of the committee.

Based on information from, and discussions with, management and the Group internal audit function, the audit and risk 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 upon for the preparation of the annual financial statements.

Statement of internal control and risk management

The risk management function together with management, identifies and monitors potential risks faced by the Group and the risk mitigation strategies proposed and implemented by management. The internal audit functions monitor the effectiveness of internal control systems and make recommendations to management and the audit and risk committee. The Board has concluded, based on the recommendation of the audit and risk committee and their own understanding, that there is no reason to believe that there were any material internal control or risk management shortcomings during the current financial year that have not been addressed or are in the process of being addressed.

Expertise and experience of the Group finance director and the finance function

In accordance with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, the audit and risk committee is required to consider the appropriateness of the expertise and experience of the Group FD. In respect of this requirement and for the year under review, the committee is satisfied that Mr Adrian Macartney, the Group FD, possesses the appropriate expertise and experience to fulfil his responsibilities in that position. The Group finance function was enhanced with the appointment of several staff members.

Expertise and experience of the company secretary

The committee has satisfied itself that the company secretary Ms E Mandizha had the appropriate competence and experience and maintained an arm's-length relationship with directors.

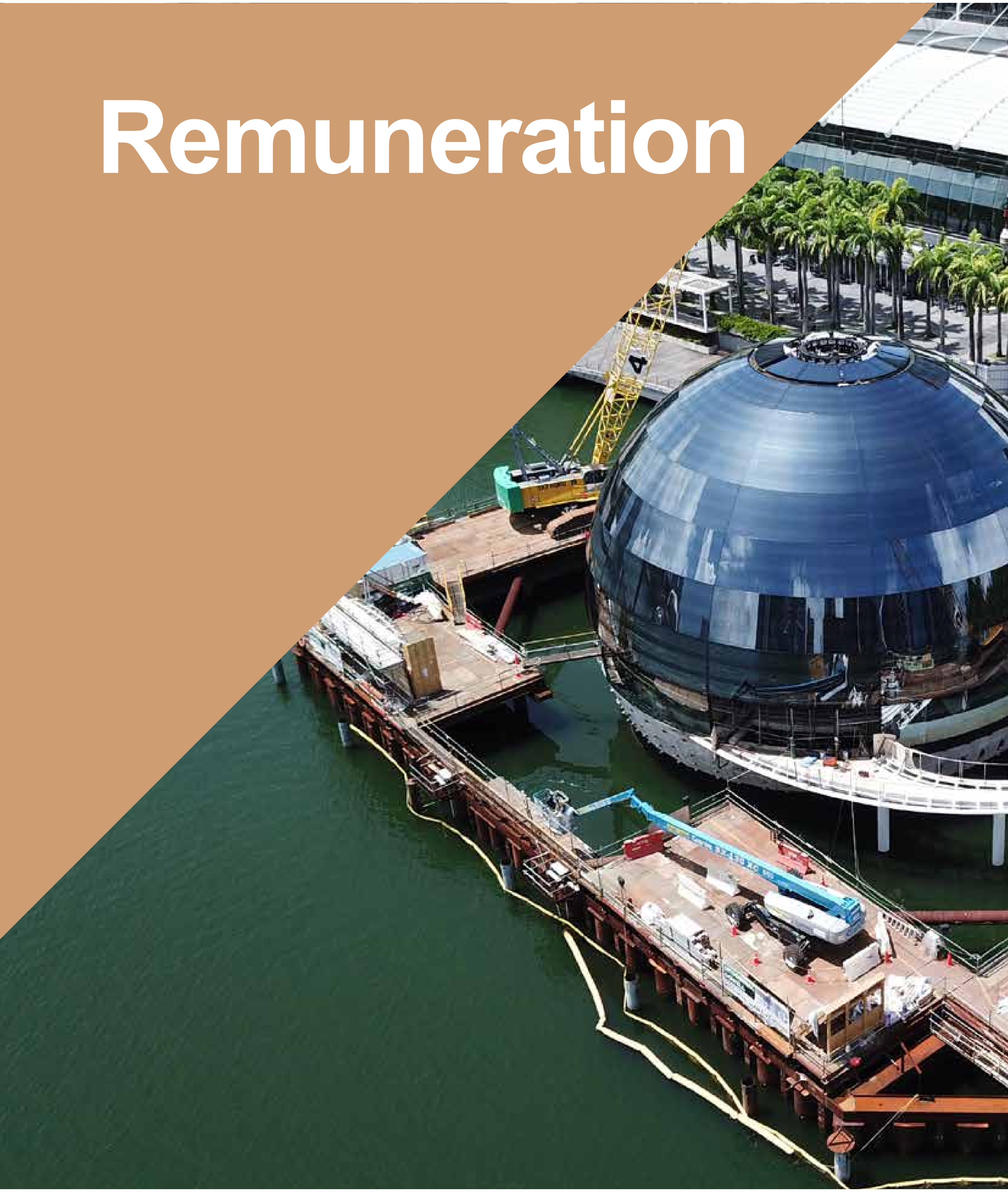
Recommendation of the annual financial statements and integrated report

The committee, having fulfilled the oversight role regarding the reporting process for both the annual financial statements and the integrated report and having regard to material factors that may impact the integrity of these reports, recommends the integrated report and the annual financial statements for approval by the Board of directors.

PA Hourquebie
Chairman

30 October 2019

Remuneration



Marina Bay Sands, Singapore

IN THIS SECTION

SALIENT FEATURES

Incentivising targeted performance

New incentive scheme targets:
- Sound performance against financial and non-financial metrics
- Delivery of shareholder returns

Remuneration

Aveng has **revised** its **remuneration** scheme to **incentivise targeted** behaviour and **performance** in line with **shareholder expectations**.

Remuneration report

Letter from the chairman of the remuneration and nomination committee

Dear stakeholders,

I am pleased to report on the progress we have made during the 2019 financial year regarding remuneration matters, as well as on the measures we have put in place for the 2020 financial year. The remuneration environment for the reporting year, and for the upcoming year, is characterised by the challenging times in which we find ourselves as a business and, as such, Aveng has recognised the need for it to continually re-evaluate and adapt its remuneration policy and strategy. The Strategic Review that was implemented in the 2018 financial year included finalising the capital market transactions, disposing of the non-core businesses (*Aveng Trident Steel, Aveng Grinaker-LTA and Aveng Manufacturing*) and improving the Group's operational performance. The 2019 strategy has been to focus on the success and completion of the beforementioned transactions and stabilising and positioning our core businesses for growth. The focus for 2020 will be to focus on profitably growing our core businesses while completing the remaining disposals.

Performance

The business has taken enormous strain over the last 12 months, reporting an operating loss of R1,1 billion. However, management has met many of the objectives set out for 2019 which is evaluated and reported on in part 3 of this report under the Performance Incentive Plan. In addition, it is our responsibility as a remuneration committee to make sound governance and remuneration decisions for all stakeholders including, inter alia, shareholders, executives and other employees. Our view was and still is that it is imperative to incentivise executives to perform well even in the most difficult of circumstances. The effort, energy and hard work that I have witnessed from the executive team over the last 12 months to execute the strategy, complete the capital market transactions, negotiate with funders and dispose of non-core assets, as well as to make tough decisions, where necessary, across all operating divisions, has been encouraging.

The non-core businesses continue to make losses. However, we have almost completed the disposals and this will ultimately result in the losses being stopped. Our two core businesses, Moolmans and McConnell Dowell, did not perform optimally as described in the performance section of this report, but management has put in place plans to turn these around and these plans are on track to deliver.

Plans for 2020

To address the challenges which have resulted from this demanding period, the remuneration and nomination committee (remcom) has made several strategic remuneration decisions including proposing a new short-term incentive (STI) scheme and a long-term incentive (LTI) scheme to be implemented in the 2020 financial year. These schemes contain specific performance measures to drive sound performance and to ultimately deliver returns to shareholders. Performance measures include financial metrics such as earnings growth, cash flow conversion and return on capital as well as non-financial metrics such as safety, health and environment (SHE) and strategic objectives. These performance measures are in the spirit of King IV™ (King IV) compliance and enhance the transparency of our reporting and are designed to drive a high-performance culture. With regard to incentives, we plan to align Moolmans and McConnell Dowell's incentive structures so that the Group can operate with similar strategic objectives. The 2020 STI and LTI schemes have the same metrics for head office, Moolmans and McConnell Dowell except certain of the targets are specific to each unit. These new schemes are fully reported on in part 2. Prior to adopting these schemes, we engaged extensively with shareholders to discuss the main principles and to ensure alignment with their expectations, and we understand that we have significant shareholder support for the adoption of these schemes. We hope this is reflected in our remuneration voting process at the annual general meeting (AGM).

Mike Kilbride
Chairman

30 October 2019

Part 1: Overview

Remuneration and nomination committee: overview of 2019

The following work was performed by the remuneration committee during 2019.

- A detailed executive director and senior executives' total pay benchmarking exercise, including total guaranteed package (TGP), STI and LTI against the market was performed;
- Given the current business and economic climate, careful consideration was given to annual salary increases, based on market benchmarks, performance reviews and general staff increases. These increases were approved within the remcom mandate;
- Evaluation of performance conditions and targets for the approved Aveng executive STI plan for the 2019 financial year;
- Approval of a new 2020 STI and LTI scheme with specific key performance metrics and targets for executives which will drive sound financial and non-financial performance;
- Review of composition of the Board and tenure of executive directors and non-executive directors. New committee chairpersons were appointed; and
- Review and approval of all senior executive director appointments.

Statement of fairness and responsibility

We are constantly reviewing the way in which we remunerate our employees to ensure that our pay is fair, responsible and transparent. Our employees' remuneration should be deemed impartial, objective and rational. We deliver on these criteria by ensuring that all remuneration is approved by the appropriate authority and is subject to oversight.

The remcom makes use of independent external advice on remuneration trends and market benchmarks. In this regard DG Capital provided advice on local and international remuneration trends as well as specific benchmarking data on executive pay. In addition, DG Capital assisted with the design, implementation, quanta and targets for the new STI and LTI.

Shareholders

At the 2018 AGM held on 4 December 2018 our 2018, remuneration report was presented and voted on as follows:

	2018 %	2017 %	2016 %
Remuneration policy	89,28	60.94	81,90
Implementation report	89,30	63,88	No voting requirement
Non-executive directors' remuneration	90,84	99,80	99,94

Following a decline in shareholder approval for our 2017 policy, we engaged extensively with shareholders to address their concerns and are pleased with the increase in shareholder approval.

The Board will put both the remuneration policy and the implementation report forward for non-binding advisory shareholder resolutions at the upcoming AGM.

Part 2: Remuneration policy overview

Introduction

This report specifically deals with the remuneration for the Group executive management (executive directors and prescribed officers). Disclosure is provided in line with the requirements of South African legislation and King IV.

To support the revised strategy, there is the need for revised incentive plans which will aid in executing the strategic vision of the Group. To this end, the 2020 STI and LTI schemes will be put in place for the 2020 financial year. The 2020 schemes will replace the 2019 STI Performance Incentive Plan and previous LTIs will either be terminated or are currently suspended until further notice.

The adoption of the above 2020 schemes will ensure that Aveng's remuneration strategies underpin continuous and consistent alignment of executive directors' and senior management's behaviour for all stakeholders, including ensuring shareholder value creation whilst stabilising the business and ensuring long-term success. The objectives and values are demonstrated in the diagram below:

Remuneration report continued

Governance and the remcom

Remcom responsibility

The Board which provides a mandate to remcom carries the ultimate responsibility for the remuneration policy. The duties and responsibilities of the remcom are governed by the Aveng remuneration and nomination committee Charter (Charter).

Composition, mandate and attendance for remcom

The members of the remcom, with the necessary knowledge, skill, experience, expertise and capacity to perform their duties, shall be appointed by the Board and shall comprise at least three non-executive directors on the Board, the majority of whom shall be independent.

The chair of the Board and the lead independent director shall be ex officio members of the remcom. The Group chief executive officer and head of human resources shall be standing invitees to all meetings of the remcom but shall be recused from the meetings when matters concerning their remuneration and/or performance are discussed. The remcom meets at least four times a year but may at its discretion meet more often, depending on the circumstances. The attendance for these meetings is contained on page 61.

The terms of reference as set out in the charter include:

- Overseeing the development and regular review of a remuneration policy that is aligned insofar as appropriate with the recommended practices of King IV, and has taken into consideration the Illustrative Guidance (Guide to the Application of Remuneration Governance) and that it articulates and gives effect to the Board's direction on fair, responsible and transparent remuneration and that it achieves the following objectives:
  - to attract, motivate, reward and retain human capital;
  - to promote the achievement of strategic objectives within the Group's risk appetite;
  - to promote positive outcomes; and
  - to promote an ethical culture and responsible corporate citizenship.
- Ensuring that a summary of the main provisions of the remuneration policy is presented to the shareholders at the AGM of the Company for the purposes of a non-binding advisory vote.
- Reviewing the outcomes of the implementation of the remuneration policy and to ensure, amongst other things, that the objectives of the remuneration policy as listed above are achieved.
- Ensuring that the implementation report complies with King IV, and has taken into consideration the Illustrative Guidance (Guide to the Application of Remuneration Governance).
- Ensuring that both the remuneration policy and the implementation report are presented to the shareholders at the annual general meeting of the Company for the purposes of two separate non-binding advisory votes.
- Assisting the Board to ensure that the executive directors and senior executives of the Group are remunerated on a fair, responsible, transparent and competitive basis and in line with the principles of the remuneration policy.
- Ensuring that a process exists for the setting and administration of remuneration at all levels of the Group and shall objectivity monitor the credibility of the Group's remuneration systems.
- Ensuring that an adequate grading system exists and is operational throughout the Group.
- Identifying appropriate comparative groups and reviewing current industry practice, including professional executive recruitment developments and trends.
- Regularly reviewing and being aware of developments in methods of remunerating executive directors and senior executives to ensure that the mix of fixed and variable pay in cash, shares and other elements is competitive, sustainable, meets the Group's operational requirements, strategic objectives and is aligned to the remuneration policy as well as best market practices so as to promote positive outcomes.
- Recommending proposed changes to remuneration packages of executive directors and approving changes in respect of senior executives within the parameters of the remuneration policy.
- Ensuring that all benefits, including retirement and other financial arrangements, are justified and that a process exists to ensure that same are correctly valued.
- Considering the remuneration structure for non-executive directors of the Company, considering appropriate and credible benchmarks and recommending the proposed remuneration for non-executive directors to the shareholders of the Company for approval at the AGM.
- Approving annual and interim salary mandates for salaried employees in respect of the Corporate Office and Operating Groups and recommending relevant salary mandates for executive directors to the Board for approval.

Remuneration

Remuneration structure

Aveng's remuneration structure provides for guaranteed and variable remuneration components. The guaranteed component comprises employees' total guaranteed pay (TGP). The variable pay portion is driven by Group and individual business unit performance and the quantum varies based on meeting pre-defined targets. This report focuses on executive management (executive directors and prescribed officers) but the TGP is applicable to all salaried permanent employees.

	Component, objective and link to strategy	Policy	Future changes
Total Guaranteed Package (TGP)	**Base package** Designed to attract and retain employees in line with the scope, nature and skills' requirements of the role. It must be competitive in the market and internally fair, based on similar job profiles. Increases are typically linked to CPI, performance and affordability. Reviewed annually in January.	To pay all employees at the median of the market for full competency and expected performance, while allowing for performance-based differentiation through variable pay. Increase recommendations for the Aveng executive committee members are proposed by the executive chairman and Group CEO and presented to the remcom for approval and implementation. The executive chairman and Group CEO's increase is approved by the remcom.	No changes are proposed for 2020
	Benefits Provides employees with contractually agreed basic benefits such as medical aid, retirement funding and group life and insured benefits (death cover; disability cover; and accidental death benefit cover). These benefits recognise the need for a holistic approach to guaranteed package.	Salaried employees are required to be members of the Company-nominated medical schemes unless they are already members of their spouse's medical aid schemes. Employees have the option to structure their pension and provident fund contributions and risk benefits at either 70%, 80% or 100% of their TGP. Provision is now made for voluntary contributions up to a maximum of 27,5% of remuneration earned. In terms of group life benefits employees have the option of 2,5x, 3x, 3,5x, 4x and 4,5x life cover of annual pensionable salary.	No changes are proposed for 2020
Short-term Incentives (STI)	**STI** To motivate and incentivise delivery of financial and non-financial performance targets, consistent with the Group's strategy over a one-year period. The purpose of the scheme is to reward executives for their measurable contribution based on a well-balanced set of metrics set out in the adjacent column. The STI quanta, metrics and targets were redesigned for the 2020 year and each year will be evaluated as to whether they are still appropriate. Performance metrics will be disclosed retrospectively. The STI, subject to meeting performance targets, will be paid in cash as soon as practically possible after the release of the financial results each year. Remcom has discretion to apply its mind to the final amounts payable.	Threshold, target and stretch performance targets are set for the following metrics: Financial performance ▸ Earnings before interest and tax (EBIT) ▸ Future work secured ▸ Operating free cash flow (OFCF) ▸ Return on capital employed (ROCE) Safety, health and environmental (SHE) targets with one fatality a gatekeeper to this measure. Strategic performance ▸ Disposal of non-core assets and refinancing of common terms agreement with banks. For Moolmans and McConnell Dowell the Group CEO will set the strategic targets. Each of the measures are appropriately weighted and based on the total score for each metric. The final STI quantum is determined and the maximum payout for the Group CEO and Group finance director is 100% of TGP. The weightings and percentage payable of TGP for threshold, target and stretch performance are set out on page 70.	New scheme proposed for 2020 as described on page 70

Remuneration report continued

	Component, objective and link to strategy	Policy	Future changes
Long-term incentives (LTI)	**Cash settled LTI** To motivate and incentivise delivery of long-term, sustainable performance. This aligns executives' interests with shareholders' through a long-term cash settled LTI. The cash settled LTI is subject to demanding performance targets including a significant weighting to absolute share price performance to ensure that executives are only rewarded after delivering tangible sustainable returns for shareholders. Performance metrics will be disclosed prospectively. The LTI subject to meeting performance targets will be paid in cash as follows: 75% after the release of the financial results for year three; and 25% one year later. The payment profile is to encourage longer-term thinking and performance. Remcom has discretion to apply its mind to the final amounts payable.	Awards are cash settled and subject to performance conditions over a three-year period as well as continued employment. The Group performance metrics comprise the following: ▸ Returns to shareholders in terms of share price growth and distributions over a three-year period based on a 60-day VWAP. ▸ ROCE achieved by end of year three. Both measures are appropriately weighted with a more significant weighting towards returns to shareholders and based on the total score for each metric. The final LTI quantum is determined and the maximum payout over a three-year period for Group CEO and Group finance director is 390% of TGP (ie it builds up at a maximum of 130% per annum. The weightings and percentage payable of TGP for threshold, target and stretch performance are set out on page 71.	New scheme proposed for 2020 as described in the table below

Revised STI for 2020

The table below sets out the revised STI for 2020. There are six metrics against which performance will be judged and each one is appropriately weighted for the current year. The percentage payable at threshold, target and stretch is 40%, 80% and 100% of TGP respectively for the Group CEO and Group finance director. The performance targets will be disclosed retrospectively in the implementation report of 2020.

		% Payable per target range		
Short-term incentive	**Weighting %**	**Threshold 40%**	**On target 80%**	**Stretch 100%**
EBIT[1]	20	Targets to be disclosed retrospectively		
Work secured[2]	15			
OFCF[3]	25			
SHE[4]	15			
ROCE[5]	15			
Strategic[6]	10			
	100			

1 *The target EBIT is per the 2020 Board approved budget.*

2 *All new work secured is subject to an internal tender committee approval and subject to minimum margins and acceptable contractual terms so that the business does not enter into any onerous / punitive contracts.*

3 *OFCF includes proceeds on disposal in the 2020 financial year to ensure that adequate proceeds are received in the overall cash target.*

4 *15% split between 5% safety (5% = 0 if there is a single fatality); 5% health; 5% environment.*

5 *ROCE = EBIT / (Average capital employed less historical claim value).*

6 *Head office: 5% for value realised for disposals, and 5% for refinancing the common terms of agreement. The Group CEO will set strategic targets for Moolmans and McConnell Dowell.*

Similar targets are applicable to the prescribed officers in respect of the two core businesses.

Long-term Incentive (LTI)

The following historical LTI schemes are either no longer operational or temporarily suspended.

Aveng 2015 Long-term Incentive Plan

This plan was approved in 2015 and provides for awards in the form of bonus shares, performance shares and retention shares. More detail may be obtained in the 2017 remuneration report.

2017 Cash Settled Conditional Share Plan (CSP)

The CSP was implemented because Aveng had been in an extended cautionary period since December 2015. Awards are made in the form of performance, retention and bonus shares which are cash settled upon vesting.

2018 Special Incentive Scheme

Aveng adopted the 2018 Special Incentive Scheme, to address specific business challenges present at that time, and to reset the performance conditions and address immediate and medium-term retention of executives and senior management. The awards under this scheme were split into three parts, ie 25% as a cash retention paid upfront subject to a clawback condition, 35% in retention shares for selected key executives and managers and 40% in performance shares subject to performance conditions. Following concerns raised by shareholders regarding the performance conditions, Aveng amended one of the performance conditions from headline earnings to headline earnings per share. This scheme is no longer in operation.

Revised LTI for 2020

A new LTI scheme has been implemented for 2020. There are two metrics against which performance will be judged.

The performance period applicable to the 2020 LTI awarded during 2019 is a three-year period commencing on 1 July 2019 to 30 June 2022. The performance targets to be achieved within three years are set out in the table below. The percentage payable based on meeting the targets is 90% (threshold); 240% (target) and 390% (stretch) respectively of 2020 annualised TGP. The total payment will only be made based on achieving the targets in year three. If threshold is not achieved, no payment will be made.

		Targets		
Long-term incentive	**Weighting %**	**Threshold**	**Target**	**Stretch**
Returns to shareholders[1, 2] (number of times 60-day VWAP at 30 June 2019 = R0,0244)	75	3,3	4,1	8,2
Share price target in year three (60-day VWAP) (cents)[2]		8,0	10,0	20,0
ROCE(%)[2, 3]	25	11,5	12,5	14,5
	100			

[1] *Includes share price increases (including any premium paid by potential acquirer of a controlling interest), plus any distributions (including distributions from sale of operating units). If the share price is achieved prior to year three as a result of a buy-out premium, then the full 75% weighting will vest but the 25% weighting for ROCE will be proportional to target achieved and time based. The rationale for the 75% to include the buy-out premium and not making it time-based is to ensure management interests are aligned with shareholders and are therefore agnostic to a potential buy-out transaction.*

[2] *100% vests in year three subject to the achievement of the performance targets and is payable 75% after the audited results in year three and 25% after the audited results in year four. The remaining 25% is purely time-based. The award and payments are subject to malus and claw back provisions.*

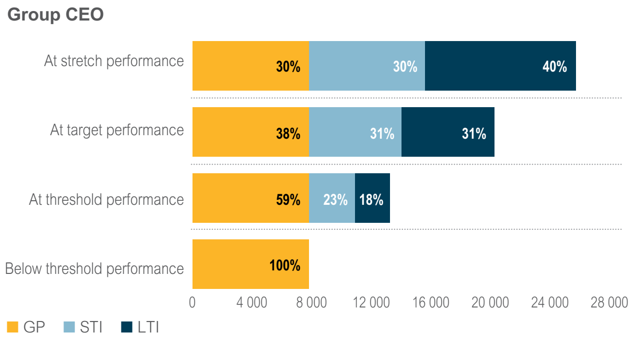
[3] *ROCE = EBIT / (Average capital employed less historical claim value). Targets to be achieved by end of year three.*

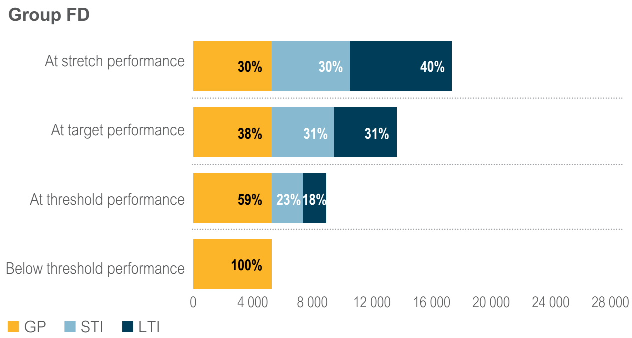
Executives earning potential

Executive earning potential in terms of remuneration mix for TGP, STI and LTI for the Group CEO and Group finance director at various levels of performance (below threshold, threshold, target and stretch) is depicted in the following graphs on the next page. The executive chairman has not been disclosed as his current executive contract expires in December 2019 (his TGP for the six-month period ending 31 December 2019 will be similar to that of the prior six-month period). Prior to the expiry of his contract his role will be reviewed. Should the scope of his duties post the expiry of his executive contract be wider than that of a non-executive chairman, his remuneration details will be disclosed retrospectively.

Remuneration report continued

Group CEO, Group FD, remuneration mix





Policy on terms of service on employment contracts and severance arrangements

Executive management

Notice periods: The termination condition of executives and prescribed officers is three months' notice, with the remainder of the Group set between one and three months' notice depending on the seniority and criticality of the role.

The Group's current normal retirement age is 60 years, excluding McConnell Dowell employees (for whom no retirement age is prescribed by Australian labour legislation). However, Aveng has a policy in place to extend employment for selected individuals with critical or scarce skills beyond the normal retirement age. Such extension is at the sole discretion of the Company.

Although not a requirement of the King IV code, Aveng executive directors have historically retired by rotation every three years and presented themselves for re-election at the Group's AGM. This practice shall continue.

While no specific provision is made for termination bonuses, the remcom is given some discretion by the various incentive scheme rules to consider these in the case of terminations of executives and senior management under exceptional circumstances.

The table below summarises the various termination reasons and the impact on the executive management's variable remuneration elements:

Plan	"Bad leavers" – resignation, abscondment, early retirement at the employee's instance, dismissal; and trigger events in terms of the Malus and Clawback policy	"Good leavers" – retrenchment, early retirement at the instance of the Company, restructuring, disability, death
Aveng 2015 LTIP	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination.	In respect of bonus shares and retention shares, a pro-rata portion of the award shall vest. In respect of performance shares, the portion of the award that will vest shall be determined to the extent that the performance conditions were met.
Cash-settled conditional share plan (CSP)	All unvested conditional awards will lapse, unless the remcom in its absolute discretion determines otherwise.	A portion (performance adjusted) of the unvested conditional awards will vest on the date of termination.
2018 Special Incentive "Cash-settled retention awards"	Future payments are forfeited and the executive must pay back either full or a pro-rata amount of the net value of the award already received.	Future payments are forfeited and the executive is not required to reimburse the Company for any awards already received.
2019 Performance Incentive Plan	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination.	The remcom has discretion to a make payment of a proportionate amount based on the extent to which performance measures have been met.
Proposed 2020 Scheme	Future payments are forfeited. In addition, malus and clawback provisions apply.	The remcom has discretion to a make payment of a proportionate amount based on the extent to which performance measures have been met.

Malus and clawback provisions

The 2020 STI and LTI will both be subject to both malus and clawback provisions.

If, while the award remains unvested or the STI is still unpaid, employment is terminated by reason of resignation, abscondment, early retirement or dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct, all unvested awards / unpaid STI will lapse unless the remcom in its absolute discretion determines otherwise (referred to as "malus").

If a trigger event arises after variable remuneration has been paid / settled, the remcom can demand the repayment of an amount equal to the pre-tax value of any STI or LTI received (referred to as a "clawback"). Trigger events include:

- in the event that a material misstatement of the financial statements of Aveng / operating groups / business units is detected; and
- in the event of a significant adverse legal / Competition Act finding against Aveng in which the individual had some culpability.

Minimum shareholding requirement (MSR)

The remcom is currently considering the most appropriate approach to MSR, given the current business environment and long closed period that has existed for the Company. The MSR policy will set out the minimum shareholdings which executives and other selected senior employees are required to achieve. The long-term objective and intention of the MSR policy is to encourage senior employees to maintain a meaningful ownership stake in the Company, representing their commitment to the creation of shareholder value, and demonstrating their faith in the business and alignment with shareholder interests.

Currently we are considering implementing a more specific MSR policy based on targeted shareholdings built up over a reasonable number of years.

Shareholder engagement

The Group's remuneration policy and the implementation thereof are placed before shareholders for consideration and approval under the terms of an advisory non-binding vote at the AGM as provided for in the JSE Listings Requirements and recommended by King IV.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the implementation resolution, then:

- the Company will engage with shareholders to examine their vote and note their concerns and report back to shareholders in the next remuneration report.

Non-executive directors

Policy

Non-executive directors are appointed by the shareholders at the AGM. Where a non-executive director holds office for longer than nine years, the independence of that director will be subjected to a review by the Board and a statement to that effect is included in the governance report on page 58. The remcom shall consider the continuation (or not) in service of any non-executive director who has reached the age of 65. Non-executive directors must retire from the Board by the age of 70. Notwithstanding this provision, non-executive directors are also subject to retirement by rotation as provided for in the memorandum of incorporation.

Fee structure

Non-executive directors who sit on the Board and all committees are paid on a retainer basis subject to attendance at scheduled Board / committee meetings. For the Board and committees, there is an additional fee paid per meetings in excess of scheduled meetings per year. There is also a fee paid per hour for non-executive directors for extraordinary services and an approved McConnell Dowell travel allowance. A composite fee is paid to non-executive directors based overseas.

Fee approval

Management submits annually, to the remcom, a proposal for the review of non-executive director fees. This proposal includes benchmarks from a non-executive director remuneration survey, as well as extracts and benchmarking data from annual reports of at least three medium businesses within the same industry sector. A comparison of the current and proposed fees against the market surveys and benchmarks informs the appropriate fee recommended by management. The services of independent remuneration consultants may also be used to obtain independent benchmarks for non-executive directors' fees. While market benchmarks provide an indication of competitiveness of non-executive director fees, company performance and affordability ultimately influence fee increases.

The Board recommends the non-executive fees which will be submitted to the AGM for approval by shareholders in terms of the Companies Act.

The non-executive director fees proposed exclude VAT which will be charged to a qualifying non-executive director at the prevailing rate. Fees payable for five scheduled Board meetings per annum will be in proportion to the period during which the office of the non-executive director, chairman or lead independent director, has been held during the year.

Remuneration report continued

2020 proposal

For 2020, a 6% increase is recommended in respect of all Board and committee fees.

Board / committee	Category	2019 fee (R)	2020 proposed fee[1] (R)
Main board	Chairperson	**976 000**	1 034 560
	Lead independent	**450 000**	477 000
	Director	**321 400**	340 680
	Ad hoc meetings[2]	**28 200**	29 890
Subsidiary boards	Director	**170 800**	181 050
	McConnell Dowell travel allowances[3]	**78 000**	82 680
Remuneration and nomination committee	Chairperson	**216 600**	229 600
	Member	**86 100**	91 270
Safety, health and environmental committee	Chairperson	**187 000**	198 220
	Member	**80 800**	85 650
Social, ethics and transformation committee	Chairperson	**187 000**	198 220
	Member	**80 800**	85 650
Audit and risk committee	Chairperson	**286 400**	303 580
	Member	**161 200**	170 870
	Subsidiaries member	**87 300**	92 540
Investment committee	Chairperson[3]	**11 400**	12 080
	Member[3]	**8 700**	9 220
Tender risk committee	Member[3]	**11 200**	11 870
Ad hoc committee meetings	Member / invitee[4]	**18 300**	19 400
Extraordinary services rendered	Per hour fee[5]	**4 500**	4 770

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

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

3 *Per meeting attended.*

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

5 *Per hour.*

2020 proposal for non-resident non-executive directors

For 2020, a 2,2% increase is recommended in respect of non-resident UK-based non-executive directors.

Category	Fee type	2019 fee (£)	2020 proposed fee[1] (£)
Non-resident UK-based non-executive director	Composite fee[2]	**81 250**	83 040
	Ad hoc meeting fee[3]	**2 550**	2 606

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

[2] *Fee paid for attendance at Aveng Board meetings and attendance as chairman of audit and risk committee and as a member of four other Board committees (the social, ethics and transformation, remuneration and nomination, safety health and environmental and investment committees).*

[3] *Fee paid for any additional ad hoc Board or committee meetings attended.*

Non-binding advisory vote on the remuneration policy

Shareholders are requested to cast a non-binding advisory vote on part 2 of this remuneration report.

Remuneration report continued

Part 3: Implementation of remuneration policies during the 2019 financial year

Total guaranteed pay and benefits increases

Due to the prevailing tough business climate, as done for the previous five years, the operating groups again limited annual increases to below the mandated increases. Despite these reduced overall annual increases, our annual market benchmarking results indicate that we remain generally on par with the market. Executive directors and prescribed officers were awarded performance-based increases, meaning that where individual performance was below target no increase was awarded. Market benchmarking was taken into consideration for each individual's remuneration.

	Average increase percentage
Executive directors / prescribed officers	5
General staff	5

2019 Performance Incentive Plan outcomes

The 2019 Performance Incentive Plan results in bonuses being paid to executive directors and certain other staff on a pay as you go basis based upon the achievement of certain pre-defined objectives. The objectives are set out in the table below and the percentage achievement for the executive chairman, Group CEO and Group FD.

Area	Measure	Achieved %	Executive chairman	Group CEO	Group FD
Transactions	Capital markets transaction	100	2 000 000	0	1 040 000
	Disposal of non-core businesses and major interventions to protect the balance sheet	66	2 232 000	2 691 000	386 667
	Renew the CTA	100	1 000 000	0	520 000
Operational	CTA covenants	100	2 468 000	0	1 040 000
	Succession / culture	100	500 000	234 000	0
	Quality of audit opinion	100	468 000	0	780 000
	Safety	0	0	0	0
	New work	100	0	234 000	
	Retention of key staff and transformation	95	1 134 000	468 000	520 000
Total			9 802 000	3 627 000	4 286 667

Long-term incentives

Forfeitable share plan (FSP)

As this scheme was discontinued in 2015, no forfeitable shares were granted in 2019.

FSP	Number of awards	FS issued	Total number of FS issued to date	Forfeited to date	Vested to date
2012	9	990 108	990 108		
2013	4	352 200	1 342 308		
2014	6	502 891	1 845 199		
2015	6	502 262	2 347 461		
2016	21	4 294 700	6 642 161		
2017			6 642 161		
2018			6 642 161		
2019	**0**	**0**	**6 642 161**	**(5 536 116)**	**(1 106 045)**

The last FSP shares were granted in September 2015. These awards were due to vest in September 2018 and were subject to the fulfilment of the performance condition, which was tested after year end. The performance condition was not met, therefore, as per the scheme rules, the awards were automatically forfeited.

Cash-settled Conditional Share Plan (CSPs)

No awards were made under this plan during the 2019 financial year.

CSP	Number of bonus awards[1]	Number of performance awards[2]	Number of retention awards[3]	Total awards	CSP issued / CSP adjusted[4]	Total number of CSP issued to date	Forfeited to date	Vested to date
2017	7	37	4	48	10 149 930	10 149 930	–	–
2018						10 149 930		
2019	**0**	**0**	**0**	**0**	**7 254 797**	**17 404 727**	**(9 413 437)**	**(2 122 392)**

1 *Deferred portion of 2016 financial year STI award.*

2 *Performance awards are subject to an employment and performance condition. The performance condition for the 2017 award is Aveng's growth in headline earnings per share (HEPS) relative to the JSE construction index J235 (excluding PPC Ltd), as per the approved 2016 remuneration policy. No vesting will occur for performance below threshold and linear vesting will be applied between the threshold and target. A maximum of 100% of the award will vest.*

3 *Retention awards are subject to an employment condition of three years.*

4 *The number of cash-settled conditional shares were adjusted, as per the rules of the scheme, based on the impact of the 2018 Rights Offer.*

Remuneration report continued

2018 Long-Term Incentive Plan

In line with the approved remuneration policy, for the 2018 financial period, the bonus shares awarded under the LTIP formed part of the 2017 financial year STI awards. Retention awards and performance awards were made under the 2018 special incentive.

LTIP	Number of bonus awards[1]	Number of performance awards[2]	Number of retention awards[3]	Total awards	LTIP issued	Total number of LTIP issued to date	Forfeited to date	Vested to date
2018	3	14	14	31	10 254 910	10 254 910	0	0
2019						**10 254 910**	**(5 703 930)**	**(104 593)**

1 *Deferred portion of 2017 financial year STI award*

2 *Performance awards are subject to an employment and performance condition. Issued as part of the 2018 Special Incentive Award.*

3 *Retention awards are subject to an employment condition of three years. Issued as part of the 2018 Special Incentive Award.*

Single figure of remuneration

The total remuneration and detail on outstanding and settled long-term incentives for executive directors and prescribed officers for 2019 is reflected in the following tables. This disclosure is aligned to the King IV recommended total single figure disclosures of remuneration.

Executive directors and prescribed officers 2019

	Salary[1] R'000	Retirement fund[2] R'000	Termination payments[3] R'000	Other payments[4] R'000	Performance incentive[5] R'000	Cash retention payment R'000	Rights offer benefits	Long-term incentives reflected[6] R'000	Total single figure of remuneration R'000
Executive directors									
EK Diack	**7 800**	–	–	–	**9 802**	–	–	–	**17 602**
SJ Flanagan[7]	**3 250**	–	–	–	**3 627**	–	–	–	**6 877**
AH Macartney	**4 229**	**213**	–	–	**4 287**	–	–	–	**8 729**
JJA Mashaba[8]	**676**	**51**	**1 447**	–	–	–	–	–	**2 174**
Total	**15 955**	**264**	**1 447**	–	**17 716**	–	–	–	**35 382**
Prescribed officers									
JN Govender[9]	**1 110**	**71**	–	–	–	–	–	–	**1 181**
SPF White[10]	**2 452**	**165**	**1 654**	–	–	–	–	–	**4 271**
Total	**3 562**	**236**	**1 654**	–	–	–	–	–	**5 452**
AU$									
S Cummins (Aus)[11]	**1 120**	**161**	–	**100**	–	–	–	–	**1 381**

1 *Salary for South African directors and prescribed officers is total fixed earnings inclusive of contributions towards medical aid, admin and risk benefit expenses, accident cover and vehicle benefits, all of which are funded from the Total Guaranteed Package (TGP)*

2 *Retirement fund contributions are also funded from the TGP.*

3 *Termination payments including leave pay, notice pay and sundry, where applicable.*

4 *Other payments relating to S Cummins' appointment award. The appointment award was paid in three equal tranches, this being the final tranche.*

5 *Cash incentive payments made in relation to 2019 Performance Incentive Plan.*

6 *For 2019 the cash-settled conditional performance shares awarded under the CSP on 19 September 2016 with a performance period ending 30 June 2019 is not likely to meet its performance conditions and therefore not included in this value.*

7 *SJ Flanagan appointed as Group CEO on 1 February 2019.*

8 *JJA Mashaba resigned on 31 August 2018.*

9 *JN Govender appointed as Moolmans' Managing Director on 1 April 2019.*

10 *SPF White resigned on 31 January 2019.*

11 *S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefits allowance.*

2018

	Salary[1] R'000	Retirement fund[2] R'000	Termination payments[3] R'000	Other payments[4] R'000	Performance incentive[5] R'000	Cash retention payment[6] R'000	Rights offer benefits[7] R'000	Long-term incentives reflected[8] R'000	Total single figure of remuneration R'000
Executive directors									
EK Diack	6 698	–	–	–	4 204	–	–	–	10 902
AH Macartney	3 929	198	–	–	–	658	2 068	922	7 775
JJA Mashaba[9]	4 044	198	–	–	–	672	2 066	941	7 921
HJ Verster[10]	1 537	66	2 709	5 660	–	–	–	–	9 972
Total	16 208	462	2 709	5 660	4 204	1 330	4 134	1 863	36 570
Prescribed officers									
SPF White[12]	3 622	275	–	–	–	637	298	891	5 723
HA Aucamp[13]	3 373	170	–	–	100	–	461	–	4 104
BKN Mdlalose[13]	738	32	–	–	–	270	4	378	1 422
LS Letsoalo[14]	1 237	119	182	–	–	–	–	–	1 538
CDW Botha[15]	1 139	47	175	1 169	–	–	–	–	2 530
Total	10 109	643	357	1 169	100	907	763	1 269	15 317
AU$									
S Cummins (Aus)[11]	1 084	157	–	–	–	–	–	–	1 241

1 *Salary for South African Directors and Prescribed Officers is total fixed earnings inclusive of contributions towards medical aid, admin and risk benefit expenses, accident cover and vehicle benefits, all of which is funded from the Total Guaranteed Package (TGP)*

2 *Retirement fund contributions are also funded from the TGP.*

3 *Termination payments including leave pay, notice pay and sundry, where applicable*

4 *Other payments relating to termination.*

5 *The 2018 performance incentive paid to EK Diack in terms of contract specific performance outcomes.*

6 *2018 Reflects cash retention payments made in relation to 2018 Special Incentive Award.*

7 *Participants in both the FSP & LTIP received rights in relation to the holding of forfeitable shares as part of the rights offer in 2018.*

8 *For 2018, the LTIP Reflected includes the 2018 Special Incentive Award Retention Shares at the award date value. The Performance Shares awarded under the FSP on 1 September 2015 with a performance period ending 30 June 2018 is not likely to meet its performance conditions and therefore not included in this value.*

9 *JJA Mashaba resigned 31 August 2018.*

10 *HJ Verster resigned 30 September 2017 and his exit arrangements were agreed and included in a settlement agreement signed by the parties at that time. Included in the agreement is a provision for a clawback. The agreement is subject to a dispute between the parties. Therefore, the amounts included in the remuneration report and already paid out cannot be regarded as final.*

11 *S Cummins earnings disclosed in AUD'000. Salary amount includes vehicle benefits allowance.*

13 *In line with the implementation of the strategic action plan, Managing Directors of the non-core businesses will no longer be considered Prescribed Officers of Aveng, as they have no direct or indirect influence over the strategic direction of the Group.*

14 *LS Letsoalo resigned 31 October 2017.*

15 *CD Botha terminated 30 September 2017.*

Remuneration report continued

Schedule of unvested awards and cash flow on settlement

Names		Lasting vesting date	Grant price R	Opening number on 1 July 2018	Granted during 2018	Forfeited/ renounced during 2018	Vested/ exercised during 2018	Closing number on 30 June 2018
Executive directors								
AH Macartney								
Share appreciation rights plan								
	Sep 2014	Sep 2019	22,63	243 040	–	(243 040)	–	–
FSP – with performance conditions								
	Sep 2014	Sep 2017	–	44 189	–	(44 189)	–	–
	Sep 2015	Sep 2018	–	391 000	–	–	–	391 000
Cash-CSP: bonus shares								
	Aug 2016	Aug 2019	–	49 123	–	–	(16 374)	32 749
Cash-CSP: performance shares								
	Sep 2016	Sep 2019	–	400 000	–	–	–	400 000
LTIP: bonus shares								
	Dec 2017	Dec 2020	–	–	126 373	–	–	126 373
LTIP: performance shares (2018 special incentive award)	Dec 2017	Dec 2020	–	–	840 011	–	–	840 011
LTIP: retention shares (2018 special incentive award)	Dec 2017	Dec 2020	–	–	441 006	–	–	441 006
Total								
JJA Mashaba[5]								
Option plan								
	Oct 2007	Oct 2013	54,84	155 000	–	(155 000)	–	–
	Oct 2008	Oct 2014	42,80	159 264	–	(159 264)	–	–
	Sep 2009	Sep 2015	40,30	69 258		(69 258)	–	–
	Sep 2010	Sep 2016	37,70	73 944	–	(73 944)	–	–
Share appreciation rights plan								
	Aug 2014	Aug 2019	23,94	190 700	–	(190 700)	–	–
FSP – with performance conditions								
	Aug 2014	Aug 2017	–	143 367	–	(143 367)	–	–
	Sep 2015	Sep 2018	–	372 800		–	–	372 800
Cash-CSP: bonus shares					–			
	Aug 2016	Aug 2019	–	52 632		–	(17 544)	35 088
Cash-CSP: performance shares					–			
	Sep 2016	Sep 2019	–	1 000 000	–	–	–	1 000 000
LTIP: bonus shares								
	Dec 2017	Dec 2020	–	–	125 895	–	–	125 895
LTIP: performance shares (2018 special incentive award)	Dec 2017	Dec 2020	–	–	857 215	–	–	857 215
LTIP: retention shares (2018 special incentive award)	Dec 2017	Dec 2020	–	–	450 038	–	–	450 038
Total								

1 *Value of receipts includes the cash equivalent of shares vested during the year.*

2 *The fair value of all SARs were shown as zero as these awards are all underwater and performance conditions have not been met. The fair value of bonus shares and retention shares were shown using the 10-day VWAP as at each year-end. The fair value of all performance shares are shown as zero as the performance conditions linked to these awards are unlikely to be met/have not been met.*

3 *The cash-settled conditional share awards were adjusted, as per the scheme rules, based on the 2018 rights offer.*

4 *Forfeitable share plan: The performance condition for the awards was not satisfied, and in terms of the rules of the scheme, the shares were automatically forfeited.*

5 *JJA Mashaba resigned on 31 August 2018.*

6 *For the cash award, the number of units is reflected as 1 unit = AUD 1.*

7 *SPF White resigned on 31 January 2019.*

	Value of receipts 2018[1] R	Estimated closing fair value on 30 June 2018[2] R	Granted during 2019	Adjustment relating to rights offer[3]	Forfeited renounced during 2019[4]	Vested exercised during 2019	Closing number on 30 June 2019	Value of receipts 2019[1] R	Estimated closing fair value on 30 June 2019[2] R
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	656 873	–	–	–	(391 000)	–	–	–	–
	63 859	5 240	–	21 534	–	(16 374)	37 909	1 146	758
	–	–	–	526 026	–	–	926 026	–	–
	212 304	40 439	–	–	(42 124)	–	84 249	–	1 685
	1 411 204	–	–	–	–	–	840 011	–	–
	740 882	141 122	–	–	–	–	441 006	–	8 820
	3 085 122	186 801						1 146	11 263
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	626 298	–	–	–	(372 800)	–	–	–	–
	68 422	5 614	–	23 072	(40 616)	(17 544)	–	1 228	–
	–	–	–	1 315 066	(2 315 066)	–	–	–	–
	211 501	20 143	–	–	(125 895)	–	–	–	–
	1 440 106	–	–	–	(857 215)	–	–	–	–
	756 056	72 006	–	–	(450 038)	–	–	–	–
	3 102 382	97 763						1 228	–

Remuneration report continued

Schedule of unvested awards and cash flow on settlement continued

Names		Lasting vesting date	Grant price R	Opening number on 1 July 2018	Granted during 2018	Forfeited/ renounced during 2018	Vested/ exercised during 2018	Closing number on 30 June 2018
Prescribed officers								
S Cummins (AUS) Disclosed in Australian Dollar (AUD)								
Appointment award (cash)[6]	Jul 2015	Jul 2018		800 000	–	–	(400 000)	400 000
Total								
SPF White[7]								
Option plan	Sep 2010	Sep 2016	37,70	37 183	–	(37 183)	–	–
Share appreciation rights plan	Aug 2014	Aug 2019	23,94	98 100	–	(98 100)	–	–
FSP – with performance conditions	Aug 2014	Aug 2017	–	101 236	–	(101 236)	–	–
	Sep 2015	Sep 2018	–	317 400	–	–	–	317 400
Cash-CSP: bonus shares	Aug 2016	Aug 2019	–	35 088	–	–	(11 696)	23 392
Cash-CSP: performance shares	Sep 2016	Sep 2019	–	500 000	–	–	–	500 000
LTIP: bonus shares	Dec 2017	Dec 2020	–	–	313 780	–	–	313 780
LTIP: performance shares (2018 special incentive award)	Dec 2017	Dec 2020	–	–	812 121	–	–	812 121
LTIP: retention shares (2018 special incentive award)	Dec 2017	Dec 2020	–	–	426 364	–	–	426 364
Total								

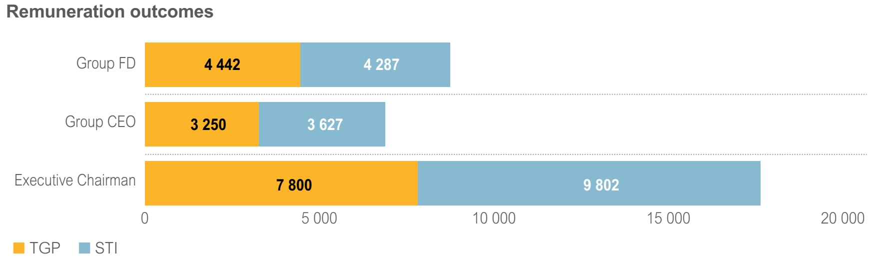
1 *Value of receipts includes the cash equivalent of shares vested during the year.*
2 *The fair value of all SARs were shown as zero as these awards are all underwater and performance conditions have not been met. The fair value of bonus shares and retention shares were shown using the 10-day VWAP as at each year-end. The fair value of all performance shares are shown as zero as the performance conditions linked to these awards are unlikely to be met/have not been met.*
3 *The cash-settled conditional share awards were adjusted, as per the scheme rules, based on the 2018 rights offer.*
4 *Forfeitable share plan: The performance condition for the awards was not satisfied, and in terms of the rules of the scheme, the shares were automatically forfeited.*
5 *JJA Mashaba resigned on 31 August 2018.*
6 *For the cash award, the number of units is reflected as 1 unit = AUD 1.*
7 *SPF White resigned on 31 January 2019.*

Value of receipts 2018[1] R	Estimated closing fair value on 30 June 2018[2] R	Granted during 2019	Adjustment relating to rights offer[3]	Forfeited renounced during 2019[4]	Vested exercised during 2019	Closing number on 30 June 2019	Value of receipts 2019[1] R	Estimated closing fair value on 30 June 2019[2] R
$400 000	$400 000	–	–	–	(400 000)	–	$400 000	$0
$400 000	$400 000						$400 000	$0
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
83 793	–	–	–	(317 400)	–	–	–	–
45 614	9 357	–	15 381	(27 077)	(11 696)	–	819	–
–	–	–	657 533	(1 157 533)	–	–	–	–
82 837	50 205	–	–	(209 187)	(104 593)	–	5 230	–
214 398	–	–	–	(812 121)	–	–	–	–
112 559	68 218	–	–	(426 364)	–	–	–	–
539 201	127 780						6 048	–

Remuneration report continued

Total remuneration outcomes

The total remuneration outcomes in 2019 for the executive directors and prescribed officers are shown below:



Neither of the two remaining prescribed officers received a STI or LTI.

Non-executive director fees	Directors' fees R'000	Chairman fees R'000	Committee fees R'000	Other fees[1] R'000	Total R'000
2019					
MA Hermanus[2]	**499**	**374**	**170**	**–**	**1 043**
MJ Kilbride	**462**	**162**	**723**	**126**	**1 473**
K Mzondeki[3]	**338**	**108**	**241**	**–**	**687**
SJ Flanagan[4]	**274**	**–**	**616**	**4 151**	**5 041**
Total	**1 573**	**644**	**1 750**	**4 277**	**8 244**
PA Hourquebie (£)[5]	**94**	**–**	**36**	**6**	**136**

1 *Other fees relate to attendance at subsidiary board meetings and extraordinary services rendered by SJ Flanagan for his role as the chief restructuring officer of Grinaker LTA.*

2 *MA Hermanus appointed as lead independent director 24 December 2018.*

3 *K Mzondeki resigned on 21 December 2018.*

4 *SJ Flanagan appointed Group CEO on 1 February 2019.*

5 *PA Hourquebie's fees disclosed in British Pounds (£).*

Non-executive director fees	Directors' fees R'000	Chairman fees R'000	Committee fees R'000	Other fees[1] R'000	Total R'000
2018					
EK Diack[2]	165	72	103	–	340
PJ Erasmus[3]	330	108	259	–	697
MA Hermanus	716	327	–	–	1 043
MJ Kilbride	773	–	348	–	1 121
TM Mokgosi-Mwantembe[4]	193	54	93	–	340
MI Seedat[5]	221	47	384		652
KW Mzondeki[6]	761	162	396	–	1 319
SJ Flanagan	744	–	652	278	1 674
Total	3 903	770	2 235	278	7 186
PA Hourquebie (£)[7]	107	–	38	–	145

1 *Other fees relate to attendance at subsidiary Board meetings.*

2 *EK Diack appointed executive chairman on 23 August 2017.*

3 *PJ Erasmus passed away 4 February 2018.*

4 *TM Mokgosi-Mwantembe resigned 24 November 2017.*

5 *MI Seedat resigned 24 November 2017.*

6 *KW Mzondeki appointed lead independent director 23 August 2017.*

7 *PA Hourquebie's fees disclosed in British Pounds (£).*

Non-binding advisory vote on the implementation report

Shareholders are requested to cast a non-binding advisory vote on the remuneration implementation report as contained in part 3 of this report.

Approval of remuneration report by the Board of directors

This remuneration report was approved by the Board of directors of Aveng Group Limited.

Shareholders' analysis

as at 28 June 2019

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	1 723	26,13	529 121	–
1 001 – 10 000 shares	1 405	21,31	6 121 667	0,03
10 001 – 100 000 shares	1 605	24,34	67 939 396	0,35
100 001 – 1 000 000 shares	1 304	19,78	448 702 435	2,31
1 000 001 shares and above	556	8,44	18 871 205 941	97,30
Total	6 593	100,00	19 394 498 560	100,00

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Unit trusts / mutual fund	5 426 849 794	27,98
Hedge fund	4 294 361 811	22,14
Trading position	3 795 804 381	19,57
Private investor	3 178 221 578	16,39
Pension funds	1 176 499 585	6,07
Corporate holding	265 001 000	1,37
Foreign government	171 365 809	0,88
University	72 148 214	0,37
Custodians	38 830 667	0,20
Insurance companies	21 548 138	0,11
ESOP LTIP	18 046 763	0,09
Aveng Community Investment Trust	8 586 593	0,04
Employees	6 018 386	0,03
Charity	5 729 159	0,03
Remainder	915 486 682	4,72
Total	19 394 498 560	100,00

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	6	0,09	33 570 425	0,17
Directors	1	0,02	129 999	0,00
Aveng Limited Share Purchase Trust	1	0,02	6 018 386	0,03
Aveng Management Company Proprietary Limited	1	0,02	788 684	0,00
Aveng LTIP	1	0,02	17 520 111	0,09
Aveng LTIP	1	0,02	526 652	0,00
Aveng Community Investment Trust	1	0,02	8 586 593	0,04
Public shareholders	6 587	99,91	19 360 928 135	99,83
Total	6 593	100,00	19 394 498 560	100,00

Beneficial shareholders holding more than 3%

Beneficial shareholdings	Total shareholding	% of issued capital
Highbridge Capital Management LLC	2 121 054 681	10,94
1992 MFS International Fund	1 408 863 198	7,26
Aton GmbH	1 359 584 403	7,01
Allan Gray Stable Fund	969 530 966	5,00
Allan Gray Balanced Fund	895 240 321	4,62
Coronation Managed Portfolio	618 188 879	3,19
Total	7 372 462 448	38,02

Shareholders' analysis continued

as at 28 June 2019

Substantial investment management and beneficial interests above 3% investment management shareholdings

Investment manager	Total shareholding	% of issued capital
Highbridge Capital Management LLC	3 835 659 712	19,78
Coronation Asset Management Proprietary Limited	3 110 400 203	16,04
Allan Gray	2 252 525 495	11,61
Aton GmbH	1 359 584 403	7,01
Investec Asset Management	638 789 039	3,29
Personal Trust International	629 530 200	3,25
Total	11 826 489 052	60,98

Geographic split of investment managers and Company-related holdings

Region	Total shareholding	% of issued capital
South Africa	12 346 569 446	63,66
United States of America and Canada	4 059 427 960	20,93
United Kingdom	847 681 885	4,37
Rest of Europe	1 906 131 918	9,83
Rest of World[1]	234 687 351	1,21
Total	19 394 498 560	100,00

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

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	12 495 987 398	64,43
United States of America and Canada	2 645 891 203	13,64
United Kingdom	848 625 841	4,38
Rest of Europe	1 906 131 918	9,83
Rest of world	1 497 862 200	7,72
Total	19 394 498 560	100,00

Shareholders' diary

Financial year end	30 June
Annual general meeting	29 November 2019
Publication of results	
– Half year ended 31 December 2019	25 February 2020
– Year ended 30 June 2020	25 August 2020

Independent auditor's report on summarised consolidated financial statements

To the shareholders of Aveng Limited

Opinion

The audited summarised consolidated annual financial statements of Aveng Limited, incorporated in the appendix of this integrated annual report, which comprise the summarised consolidated statement of financial position as at 30 June 2019, the summarised consolidated statement of comprehensive earnings and changes in equity, and the summarised consolidated statement of cash flows for the year then ended, on pages 88, 89, 90 and 92 respectively, and related notes on pages 94 to 123, are derived from the audited consolidated Group annual financial statements of Aveng Limited for the year ended 30 June 2019.

In our opinion, the audited summarised consolidated annual financial statements derived from the audited consolidated Group annual financial statements of Aveng Limited for the year ended 30 June 2019 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the 'Board approval' on page 5, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised financial statements

The audited summarised consolidated annual financial statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the audited summarised consolidated annual financial statements, therefore, is not a substitute for reading the audited consolidated Group annual financial statements of Aveng Limited. The audited summarised consolidated annual financial statements and the audited consolidated Group annual financial statements do not reflect the effect of events that occurred subsequent to the date of our report on the audited consolidated Group annual financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated Group annual financial statements of Aveng Limited in our report dated 28 August 2019. That report included the communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' responsibility for the audited summarised consolidated annual financial statements

The directors are responsible for the preparation of the audited summarised consolidated annual financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the 'Board approval' on page 5, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the audited summarised consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the audited summarised consolidated annual financial statements are consistent, in all material respects, with the audited consolidated Group annual financial statements based on our procedures, which were conducted based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Allister Jon Carshagen

102 Rivonia Road
Johannesburg
Gauteng
South Africa
2146

30 October 2019

Summarised statement of financial position

as at 30 June 2019

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

Summarised statement of comprehensive earnings

for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Revenue	15	**25 676**	30 580
Cost of sales		**(24 628)**	(28 782)
Gross earnings		**1 048**	1 798
Other earnings		**110**	106
Operating expenses		**(2 247)**	(2 292)
Loss from equity-accounted investments		**(30)**	(13)
Operating loss		**(1 119)**	(401)
Impairment loss on goodwill, intangible assets and property, plant and equipment		**(241)**	(1 298)
Impairment on equity-accounted investments		**–**	(195)
Gain on redemption of convertible bonds		**102**	–
Gain on disposal of assets Held for Sale		**203**	–
Gain on disposal of subsidiary		**41**	–
Gain on disposal of property, plant and equipment		**36**	47
Fair value adjustment on properties and disposal groups classified as Held for Sale	12	**(51)**	(807)
Loss before financing transactions		**(1 029)**	(2 654)
Interest earned on bank balances***		**181**	246
Interest on convertible bonds		**(63)**	(251)
Other finance expenses		**(524)**	(434)
Loss before taxation		**(1 435)**	(3 093)
Taxation	16	**(245)**	(426)
Loss for the period		**(1 680)**	(3 519)
Loss from continuing operations		**(927)**	(1 050)
Loss from discontinued operations	6	**(753)**	(2 469)
Other comprehensive earnings			
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):			
Exchange differences on translating foreign operations		**(73)**	48
Convertible bond reserve movement		**20**	–
Other comprehensive (loss) / earnings for the period, net of taxation		**(53)**	48
Total comprehensive loss for the period		**(1 733)**	(3 471)
Total comprehensive loss for the period attributable to:			
Equity-holders of the parent		**(1 731)**	(3 473)
Non-controlling interest		**(2)**	2
		(1 733)	(3 471)
Loss for the period attributable to:			
Equity-holders of the parent		**(1 681)**	(3 523)
Non-controlling interest		**1**	4
		(1 680)	(3 519)
Other comprehensive (loss) / earnings for the period, net of taxation			
Equity-holders of the parent		**(50)**	50
Non-controlling interest		**(3)**	(2)
		(53)	48
Results per share (cents)			
From continuing and discontinued operations**			
Loss – basic		**(10,5)**	(653,9)
Loss – diluted		**(10,5)**	(642,9)
From continuing operations			
Loss – basic		**(5,8)**	(195,6)
Loss – diluted		**(5,8)**	(192,4)
From discontinued operations			
Loss – basic		**(4,7)**	(458,3)
Loss – diluted		**(4,7)**	(450,6)
Number of shares (millions)*			
In issue		**19 394,5**	416,7
Weighted average		**15 995,5**	538,8
Diluted weighted average		**15 995,5**	548,0

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

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

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

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

Summarised statement of changes in equity

as at 30 June 2019

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

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

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

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

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

Summarised statement of cash flows

for the year ended 30 June 2019

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

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

Notes to the summarised consolidated annual financial statements

for the year ended 30 June 2019

1. CORPORATE INFORMATION

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

Nature of business

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

Change in directorate

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

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

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

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

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

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

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

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

Basis of preparation

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

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

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

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

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

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

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

Changes to Group accounting policies

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

2.1 *IFRS 15 Revenue from Contracts with Customers*

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

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

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

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

2.1 *IFRS 15 Revenue from Contracts with Customers* continued

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

Timing of revenue from exported goods

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

Claims impact on transaction price

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

2.2 *IFRS 9 Financial Instruments*

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

Classification and measurement

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

Hedge accounting

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

Impairment of financial assets

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

Presentation of impairment

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

3.1 Judgements and estimation assumptions

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

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

3.1.1 Deferred taxation

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

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

3.1.2 Amounts due from / (to) contract customers

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.3 Loss-making and onerous contracts

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

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

3.1.4 Trade and other receivables and contract receivables

Allowance for doubtful debts

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

Provision for expected credit losses

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

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

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

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

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

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

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

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

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

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.6 Revenue recognition

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

Judgements made in the application of the accounting policies for contracting revenue and profit or loss recognition include:
- the determination of the point in the progress toward complete satisfaction of the performance obligation;
- the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations; and
- estimation of project production rates and programme through to completion.

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

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

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

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE continued

Standards and interpretations	Description	Effective date: Periods beginning on or after
IFRS 16 Leases (New standard) continued	The Group leases multiple assets such as buildings and motor vehicles, for example, as well as certain low value assets and short-term leases and currently accounts for these as operating leases and also leases multiple assets such as mining equipment, for example, and currently accounts for these as finance leases. Management is in the process of performing a detailed assessment of the impact of the standard on lessee accounting in the consolidated financial statements from a lessee perspective. On application, the current operating lease assets will be capitalised and reflected as lease assets (right-of-use assets) and lease liabilities on the statement of financial position. The previous straight-lining effect associated with *IAS 17 Leases* accounting will be reversed, resulting in further accounting impacts on the consolidated financial statements. On application, the existing finance lease assets and liabilities will be remeasured in line with the requirements of the standard, and reclassified and reflected as lease assets (right-of-use assets) and lease liabilities on the consolidated statement of financial position. The consolidated statement of cash flows will be affected with payments to be split between repayments of the principal and interest amounts. The consolidated financial statement disclosures will be updated in the year of adoption to ensure compliance with *IFRS 16 Leases*, requirements including the implication of adoption of the various transition options. Based on the outcomes of the detailed assessments referred to above, the Group will determine which transition option to apply. The largest impact to the Group under this standard is expected to relate to the sale and operating leaseback of properties implemented in previous years, mining equipment at Aveng Moolmans, as well as a number of operating leases for equipment and vehicles. Assets and liabilities would increase while the expense related to these properties would be shown as depreciation and added back for EBITDA. Finance expense relating to the liabilities is expected to initially increase and subsequently decrease with the unwinding of the liability profile. At the reporting date, the Group has non-cancellable operating lease commitments of R1 971 million. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under *IFRS 16* is substantially unchanged from today's accounting under *IAS 17*. Lessors will continue to classify all leases using the same classification principle as in *IAS 17* and distinguish between two types of leases: operating and finance leases. No significant impact is expected for the Group's finance leases. The Group is in the process of identifying and assessing all operating leases, in conjunction with the process for the two standards detailed above from a lessor's perspective.	1 January 2019

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

5. GOING CONCERN AND LIQUIDITY

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

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

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

Achieved during the period

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

Execution of plans

- R1 billion progression on the non-core asset disposal plan, including:
  - the receipt of disposals of R520 million – Aveng Rail of R133 million, Aveng Water of R85 million, Jet Park property of R215 million and other properties and investments of R87 million;
  - the announced disposal of R488 million:
    - Aveng Infraset for R180 million;
    - Aveng Duraset Alrode business for R50 million
    - Aveng DFC for R114 million;
    - Aveng Rand Roads for R37 million;
    - Aveng Ground Engineering for R7,5 million; and
    - Aveng Civil Engineering and Buildings for R100 million with a deferred payment mechanism. (Refer to note 19. *Events after the reporting period*).
  - Other disposals are at varying stages of execution.
- Updated budget and business plans for post year end period up to 30 June 2021 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved once non-core businesses have been disposed;
- Sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the South African lending banks, Australian banks or other financing agreements within the individual liquidity pools; and
- The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations.

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

5. GOING CONCERN AND LIQUIDITY continued

Execution of plans continued

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

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

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

6. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

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

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

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

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

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

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

6. DISCONTINUED OPERATIONS continued

Identification and classification of discontinued operations continued

The loss from discontinued operations is analysed as follows:

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

7. SEGMENTAL REPORT

The reportable segments of the Group are components:

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

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

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

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

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

Details on the reportable segments are as follows:

7.1 Continuing operations

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

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

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

7.1.2 Mining

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

7.1.3 Other and Eliminations

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

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

7.2 Discontinued operations

7.2.1 Construction and Engineering: South Africa and rest of Africa

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

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

7.2.2 Manufacturing and processing

This segment comprises Aveng Manufacturing and Aveng Steel.

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

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

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

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7. SEGMENTAL REPORT continued

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

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

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7. SEGMENTAL REPORT continued

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

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

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7. SEGMENTAL REPORT continued

The Group operates in six principal geographical areas:

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

8. HEADLINE LOSS

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

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

9. IMPAIRMENT

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

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

Initial classification as Held for Sale

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

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

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

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

Construction and Engineering: South Africa and rest of Africa

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

Manufacturing and Processing

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

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

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

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

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

Construction and Engineering: South Africa and rest of Africa

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

Manufacturing and Processing

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

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

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

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10. DEFERRED TAXATION

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

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

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

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

Unused tax losses

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

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

11. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

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

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

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

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

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

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

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

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

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

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

Expected credit losses

Amounts due from contract customers

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

Trade receivables

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

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

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

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

** Amount less than R1 million.*

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

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

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

Initial recognition

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

Sales finalised in the current year

Manufacturing and Processing Segment

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

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Sales finalised in the current year continued

Construction and Engineering: South Africa and the rest of Africa

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

Properties

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

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

Assets transferred out of Assets Held for Sale

Construction and Engineering: Australasia and Asia – Marine Barge

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

Kathu Property

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

Subsequent measurement

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

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

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

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Subsequent measurement continued

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

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

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

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

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

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

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

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

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

Notes to the summarised consolidated annual financial statements continued

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13. STATED CAPITAL

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

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

** Amounts less than R1 million*

Rights offer to qualifying shareholders

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

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

Early redemption of the convertible bond

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

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

14. BORROWINGS AND OTHER LIABILITIES

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

14.1 Borrowings held at amortised cost

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

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

Notes to the summarised consolidated annual financial statements continued

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14. BORROWINGS AND OTHER LIABILITIES continued

14.1 Borrowings held at amortised cost continued

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

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

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

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

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

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

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

14. BORROWINGS AND OTHER LIABILITIES continued

14.1 Borrowings held at amortised cost continued

Unutilised borrowing facilities

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

14.2 Finance lease liabilities

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

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

The total asset-based finance facilities amounted to AUD13 million (2018: AUD 21 million). The amount outstanding on these facilities at year end was AUD13 million (2018: AUD14 million) and is equivalent to R129 million (2018: R142 million). These asset-based arrangements were secured by plant and equipment with a net carrying amount of R69 million (2018: R75 million).

The *Mining* operating segment entered into various asset-based finance lease agreements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in August 2022. The total amount outstanding on these facilities amounted to R178 million (2018: R133 million). Equipment with a net carrying amount of R321 million (2018: R231 million) has been pledged as security for the facility.

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

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

15. REVENUE

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

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

15. REVENUE continued

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

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

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

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

16. TAXATION

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

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

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

17. NON-CASH AND OTHER MOVEMENTS

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

18. CONTINGENT LIABILITIES AND ASSETS

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

	2019 Rm	2018 Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	**1 491**	2 155
Parent company guarantees (ZARm)	**30**	509
	1 521	2 664
Australasia and Asia		
Guarantees and bonds (AUDm)	**270**	287
Parent company guarantees (AUDm)	**44**	337
	314	624

Claims and legal disputes in the ordinary course of business

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

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2019

19. EVENTS AFTER THE REPORTING PERIOD

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

19.1 Sale of non-core businesses and assets

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

19.1.1 Sale of Aveng Dynamic Fluid Control (DFC)

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

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

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

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

19.1.3 Sale of Aveng Duraset – Alrode business

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

19. EVENTS AFTER THE REPORTING PERIOD continued

19.1 Sale of non-core businesses and assets continued

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

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

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

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

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

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

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

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

Funding from South African lending banks

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

Corporate information

Directors
EK Diack (executive chairman), SJ Flanagan (Group CEO), MA Hermanus (lead independent director) *#, PA Hourquebie*#, MJ Kilbride*#, AH Macartney (Group FD)
**Non-executive #Independent*

Company secretary
Edinah Mandizha

Business address and registered office
Aveng Park
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South Africa
Telephone +27 (0) 11 779 2800

Company registration number
1944/018119/06

Share codes
Share code: AEG
Share ISIN: ZAE 000111829

Website
www.aveng.co.za

Auditors
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Registration number: 2005/002308/21
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Telephone +27 (0) 11 772 3000
Telefax +27 (0) 11 772 4000

Principal bankers
Absa Bank Limited
FirstRand Bank Limited
HSBC Bank plc
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
United Overseas Bank Limited

Corporate legal advisers
Baker & McKenzie
Pinsent Masons

Sponsor
UBS South Africa Proprietary Limited
Registration number: 1995/011140/07
64 Wierda Road East
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Telephone +27 (0) 11 322 7000
Facsimile +27 (0) 11 322 7380

Registrars
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Registration number: 2004/003647/07
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Forward looking statements
This report contains forward looking statements about the Group's operations and financial conditions. They are based on the best estimates and information of Aveng at the time of writing. They are nonetheless subject to significant uncertainties and contingencies, many of which are beyond the control of the Group. Unanticipated events will occur and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the Group or its joint operations and other factors. Any of these factors may materially affect the Group's future business activities and its ongoing results.

Bastion

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