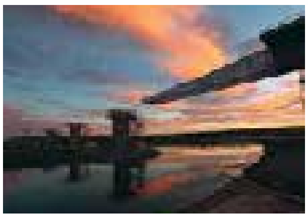
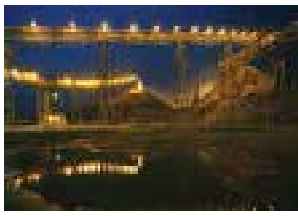
AVENG GROUP

Leaders in infrastructure development

Integrated Report 2013

The Aveng Group is one of the **largest infrastructure development companies in Africa with a proven track record** and presence in key target geographies across the globe.

With its broad exposure across the infrastructure value chain, the Aveng Group has the capability and capacity to deliver multidisciplinary projects in construction, engineering, mining, water, transportation, rail, steel and manufacturing.

34

Aveng's current order book and the structural improvements implemented in 2013, as well as the provisions and remedial action taken on problematic contracts, should result in an improvement in the operational performance in 2014.

57

Batam Fabrication facility in Indonesia completed 8 million man hours without a lost time injury.

The Kopermyn and Pembani coal washing plants operated and managed by Aveng Engineering, achieved six and five years of lost time injury free operations, respectively.

65

Aveng Water was awarded the prestigious Achievers' Award at the Technology Top 100 Business Awards.

R19m
CSI spend.


74

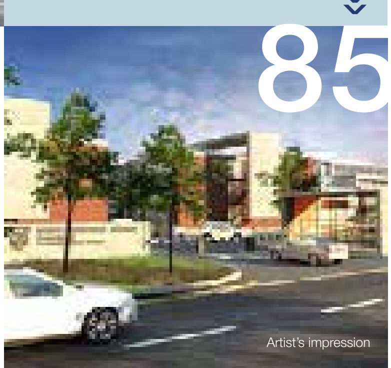

81

The Adelaide Desalination Plant (ADP), commissioned during 2012, received a Global Water Award for the Desalination Plant of the Year. The ADP is one of the most technically accomplished desalination plants ever built, taking the search for energy efficiency to a new level.


83

The Department of Environmental Affairs' new head office in Pretoria was the first government building, as well as the first in Tshwane, to be awarded a six-star Green Star rating by the Green Building Council of South Africa.

The Komo Airfield in Papua New Guinea was successfully completed in July 2013 and has commenced operations as a gateway for the Antonov-124 cargo aircraft to transport large equipment to the Papua New Guinea LNG project's gas conditioning plant.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Artist's impression


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Aveng Manufacturing Lennings Rail Services, in partnership with McConnell Dowell completed construction of a 300 kilometre railway line for Fortescue Metals Group in Pilbara, Western Australia. The railway line which transports iron ore from mines to port was completed ahead of schedule in August 2013.

About Aveng

Vision

The Aveng Group aims to be a leading infrastructure development company providing a diverse range of construction, infrastructure and engineering products, services and solutions for customers, sustainable profitability for shareholders and a preferred place to work for employees.

Mission

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

Achieved through

» Our ongoing involvement in building landmark buildings, bridges, dams, airports, roads and power stations which form the backbone of many economies in developing countries
» Our dedication to a values-based culture of safety, honesty and accountability across all levels of the Group
» Our commitment to prioritising people, equality and fairness in all relationships we forge with stakeholders
» Our active contribution to social development and integration of sustainability throughout our Group.

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

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

About this report

The Aveng Group's 2013 integrated report provides stakeholders with accurate information on the Group's strategy, governance, performance and prospects and how these contribute to value creation over the short-, medium- and long-term.

The report offers stakeholders an overview of the environment in which Aveng operates and focuses on the most material issues that drive business strategy. These have been identified by analysing stakeholder concerns, business risks and global trends, and how these impact the long-term business sustainability of the Group.

This year's integrated report describes the progress made in aligning Aveng with the King Report on Governance of South Africa 2009 (King III). The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act 71 of 2008, as amended, the Listings Requirements of the JSE Limited (JSE), and recommendations of King III, and have been independently audited by Ernst & Young Inc.

The Group has also been guided by the requirements of the JSE Socially Responsible Investment (SRI) Index for a High Impact business, and standards and codes that govern specific areas, including the Department of Trade and Industry's Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

Aveng is committed to being accountable to its stakeholders. The manner in which the Group engages with stakeholders is covered in the report on page 28.

Cross references and information are provided throughout the report to outline the challenges and advances made in executing Aveng's strategic goals as we continue on our journey to position the Group for sustainable growth.

The 2013 integrated report has been approved by the Aveng Board of directors.

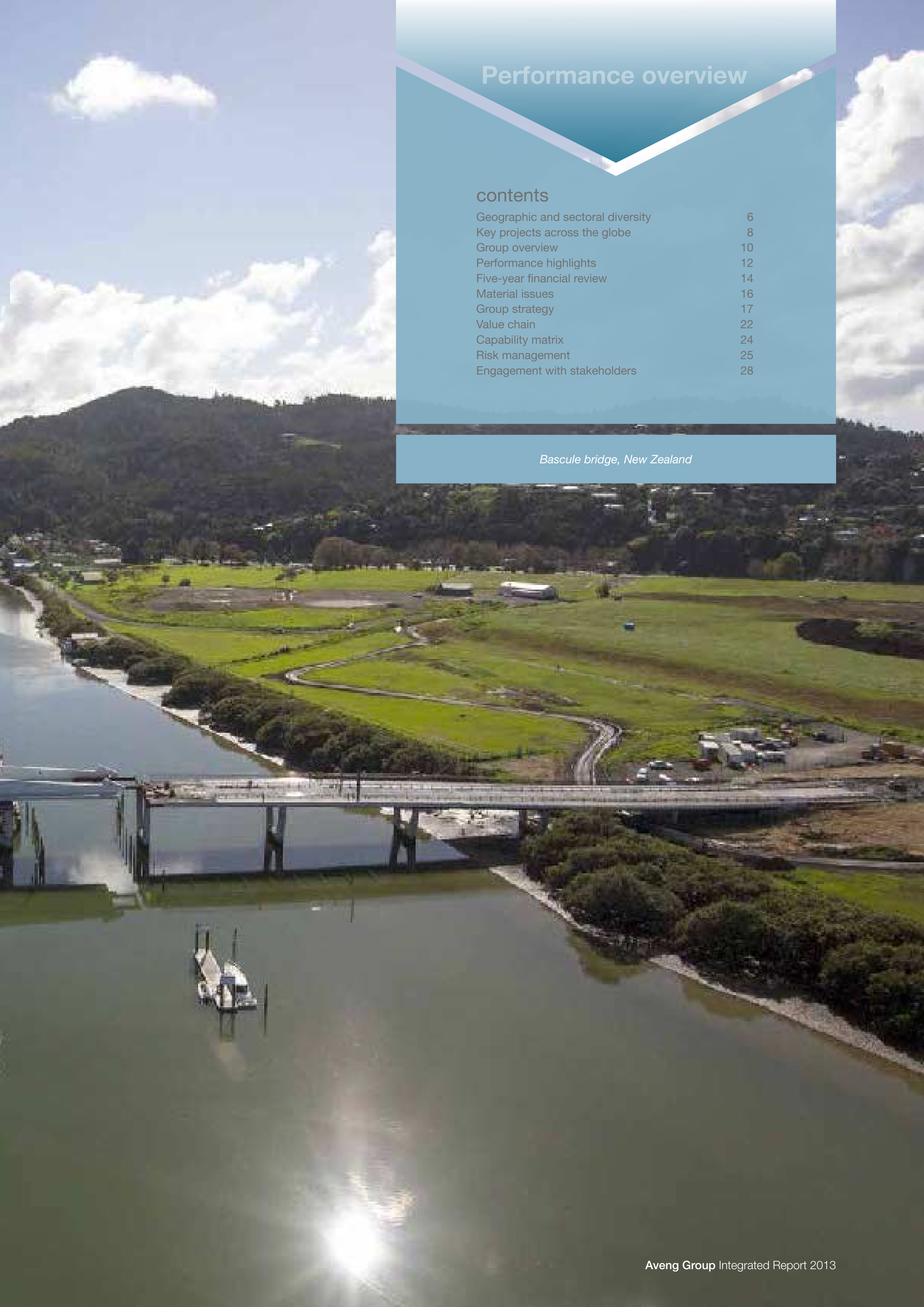
This icon refers to additional information available

Diverse operational capability

The Aveng Group comprises the following operating groups:

*Formerly consolidated as Aveng E+PC.

Operating group structure as at 1 July 2013



Performance overview

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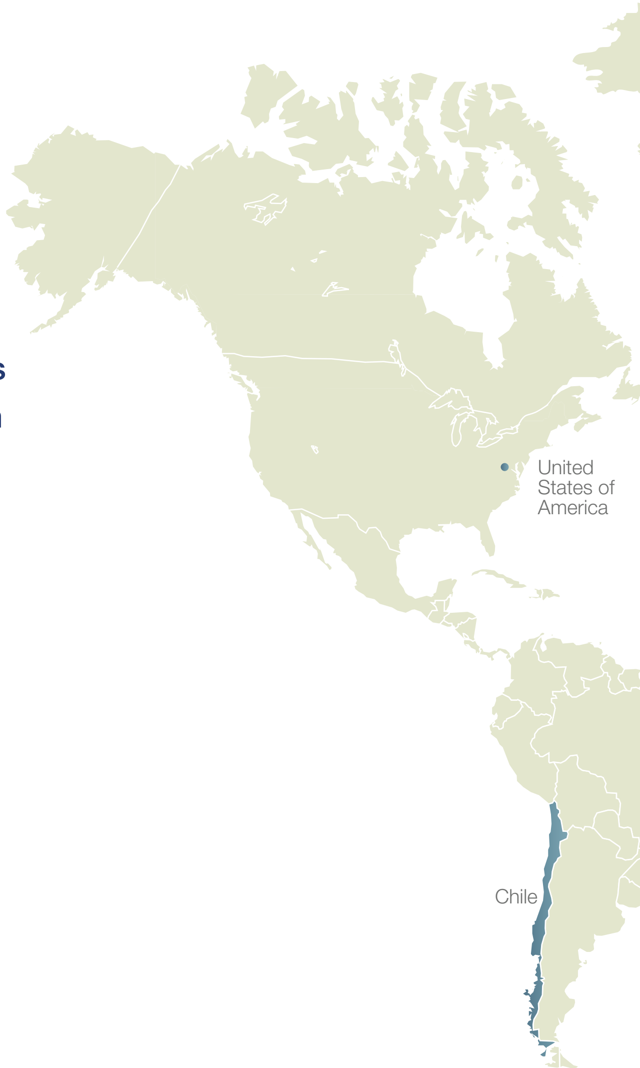
Bascule bridge, New Zealand

Geographic and sectoral diversity

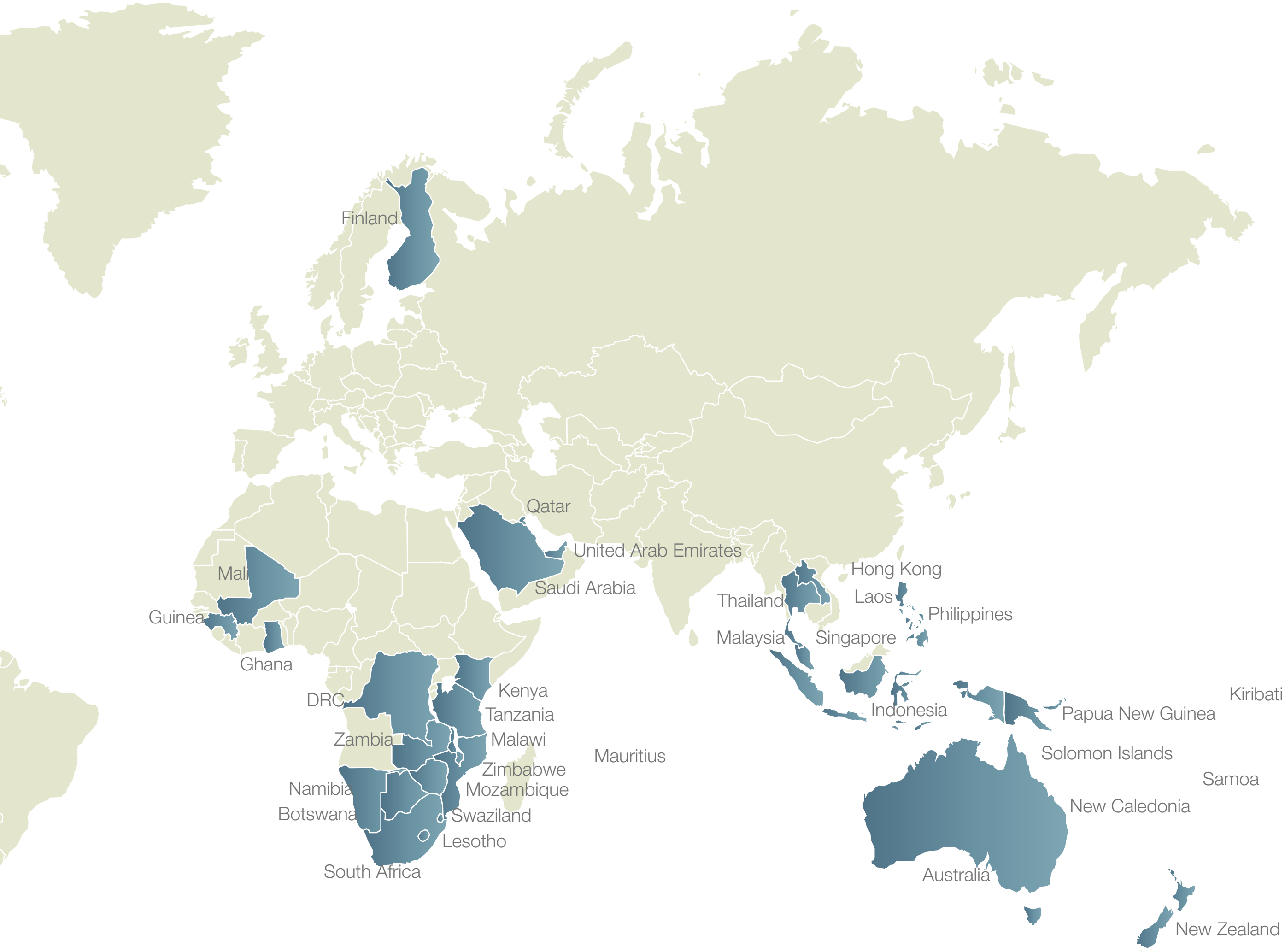
Against the background of challenging trading conditions in the global and domestic construction and engineering industries, there has been encouraging evidence of growth in the rest of Africa.

To mitigate the impact of declining investment in Australian resources, McConnell Dowell has shifted its focus to sectors that continue to experience growth in Australia, Southeast Asia and the Middle East.



The table reflects the current geographic spread and depth of Aveng capabilities:

OPERATING GROUP	COUNTRIES OF OPERATION	KEY SERVICES AND EXPERTISE
McConnell Dowell see page 80	Australia, Hong Kong, Indonesia, Kiribati, Laos, Malaysia, New Caledonia, New Zealand, Papua New Guinea, Philippines, Qatar, Samoa, Saudi Arabia, Singapore, Solomon Islands, Thailand, United Arab Emirates	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the transport, water, oil and gas, power, mining and metals, ports, commercial building, defence, and heavy industrial processing sectors, including fabrication facilities supplying structural steel, piping and precast concrete elements.
Aveng Grinaker-LTA see page 85	Botswana, Ghana, Lesotho, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia	Civil engineering, earthworks engineering, road construction, motorway rehabilitation, mine infrastructure, multidisciplinary construction and engineering works, structural, mechanical, electrical, instrumentation, piping, transport infrastructure, industrial, oil and gas, power and water, retail and commercial construction and project management.
Aveng Engineering see page 88	Australia, Malawi, Mozambique, Namibia, South Africa, Zambia,	Execution of projects in the water, renewable power, minerals and industrial processing markets. Services offered cover the full project life cycle from concept and feasibility studies, front-end engineering design, detailed engineering, project delivery and construction services, to plant operations and maintenance.



OPERATING GROUP	COUNTRIES OF OPERATION	KEY SERVICES AND EXPERTISE
AVENG see page 93	Australia, Botswana, Finland, Ghana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Tanzania, USA, Zambia	Products and services in the geotechnical, civil engineering and tunnelling industries. Manufacture and supply of concrete mainline railway sleepers, turnout sleepers, universal sleepers, mine sleepers, pipes, culverts, building and landscape products. Mine roof support products. Rail maintenance machine build, rail track construction, rehabilitation and mechanised track maintenance. Supply of valves for mineral processing and water. Supply and installation of Emerson control solutions (oil and gas), supply and refurbishment of Fischer control valves, supply and maintenance of tank level gauging, flow measurement, temperature, and pressure control systems. Supply of asset management systems, fire and gas detection systems. Supply and installation of building facades.
AVENG STEEL see page 96	Botswana, DRC, Ghana, Kenya, Lesotho, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe	Supply of plate, structural steel, reinforcing, wire products as well as automotive blanks and bars to the domestic and international steel markets and the domestic automotive industry. Structural steel fabrication for the construction industry.
AVENG MINING see page 98	Botswana, Chile, Ghana, Guinea, Mali, Namibia, South Africa, Tanzania, Zambia	Open cut contract mining services, shaft sinking, mine infrastructure, underground contract mining and access development, and mine rehabilitation.

Key projects across the globe

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

AVENG GRINAKER-LTA


McConnell Dowell – Te Mihi geothermal power station, New Zealand


Aveng Grinaker-LTA – Nacala Corridor project, Mozambique

AVENG epc

AVENG WATER

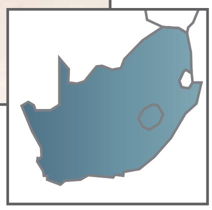

Aveng E+PC – Photovoltaic single-axis tracker for Sishen solar farm, South Africa


Aveng Water – eMalahleni water treatment plant, South Africa

AVENG

AVENG
TRIDENT STEEL


Aveng Manufacturing – Ballast screening machine for track operations, over various locations

Aveng Trident Steel – Open section mill, South Africa

AVENG
MINING

AVENG
MOOLMANS

AVENG
MINING


Aveng Moolmans – Aerial view of Sadiola Gold Mine, Mali


Aveng Mining Shafts & Underground – Wesizwe Platinum, Bakubung Mine, South Africa

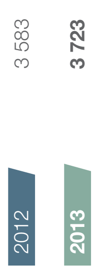
Additional information available in the operational review on pages 80 – 101 of this report.

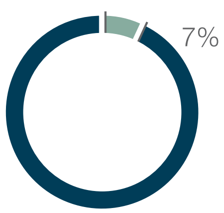
Group overview

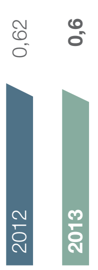
	AVENG GRINAKER-LTA	McCONNELL DOWELL	AVENG epc ENGINEERING & PROJECTS COMPANY
OPERATING OVERVIEW	Aveng Grinaker-LTA is a multidisciplinary construction and engineering group, anchored in South Africa, with expertise in a number of market sectors: power, mining, infrastructure, commercial and industrial, oil and gas. Services include building, civil engineering, concessions, earthworks, property development and mechanical and electrical engineering.	Australian-based McConnell Dowell Corporation Limited operates predominantly in the Eastern Time Zone, and is a major engineering, construction, building and maintenance contractor servicing the building, infrastructure and resource markets with expertise in building, rail, civil, electrical, marine, mechanical pipelines, fabrication, tunnelling and underground services. It has an established reputation for delivering complex projects in Australia, New Zealand, the Pacific Islands, Southeast Asia and the Middle East.	Aveng E+PC Engineering and Projects Company offers concept and detailed engineering, design and project management delivery services in the minerals processing, power and energy sectors. It also offers long-term operation and maintenance services across a broad range of plant capabilities, such as metallurgical processing plants in southern Africa.
REVENUE (Rm)*	2012: 7 480** **2013: 7 651**	2012: 17 122 **2013: 26 749**	2012: 390 **2013: 332**
CONTRIBUTION TO GROUP REVENUE FOR 2013* **	15%	52%	1%
SAFETY PERFORMANCE (LTIFR)	2012: 0,25 **2013: 0,28**	2012: 0,12 **2013: 0,13**	2012: 0,05 **2013: 0,21**
EMPLOYEES	7 006	7 082	340
ADDITIONAL INFORMATION	More information at *www.avenggrinaker-lta.co.za*	More information at *www.mcconnelldowell.com*	More information at *www.avenge-pc.co.za*

* *Revenue figures represent both internal and external revenue before consolidation elimination entries of -R509 million (2012: -R440 million).*
** *Aveng Mining Shafts & Underground has been reorganised to report within Aveng Mining in the current year (previously part of Aveng Grinaker-LTA). The 2012 figure has been adjusted accordingly.*
*** *The percentage contribution to group revenue includes the group revenue before consolidation elimination entries of -2% (2012: -1%)*

Aveng Manufacturing manufactures and supplies a diverse range of steel and concrete products, valves, services and engineered solutions in the mining, construction, infrastructure and building sectors in southern Africa. It also undertakes rail construction and maintenance projects in southern Africa and Australia.







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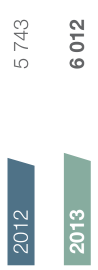
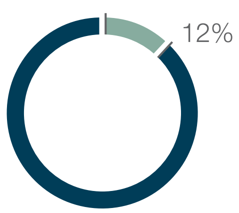
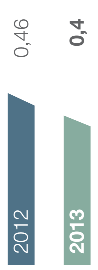
More information at
www.avengman.com

Aveng Trident Steel supplies a wide product range to the steel industry in South Africa as well as internationally from its extensive steel yards, modern and comprehensive steel processing service centres, speciality steel division and tube manufacturing plant. Aveng Trident Steel supplies steel for the construction industry and is also a leading supplier to the automotive industry.







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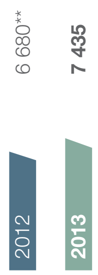
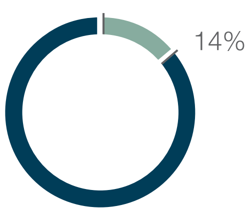
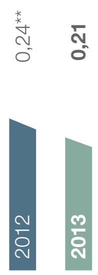
More information at
www.avengtridentsteel.co.za

Aveng Mining offers end-to-end capability, spanning a range of commodities. Its multidisciplinary approach addresses clients' underground and surface mining requirements with turnkey solutions in design, process, construction, project management and outsourced mine operation. Aveng Moolmans owns and operates heavy mining equipment and is a major open cut mining contractor in Africa, working successfully in remote and difficult locations. It offers contract mining services in short- and medium-term planning, drilling and blasting, selective mining and waste removal for selected clients. Aveng Mining Shafts & Underground is one of only four deep-level shaft sinking companies in the world, with the capability to sink vertical and decline/incline shafts in all ground conditions and sink and equip shafts of various diameters and depths. It has the capacity to sink vertical shafts to depths of more than 1 000m.







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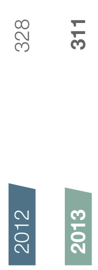
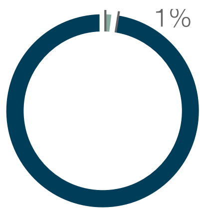
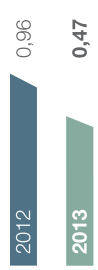
More information at
www.avengmoolmans.co.za

Aveng Water is positioned to play a key role in the delivery of advanced water solutions in southern Africa and Australia. It is driven by a highly qualified team experienced in implementing custom designed, innovative water treatment solutions, including acid mine drainage (AMD).







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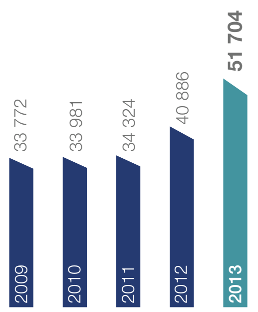
More information at
www.avengwater.co.za

Performance highlights

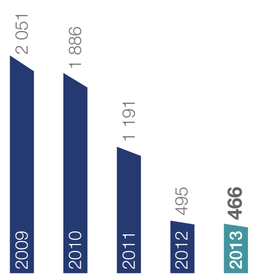
	2013 Rm	2012 Rm	% change	**2013 USDm**	2012 USDm
Financial results					
Revenue	**51 704**	40 886	27	**5 847**	5 303
Operating earnings before other gains and losses	**627**	504	24	**72**	65
Net operating earnings	**656**	613	7	**76**	79
Headline earnings	**466**	495	(6)	**57**	65
Ordinary share performance (cents per share)					
Headline earnings	**124,6**	128,1	(3)	**14,1**	16,6
Diluted headline earnings	**115,9**	119,8	(3)	**13,1**	15,5
Dividend paid	**–**	60,0	n/a	**–**	7,8
Cash flow					
Operating free cash flow	**(1 531)**	(900)	70	**(173)**	(117)
Exchange rate					
Rand to USD – Closing rate	**9,88**	8,21	20		
– Average rate	**8,84**	7,71	15		
Rand to AUD – Closing rate	**9,03**	8,41	7		
– Average rate	**9,08**	8,01	13		

	2013	2012
Environmental		
Carbon emissions (tCO_2e)	**576 574**	585 869
Safety		
Lost time injury frequency rate (LTIFR)	**0,24**	0,24
People		
CSI spend (Rm)	**19**	12

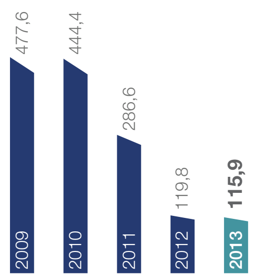
Revenue (R million)



Headline earnings (R million)



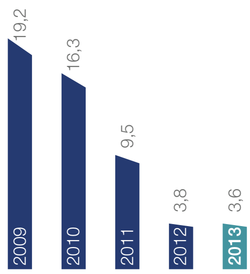
Diluted headline earnings per share (cents)



A summary of key achievements in the year under review

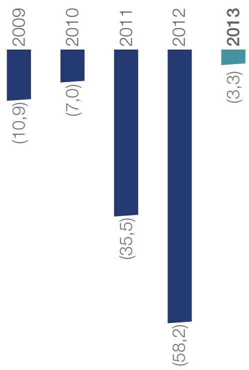
Financial	People	Health and Safety	Ethics	Corporate governance	Communities	Environment
27% revenue growth	514 apprenticeships and learnerships qualified	LTIFR remains constant at 0,24 Appointment of a transport safety manager	Continued rollout of anti-corruption framework	Appointment of a compliance manager	R19 million CSI spend	81% score in 2012 carbon disclosure project (2011: 66%) and first time response to the water disclosure project
24% operating earnings growth	1,9% of payroll spent on training against a target of 1,5%	11% overall engagement rate for employee wellbeing programme, exceeding target of 6% set for first year of the programme	Pre-employment declaration – against anti-competitive practices	Reviewed limits of authority per level within the organisation	Community investment linked directly to projects	Six-star Green-Star rating awarded to DEA's head office project in Pretoria, South Africa
Efficiency improvements	Focus on strengthening middle management skills in the organisation, specifically technical and project management skills. Aligned to EE plan.	31% improvement in reported near misses across the Group's operations, demonstrating improvement in safety awareness and reporting	23 employees terminated and 5 received written warnings for unethical conduct	Elevated approval for senior manager appointments to group level to manage and monitor employment equity compliance	CSI impact analysis being conducted	Aveng Water awarded prestigious Achievers' Award at the Technology Top 100

Return on average equity (%)



	2013	2012	2011	2010	2009
CPI (%)	**5,5**	5,9	3,9	5,7	10,2
Return on average equity (%)	**3,6**	3,8	9,5	16,3	19,2

Growth in diluted headline earnings per share (%)



	2013	2012	2011	2010	2009
CPI (%)	**5,5**	5,9	3,9	5,7	10,2
Growth in diluted headline earnings per share (%)	**(3,3)**	(58,2)	(35,5)	(7,0)	(10,9)

Five-year financial review

	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Investment property	**71**	–	–	–	–
Property, plant and equipment	**6 789**	6 666	6 021	5 146	5 062
Goodwill and other intangibles[1]	**1 609**	1 549	1 481	1 085	1 093
Equity-accounted investments	**144**	105	92	117	108
Available-for-sale investments	**70**	146	131	94	12
Deferred tax assets	**1 347**	998	1 019	982	612
Inventories	**2 780**	2 467	2 066	2 027	1 598
Receivables[2]	**13 052**	9 925	8 132	6 863	6 321
Cash and bank balances	**4 551**	5 203	5 611	7 828	7 910
Total assets	**30 413**	27 059	24 553	24 142	22 716
Deferred tax liabilities	**319**	299	832	655	240
Payables[3]	**11 629**	10 407	7 751	10 008	10 251
Provisions	**3 029**	2 171	2 761	892	859
Borrowings and other liabilities[4]	**1 531**	928	83	170	170
Bank overdrafts	**600**	343	211	197	309
Total liabilities	**17 108**	14 148	11 638	11 922	11 829
Non-controlling interests	**12**	10	(3)	5	21
Total equity	**13 305**	12 911	12 915	11 917	10 886
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
Revenue	**51 704**	40 886	34 324	33 981	33 772
Operating earnings before other gains and losses	**627**	504	1 490	2 091	2 079
Other gains and losses	**–**	31	(14)	(13)	49
Operating earnings after other gains and losses	**627**	535	1 476	2 078	2 128
Earnings from available-for-sale investments	**41**	37	35		59
Share of (loss) / earnings from equity-accounted investments	**(12)**	41	(7)	61	67
Net operating earnings	**656**	613	1 504	2 139	2 254
Finance and transaction expenses	**(162)**	(76)	(59)	(17)	(42)
Finance earnings	**132**	189	312	472	698
Earnings before taxation	**626**	726	1 757	2 594	2 910
Taxation	**(167)**	(203)	(584)	(722)	(809)
Earnings for the period	**459**	523	1 173	1 872	2 101
Other comprehensive earnings for the period:					
Items that may be subsequently recycled through earnings					
Exchange differences on translation of foreign operations	**196**	485	209	1	(266)
Movement in insurance and other reserves	**(2)**	(12)	–	–	–
Total comprehensive earnings for the period	**653**	996	1 382	1 873	1 835
Earnings for the period attributable to:					
Equity holders of the parent	**466**	521	1 177	1 873	2 091
Non-controlling interests	**(7)**	2	(4)	(1)	10
Other comprehensive earnings for the period	**459**	523	1 173	1 872	2 101
Total comprehensive earnings attributable to:					
Equity holders of the parent	**659**	993	1 386	1 874	1 827
Non-controlling interests	**(6)**	3	(4)	(1)	8
	653	996	1 382	1 873	1 835
Determination of headline earnings					
Profit for the year attributable to equity holders of the parent	**466**	521	1 177	1 873	2 091
Headline earnings adjustment	**–**	(26)	14	13	(40)
Headline earnings	**466**	495	1 191	1 886	2 051
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS					
Cash (outflow) / inflow from operating activities	**(288)**	971	(175)	1 214	1 497
Cash outflow from investing activities	**(1 243)**	(1 871)	(2 000)	(1 175)	(2 491)
Operating free cash flow	**(1 531)**	(900)	(2 175)	39	(994)
Cash inflow / (outflow) from financing activities[5]	**314**	(154)	(55)	(90)	(482)
Net decrease in cash	**(1 217)**	(1 054)	(2 230)	(51)	(1 476)

	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
SHARE PERFORMANCE (cents per share)					
Headline earnings	**124,6**	128,1	306,4	483,6	528,5
Diluted headline earnings	**115,9**	119,8	286,6	444,4	477,6
Earnings	**124,6**	134,9	302,9	480,3	538,8
Diluted earnings	**115,9**	126,1	283,3	441,3	487,0
Operating free cash flow	**(409,5)**	(233,2)	(560,0)	(10,0)	(256,2)
Net asset value	**3 412,4**	3 309,6	3 287,0	3 084,5	2 743,7
Dividend	**–**	60,0	145,0	145,0	145,0
Closing share price	**2 990**	3 580	3 580	3 445	3 500
Returns and productivity					
Net cash position	**2 420**	3 932	5 317	7 461	7 431
Net cash portion to equity (%)	**18,2**	30,5	41,2	62,6	68,3
CPI (%)	**5,5**	5,9	3,9	5,7	10,2
Current ratio (times)	**1,3**	1,3	1,5	1,5	1,4
Dividend cover (times)	**–**	2,1	2,1	3,3	3,6
Effective tax rate (%)	**26,7**	28,0	32,8	28,3	28,9
Margin – gross (%)	**6,7**	8,5	15,5	16,2	16,9
– EBIT (%)	**1,3**	1,5	4,3	6,2	6,2
– EBITDA (%)	**3,6**	4,9	7,6	9,3	9,0
Net interest cover (times)	**21,9**	(3,8)	(5,1)	(4,7)	(3,1)
Property, plant and equipment – expansion (Rm)	**459,0**	1 220,1	1 140,5	925,7	1 695,2
– replacement (Rm)	**925,0**	867,1	677,5	252,8	1 018,8
Return on average capital employed (%)	**5,5**	5,7	14,2	21,9	19,3
Return on average equity (%)	**3,6**	3,8	9,5	16,3	19,2
Return on invested capital (%)	**8,3**	8,6	9,3	15,8	17,9
Revenue per employee (R'000)	**1 827,3**	1 230,7	1 110,8	982,2	1 047,0
Total liabilities as a % of total shareholders' equity (%)	**128,6**	116,5	90,1	97,6	108,7
Total equity to total assets (%)	**43,7**	46,2	52,6	60,6	47,9
Number of permanent employees at year-end	**28 296**	33 221	30 900	34 597	32 256
Number of shares (million)					
In issue	**389,8**	389,8	393,0	396,0	396,0
Weighted average	**373,9**	386,0	388,7	390,0	388,0
Diluted weighted average	**402,1**	412,9	415,5	424,4	429,4
Stock Exchange performance (cents per share)					
Market value per share					
– at year-end	**2 990**	3 580	3 580	3 445	3 500
– highest	**3 740**	4 260	4 500	4 700	6 992
– lowest	**2 569**	3 187	3 265	3 280	2 365
– volume weighted average price	**3 102**	3 615	3 812	3 844	3 807
Earnings yield (%)	**5,4**	7,5	11,9	13,0	19,0
Dividend yield (%) (continuous)	**2,0**	4,1	4,1	4,2	4,1
Market capitalisation at closing prices (Rm)[6]	**11 656**	13 956,2	14 115,0	13 642,0	13 860,2
Price earnings ratio at year end	**18,5**	13,3	8,4	7,7	5,3
Value of shares traded (Rm)	**7 884,8**	9 618,0	12 478,9	23 769,8	24 561,0
Number of shares traded (million)	**254,2**	266,1	327,3	618,4	645,2
Average price per share traded (cents)	**3 117**	3 603	3 828	3 837	3 966
Percentage of market capitalisation traded (%)	**67,6**	68,9	88,4	174,2	177,2
Liquidity (%)	**69,5**	70,7	86,3	161,8	169,4
Weekly rand volume (Rm)	**162**	192	250	474	491
Rand to AUD Dollar					
Closing	**9,03**	8,41	7,28	6,51	6,30
Average	**9,08**	8,01	6,95	6,67	6,63
Rand to US Dollar					
Closing	**9,88**	8,21	6,79	7,66	7,78
Average	**8,84**	7,71	7,05	7,62	8,83

1. Goodwill and other intangibles consists of Goodwill arising on consolidation and Intangible assets.
2. Receivables consists of Trade and other receivables and Amounts due from contract customers.
3. Payables consists of Trade and other payables, Amounts due to contract customers and Taxation payable.
4. Borrowings and other liabilities includes both the current and non-current portion as detailed in the Consolidated statement of financial position.
5. Cash from financing activities consists of shares repurchases, increase in shares by non-controlling interests of subsidiary company, dividends paid and proceeds from borrowings.
6. Market cap based on shares in issue as at year-end.

Material issues

Material issues are defined as matters that have a significant influence on Aveng's ability to achieve its strategic vision and continue creating sustainable value for its stakeholders. In determining Aveng's material issues, executive management takes into account the Group's strategy and core values, the business and regulatory environment in which it operates, concerns raised by stakeholders, and significant risks identified in the risk management process. The way we manage these material issues is summarised here and described in greater detail throughout the integrated report.

Material issues	Management of material issues		
	Short-term	Medium-term	Long-term
Economic sustainability » Growth » Liquidity » Project execution	» Profitable project execution » Cash flow management	» Higher margins » Cash flow management » Integration of group capabilities » Mozambique focus » Mauritius focus » Renewable energy focus » Optimal equity structure	» Further geographic diversity » Africa focus » Southeast Asia focus » Profitable large projects
Social sustainability » People » Safety » Health and wellness	» Attraction and retention of core skills » Performance management » Competition compliance programme » Multiple health and wellness partnerships » Systems capabilities » Embedding DNA » Fatality-free operations	» Leadership development and succession planning » Strategic health and wellness partnerships » Growing future leaders » Building a high performance culture » Achieving transformation targets » Embedding Group DNA	» Collaborative safety, health and wellness culture
Environmental sustainability » Environmental impact	» Carbon tax	» Subcontractor and service provider safety » Green procurement » Green construction offerings	» Environmental sustainability integrated into core business processes
Stakeholder sustainability » Suppliers » Trade unions » Customers and clients » Government/regulatory bodies » Communities » Investors	» Supplier management » Continuous stakeholder engagement » Strategic partnerships » Capital allocation » Sustainable community investment » Client focus » Ethics and compliance systems	» Supplier management » Continuous stakeholder engagement » Strategic partnerships » Capital allocation » Sustainable community investment » Client focus » Ethics and compliance systems	» Supplier management » Continuous stakeholder engagement » Strategic partnerships » Capital allocation » Sustainable community investment » Client focus » Ethics and compliance systems

Strategy overview

The strategy of the Aveng Group is focused on:

» Enhancing the profitability of the existing portfolio with a focus on cash management and financial returns
» Increasing operational efficiency and improving project delivery
» Reinforcing the Group's leadership position in selected areas of the infrastructure market in South Africa, the rest of Africa, Australia and Southeast Asia
» Expanding its portfolio by further exploiting the infrastructure value chain internationally to produce value-added services and solutions.

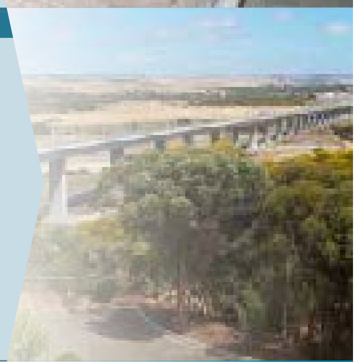
SHORT-TERM

» Enhance current portfolio profitability and cash management
» Turnaround underperforming businesses
» Focus on project delivery
» Expand geographic footprint in the rest of Africa and Southeast Asia
» Consolidate Aveng Steel operations

Strategic acquisitions/joint ventures/divestures

MEDIUM-TERM

» Consolidate geographic footprint in Africa and Southeast Asia
» Grow the concessions and operations and maintenance businesses
» Increase the offering in power, oil and gas and water
» Become a leading rail player in Africa and Australia
» Leverage group capabilities in cross-sector projects



LONG-TERM

» Pursue geographic growth in other areas

1. Optimise, redesign and leverage the current business portfolio to extract greater shareholder value

Rationale

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

Progress in 2013

As part of its ongoing portfolio review process, Aveng undertook the following interventions in 2013:

- A restructuring with effect from 1 July 2013 to form Aveng Engineering through the integration of Aveng E+PC and Aveng Water, integrate the steel businesses under Aveng Steel and move Aveng Grinaker-LTA's non-construction businesses to Aveng Manufacturing
- A reorganisation of Aveng Grinaker-LTA consisting of the appointment of a new managing director, streamlining of the construction portfolio and continued reduction in overheads
- Ongoing implementation of operational improvement initiatives at Aveng Manufacturing and construction of a local pipes and culverts fabrication plant in Mozambique
- Optimisation of Aveng Mining's business portfolio by closing unprofitable projects in underground mining
- Successful implementation of a project delivery model at McConnell Dowell to better align regions, disciplines and strategic projects, enabling the Group to deliver consistent project outcomes
- Strengthening of commercial and project execution capabilities throughout the project lifecycle by implementing additional project risk procedures to reduce and mitigate the risk of loss-making projects.

Strategic growth focus

Looking ahead, Aveng is embarking on a number of initiatives to drive enhanced shareholder value. These include:

- A continued focus on reducing overhead costs throughout the Group
- A continual focus on driving efficiencies, through procurement and continuous improvement initiatives
- Further strengthening of the commercial and project execution capabilities within the construction and engineering operating groups
- Continual review of the Group's portfolio to optimise the business model and more effectively realise synergies from cross-sector projects
- Optimising the Group's capital structure, cash management and capital allocation to enhance returns
- At Aveng Grinaker-LTA the focus will be on reducing project losses, improving project delivery on large projects and reducing overheads in line with market benchmarks.

2. Grow and expand the Group's geographical footprint in Africa and Southeast Asia

Rationale

The Aveng Group continues to proactively pursue selective opportunities outside its core markets while leveraging its strengths and capabilities in its home markets in line with the Group's vision to be a leader in infrastructure development in emerging markets.

Aveng seeks to expand its footprint in the rest of Africa, where growth is expected to outpace that of South Africa, particularly due to buoyant mining activity and rapid urbanisation.

Aveng has identified Southeast Asia as a strategic growth area, and has a presence in this region through McConnell Dowell.

Progress in 2013

Aveng continues to identify steps to extend its geographic expansion.

- **Mozambique:** Actively expanding into Mozambique by building a manufacturing and processing plant in the country, winning a significant project in Nacala for Vale and positioning the Group for other projects
- **Middle East:** McConnell Dowell continues to be well positioned in the region
- **Southeast Asia:** Projects in the new markets of Malaysia and Hong Kong are progressing well and turnover in Singapore and Indonesia has been positive; there are good prospects to win more work in these countries.

Strategic growth focus

Aveng seeks to extend its presence in the rest of Africa and Southeast Asia by implementing a focused approach to growth.

- Streamline the African management structure by closing underutilised offices in Botswana and Tanzania and managing these operations from South Africa
- Focus on growing the African business in Ghana and Mozambique
- Increase Southeast Asia's contribution to McConnell Dowell's revenue from 25% to 35%.

3. Grow and expand new product areas such as water, power, concessions and rail

Water

Rationale

Aveng identified water treatment solutions as an area of strategic focus in response to the need to address critical levels of acid mine drainage (AMD) and to meet the demand from municipal and industrial users in South Africa and elsewhere for high quality potable water.

Progress in 2013

- Aveng continued to work on a number of projects in the treatment of AMD water with limited success.

Strategic growth focus

Due to the slower than anticipated rate of spend in the sector, Aveng Water has been integrated into Aveng Engineering and Aveng will reduce its focus on water in the short-term.

Power

Rationale

Economic growth on the African continent can only be sustained if investment in power continues over the long-term. The South African government's integrated resource plan has confirmed the new build programme for South Africa until 2030, with a focus on renewable energy and nuclear power.

Progress in 2013

In addition to the activities of McConnell Dowell's Electrix business in Australia, the Aveng Group continues to position itself as an important contender in the South African power industry. The current focus has been in the following areas:

- Continued construction work on the Medupi and Kusile power stations for Eskom
- Achieving financial close on two renewable energy projects (solar and wind).

Strategic growth focus

In 2014, Aveng will continue to grow its capabilities in renewable energy through the following initiatives:

- Execution of the two renewable energy projects and continuing evaluation and bidding for other renewable energy projects if returns are in line with group targets.

3. Grow and expand new product areas such as water, power, concessions and rail continued

Concessions

Rationale

Aveng is well placed to respond to domestic and cross-border public private partnerships (PPP) and concession type projects across the infrastructure, water, power and renewables sectors requiring private finance solutions. Within these projects, Aveng plays a pivotal role as project sponsor, equity investor, contractor and operator.

Progress in 2013

Aveng had a successful year growing its development pipeline and progressing various awarded projects to financial close. Recent projects awarded to the Group and its investment partners include:

- 135MW Gouda wind farm facility in the Western Cape
- 74MW Sishen Solar PV facility in the Northern Cape
- Construction of Department of Environmental Affairs PPP project
- Construction of Gold Coast light rail in Australia.

Aveng also achieved preferred bidder status for the Mauritius Decongestion Toll Road Project in Port Louis, Mauritius. In Australia, McConnell Dowell is positioned to participate in different PPP projects.

Strategic growth focus

Aveng will continue to focus on investing in renewable energy projects and is also currently targeting projects in the water, transport and social infrastructure sectors.

Rail

Rationale

Aveng has identified rail as a sector of the infrastructure market which holds significant opportunity for growth in both freight and passenger related activities. Opportunities associated with the transport of mineral resources are particularly attractive in the Group's primary markets of Africa and Australia. Through Aveng Manufacturing Lennings Rail Services and Aveng Manufacturing Infraset in South Africa, Aveng has a strong base that can be leveraged as it provides a complete range of rail products and services, and is a leading rail sleeper manufacturer. Aveng Grinaker-LTA and McConnell Dowell are active in railway construction related civils and earthworks contracts.

Progress in 2013

Several significant milestones have been reached in the Aveng Group's rail business through its efforts to expand into the African and Australian markets, including:

- Securing various rail related projects in Australia
- Supplying concrete railway sleepers for various projects in Mozambique
- Securing rail related civils and earthworks contracts for the Nacala corridor in Mozambique and the Majuba railway line in South Africa
- Construction of a railway sleeper plant in Mozambique for Aveng Manufacturing.

Strategic growth focus

Looking forward, Aveng plans to build on its early successes in expanding its rail business into the new markets by growing its Australian footprint, positioning itself in the Mozambican rail construction and sleeper market, pursuing opportunities in west Africa and capitalising on its South African rail business.

Growth in other key growth sectors

Sectors	Market outlook	Where we are	Where we are going
Mining	» Subdued growth of mining in South Africa due to policy uncertainty and labour unrest » Growth of mining activity in Africa driven by demand from China » Subdued mining prospects in Australia.	» Aveng has mining operations in nine countries » A significant portion of the Group's revenue is from mining related activities » A leader in open cut mining in Africa – active in eight African countries » One of only four deep-level shaft sinking companies worldwide, with contracts in South Africa (Wesizwe and Shondoni), and Chile (Chuquicamata) » Provider of products to the mining industry ranging from stand-up support to valves » Provider via Aveng Engineering of operations and maintenance services to the mining sector » Provider of construction and transport infrastructure to leading mining companies in sub-Saharan Africa and Australasia.	» Strengthen Aveng's capabilities in construction for the mining industry, and expand further into Africa » Deliver deep-level shaft sinking capabilities where required » Maintain top-tier industry position in open cut mining in Africa.
Steel	» South African steel demand is likely to remain under pressure due to the flat construction and mining markets, and uncertainty in the global economy » Global steel demand growth is expected to continue but at a slower rate, driven by developing economies » No significant improvement in steel prices is anticipated.	» Leading provider of steel products and services to the South African market » Merchanting » Automotive » Structural steel » Rebar and mesh » Tubular steel.	» Strategic review of Aveng's positioning in steel merchanting and processing » Strengthen the automotive business via international partnerships » Ongoing focus on operational efficiency and customer service » Restructuring of underperforming businesses.
Public infrastructure	» Increasing competitiveness and margin pressure » Slow speed of infrastructure spend in South Africa, but significant opportunities in Africa » Slowing Chinese economy impacting mining and associated infrastructure projects in Australia.	» Top-tier player in the infrastructure markets in sub-Saharan Africa and Australasia » Ability to provide major integrated projects » Providing a broad range of products to the infrastructure sector » Affected by a number of underperforming contracts.	» Increasing the Group's presence in target markets » Consolidating the Group's position in the Australasian market by maintaining profitability » Restoring profitability in the sub-Saharan market » Improving project execution to reduce downward margin pressure and project risks.

Value chain

SIMPLIFIED VALUE CHAIN

ENGINEERING AND DESIGN	MANUFACTURING AND PROCESSING	CONTRACTING	OWNERSHIP	OPERATIONS AND MAINTENANCE
Process technology and multidisciplinary engineering design in mining, infrastructure, power and water.	Manufacturing and processing of steel, concrete products, railway sleepers and valves.	A comprehensive range of stand-alone or integrated services that cover building, civil engineering, earthworks engineering, mechanical, electrical, open cut and underground mining services, CMI and marine, pipeline and tunnelling works.	Minority equity stakes in construction projects ranging from road building, renewable energy plants and rail projects.	Operating plants on an outsourcing basis for clients in water, power, mining and transport.

INDUSTRY SEGMENTS

POWER	TRANSPORT	CIVILS	BUILDING	WATER	MINING

Aveng's value chain spreads itself throughout all areas of infrastructure (building, transport, power, mining) and throughout more than 30 countries.

Capability matrix

The table below shows the Aveng Group's capacity across a broad range of industry sectors:

The Aveng Group segments	Client industry							Manufactured products
	Transport	Power/ Energy	Mining	Water and environment	Infrastructure	Commercial	Industrial	– Steel – Concrete
Building	√	√	√	√	√	√	√	√
Civil engineering	√	√	√	√	√	√	√	√
Concessions	√	√		√	√	√		
Concrete and steel manufacturing and processing	√	√	√	√	√	√	√	√
Detailed multidisciplinary engineering	√	√	√	√	√			
Roads and earthworks	√	√	√	√	√	√	√	
Marine infrastructure	√	√	√		√	√	√	√
Mechanical and electrical/ fabrication	√	√	√	√	√	√	√	√
Open cut mining			√					
Underground mining			√					
Deep shaft sinking			√					
Plant operations	√	√	√	√	√			
Pipelines	√	√	√	√	√		√	√
Process engineering		√	√	√				
Project and construction management	√	√	√	√	√	√	√	
Rail construction and maintenance services	√	√	√		√		√	√
Tunnelling	√	√	√	√	√			

Risk management

Risk is present in most business activities. In the construction industry risk is most likely to occur in the projects that we undertake. While this is potentially the largest threat we face, risk is not only associated with our operational performance and the impact this has on our financial position. It is also inherent in the way we manage our reputation and our resources, the way we adapt to mitigate external threats, the impact we have on the safety and wellbeing of people in our work environments, and our impact on the communities and the natural environments within which we operate.

The Aveng Group has adopted a structured approach to identify, evaluate and manage opportunities, threats and uncertainties that could influence the Group's ability to achieve its strategic vision and continue creating sustainable value for stakeholders.

The Aveng risk framework governs the Group's approach to the assessment and treatment of all types of risk, at all levels and for all activities in the Group.

Strategic risks that could have an adverse impact on the Group's overall performance are attended to by the Board, the group executive committee and specialist advisers, where necessary.

Operational risk analysis is undertaken by operational management within the business units and operating groups to address key market and industry risks.

Although the Board is confident that the risk management framework is robust, it has recognised that problems have been experienced with the implementation of the framework at some group operations, particularly following personnel changes. A renewed focus on programmes to entrench necessary procedures and compliance with the framework is in the process of implementation.

Risk environment

Global risk

The current economic uncertainty and volatility has resulted in major shifts in the global risk landscape. This has heightened the importance of a continuous and structured approach to risk management.

Key strategic risks

Strategic risks are identified as internal or external risks that have the potential to cause significant financial loss, to fundamentally undermine the Group's competitive position and to adversely impact its reputation. A strategic risk register is updated quarterly and reported to the Board and the Risk Committee. This information is used to determine the strategic interventions and mitigation measures to minimise the impact of risks or close them out.

Key risks impacting the Group

Risk	Description	Mitigating strategies in the process of being introduced
Group liquidity	Slow or delayed payments, late certifications, impact of unresolved commercial issues and project losses, and capital expenditure requirements.	Monitor cash flow on all projects, ensure capex procurement is in line with the project plan, awareness of payment terms and early resolution of commercial issues.
Highly competitive markets	The global contraction in the construction sector has increased competition and eroded margins with some competitors accepting onerous terms and conditions.	Stronger focus on project execution.
Major project execution risks	Project execution risks remain a priority due to the increased size and complexity of projects and the impact they have on profitability.	Stronger focus on project execution excellence and understanding risk profiles and project staffing needs. Handover reviews and peer reviews during the project lifecycle are being introduced to ensure early detection of potential issues and require entrenchment throughout.

Risk	Description	Mitigating strategies in the process of being introduced
Reputation	Issues with the potential to impact Aveng's reputation include: » the Competition Commission (CC) investigation* » major project challenges » losses incurred by Aveng Grinaker-LTA.	» Settlement agreement reached with the CC; ongoing compliance awareness training, incident reporting and action in the event of transgressions. » Focus on closing out or reducing risk on problematic projects; continue to apply significant executive effort to limit the impact of outstanding challenges. » Experienced new management appointed to address underperformance at Aveng Grinaker-LTA.
Talent management	Sourcing and retention of skilled and professional talent remain key challenges.	Continue to source talent and focus on talent development and retention plans, succession planning and skills development. Provision of relevant leadership, training, coaching facilities and an enabling work environment.
New market entry	Entry into new markets and geographies increases the Group's risk profile.	Full due diligence of new markets and complete risk assessments to minimise uncertainties associated with venturing into new markets.
Environmental impact	The focus on sustainability and the environment provides both opportunity and risk.	Integrate environmental sustainability into strategic decision-making.
Safety and health	The safety and health of our people is of paramount importance. Health and wellness is a core enabler of safety performance.	Continually improve best practice, understanding and quantifying the risks associated with high-risk operations. Integrate health and wellness into strategic business decisions.
Transformation	Transformation to reflect South African demographics and those of other countries in which the Group operates.*	Continually transform management profile through training, mentorship, skills development and employment equity. Participate in broader socio-economic development through enterprise development, preferential procurement and focused CSI investment in maths, science and tertiary education.

**Exclusively South African risk*

Operational risks

Operational risks have the potential to adversely impact the business objectives of the operating divisions or groups. They are either within the control of an operation or, in the case of external factors, beyond its control. The latter includes country, exchange rate and commodity price risks that the Group attempts to mitigate by maintaining a strategic balance between business sectors, markets, currencies, countries and products. This approach provides a balance between realising opportunities for gain while minimising adverse impacts. A renewed focus at operating group level is being placed on these risks as a result of problems experienced and noted earlier, as they are key to the operational performance of the Group.

Key risks impacting the Group

Risk	Description	Mitigating strategies
Challenging contracting environment	Increasingly difficult contract terms and conditions that transfer more risk onto contractors.	Continue to exercise strict commercial and risk management controls to ensure commercial issues are understood at tender stage, mitigated where appropriate and controlled during project execution.
Project delays	Delays in projects coming to market, tender postponements in domestic public sector and potential slowdown in private sector expenditure continue to reduce available work.*	Engagement with relevant clients. Negotiation of alternative delivery mechanisms and solutions with clients. Provision of cross-functional, value-enhancing solutions and geographic expansion into selected growth markets in the rest of Africa and Southeast Asia.
Labour unrest	Union rivalry and rejection of unions by members result in strikes, property damage and violent behaviour.*	Proactive labour unrest monitoring and resolution of labour issues.
Cost containment	Costs associated with poor productivity, workmanship, materials, plant, processing and production are escalating continuously.	Smart procurement, quality assurance, production efficiencies, reduction in general overhead costs and enhanced productivity.
Order book	The Aveng two-year order book has declined by 20% to R37,4 billion at 30 June 2013, compared to the prior year. Operating groups are under pressure to replenish their order books in prevailing market conditions.	Implement focused growth strategies in the rest of Africa and Southeast Asia. Pursue PPP opportunities in South Africa. Ensure that an adequate geographic, client, country or other requisite due diligence is conducted for each opportunity in new markets.

**Exclusively South African risk*

Project risks

Project risks are required to be managed at the following stages of a project:

» Decision to tender
» Tender risk review
» Project start-up
» Project execution (including peer review)
» Project close-out.

However, implementation of these management actions have not been as broadly or as effectively implemented as management would have liked. The widespread implementation of the actions will receive significant focus in the 2014 financial year.

Engagement with stakeholders

The Aveng Group's engagement with stakeholders is critical in understanding their views and concerns. Addressing these concerns forms an integral part of our decision-making process.

The Group has a broad range of stakeholders and our comprehensive stakeholder engagement framework ensures that the material issues raised are addressed effectively. We encourage dialogue and feedback.

Stakeholder group	Nature of engagement
Shareholders and investors	» Annual and interim reports and SENS announcements » Results presentations and roadshows » Annual general meetings, one-on-one meetings and teleconferences » Webcast sessions and website » Site visits, locally and offshore » Sell-side research conferences
Trade unions	» Regular meetings across the Group with all active trade unions » Engagement with senior union leaders
Customers and clients	» Contracts and service level agreements » Customer meetings and site visits » Written communication » Conferences, events and exhibitions » Presenting value proposition to clients
Employees	» Engagement forums and training sessions » DNA communication and other internal forums » Management safety inspections » Toolbox talks at remote sites and factories, and handbooks » CEO interaction » Performance reviews » Employee surveys and wellness days » Community projects and staff volunteerism campaigns » Leadership conferences
Major contractors, suppliers, service providers and business partners	» Contracts and service agreements » Supplier meetings, workshops, presentations » Industry body meetings » Events and exhibitions » Project steering committees » Site and project visits » Project progress meetings
Government, local authorities and regulatory bodies	» Formal and informal meetings » Consultations and workshops » Written communication » Conferences, seminars and presentations » Tender submissions » Submission of compliance reports
Industry	» Representation on key industry bodies » Meetings, correspondence, newsletters » Sponsorships
Communities	» Ongoing corporate social investment projects in communities » Sponsorships and donations » Promotional campaigns » Staff volunteerism

Issues and concerns raised	What we are doing about it
» Safety performance » Delivering sustainable returns » Cash flow and strength of balance sheet » Project execution » Sector performance and outlook » Risk policies » Corporate governance and ethics » Capital allocation » Competition Commission	» Ongoing and holistic safety programme » Restructuring of businesses to improve efficiencies and performance » Maintaining strong balance sheet » Further emphasis on peer and executive reviews of projects » Regular contact with customers and public sector regarding new projects » Enhanced integrated contract risk management and financial systems » Ongoing education and training regarding risk policies » Allocation of capital based on returns and hurdle rates
» Improved conditions of employment » Training » Wage levels » Engagement on safety, health and wellness issues » Application of policies » Pace of transformation	» Regular review of conditions of employment » Training and development of managers to improve employee engagement » Driving employee communication and engagement » Ongoing focus on labour and employee relations » Enhancing employee relations capability » Focusing on the speedy resolution of employee grievances » Ensuring that union engagement forums are effective
» Competition Commission » Project execution » Capacity and capability to deliver » Project and related costs » Market conditions » Transformation	» Enhanced risk management system » Focused cost management » Improved B-BBEE rating » Maintaining strong balance sheet » Integrated value proposition » Group project management forum established » Improve project execution » Compulsory project management controls and systems implemented » Continued focus on Competition Commission compliance
» Health and safety performance and awareness » Competition Commission and ethics » Regular face-to-face communication between staff and managers » Ongoing development and career planning » Performance and change management » Application of policies » Pace of transformation » Lack of an integrated HR information system	» Ongoing and holistic safety, health and wellness programme » Rollout of Aveng's culture alignment programme across the Group » Ongoing competition and compliance training » Increased focus on talent management and succession planning » Appointing and developing project and commercial managers » Implementing individual development plans » Entrenching the pay and rewards link to performance » Retention and standardisation of policies » Implementation of a group-wide HR system
» Health and safety performance » Project execution and cost management » On-time delivery » Quality of products and services » Reliability of supply » Enterprise development » Ethical conduct	» Ongoing and holistic safety, health and wellness programme » Enhanced integrated contract risk management system » Cost and quality reviews » Organised black suppliers summit » Enterprise development workshops and training » Implementation of a standardised group procurement policy » Engagement letters and education forums
» Skills development and job creation » Pace of transformation » Historical Competition Commission violations » Environmental legislation » Sustainability and environmental issues	» Continuation of artisan training and skills development » Continued focus on transformation and empowerment » Organised black suppliers summit » Continued Competition Commission compliance training » Pre-employment declaration related to anti-competitive practices » Environmental framework developed
» B-BBEE challenges in construction industry » Economic downturn and unemployment » Skills requirements and training » Lack of infrastructure related spending » Loss of employment opportunities » Impact of anti-competitive practices	» Addressing transformation challenges » Liaison with government and industry on sustainable, long-term infrastructure plans » Growing footprint outside South Africa » Ongoing investment in skills development and training
» Increased unemployment » Opportunities for practical training » Employment opportunities and environmental impact » Supporting key community development issues » Sustainability of CSI investment	» Ongoing focus on key CSI flagship projects with sustainability and scalability » Skills development through CSI projects » Supporting both maths and science education initiatives » Training and development of unemployed community members » Impact studies conducted » HIV/Aids community campaign

Performance overview

contents

Moma heavy mineral sands recovery plant, Mozambique

Board of directors

Angus Band (61)
Independent non-executive chairman
BA, BAcc, CA(SA)

Chairman of the Board
Member of Investment Committee; Risk Committee; Remuneration and Nomination Committee; Social, Ethics and Transformation Committee; Tender Risk Committee

Angus was appointed to the Board in July 2006.

He serves on the boards of group companies Aveng (Africa), McConnell Dowell Corporation and Aveng Trident Steel Holdings.

Angus joined AVI as an executive director in 1997 and was appointed managing director of National Brands in 1998 and group chief executive officer of AVI in 1999. He was previously chief financial officer of Telkom SA, commercial director of PG Bison, chief executive officer and subsequently non-executive chairman of AVI. He serves on the board of Liberty Group Holdings.

Peter Erasmus (60)
Independent non-executive director
Pr Eng, BSc (Civil) (Hons), BCom (cum laude), MSAICE

Chairman of Risk Committee
Member of Tender Risk Committee

Peter was appointed to the Board in March 2011.

Peter has worked on major infrastructural projects in South Africa and the Middle East where, over the last 10 years, he has been involved in a spectrum of private public partnership projects and dispute resolution. He is a professional engineer and was previously the chief operating officer of Group Five and held managing director and senior management roles at Stewart Scott International, Tolcon, Keeve Steyn Inc and Tolplan Consortium. He is a member of the South African Institution of Civil Engineers and is managing director of KeyQuoin.

May Hermanus (53)
Independent non-executive director
BSc (Geology), MSc (Physical Metallurgy), Takemi Fellow, Harvard University,

Chairman of Safety, Health and Environmental Committee

May was appointed to the Board in September 2009.

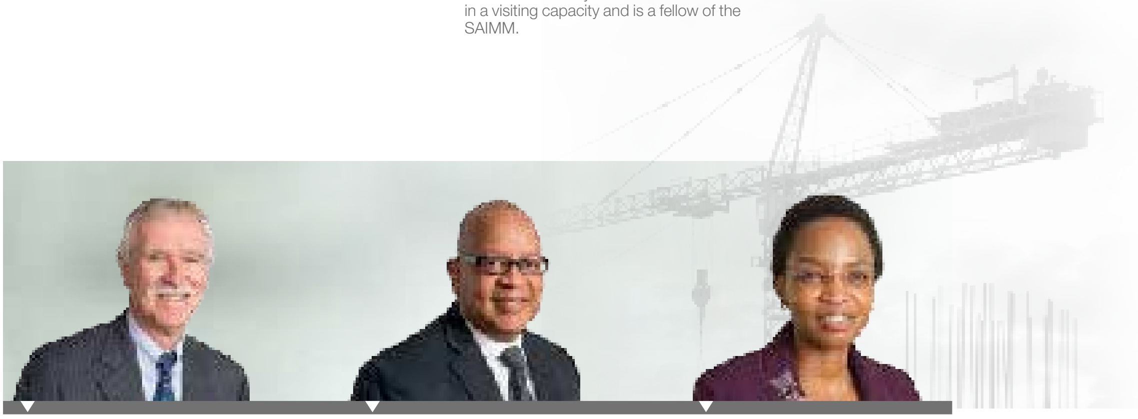
May has worked in various positions in the private, public and NGO sectors in South Africa. She is a former deputy director general of the Department of Minerals and Energy for mine safety and health. May serves on the boards of the Rail Safety Regulator, the Minerals and Mining Development Board of the Department of Mineral Resources, the Council for Geoscience, Sacred Heart College and is chairperson of the Bokamoso Trust, the employee share option scheme of AngloGold Ashanti. She is currently the Executive Director: Natural Resources and the Environment at the CSIR, continues to be associated with the University of the Witwatersrand in a visiting capacity and is a fellow of the SAIMM.

Rick Hogben (67)
Independent non-executive director
BCom

Chairman of Remuneration and Nomination Committee
Member of Audit Committee

Rick was appointed to the Board in September 2007.

Rick worked for the South African Breweries for 24 years, holding senior executive positions in both general and financial management, including the then Shoe Corporation of Africa and the Beer Division of SAB, before being appointed chairman of Appletiser. After joining African Oxygen in 1994, he started a number of greenfields healthcare businesses, before becoming the chief executive officer of Afrox Healthcare, a listed private healthcare group. In 2007, he retired as the chief executive officer of African Oxygen, having been in this position for six years. He has acted as a consultant to British Telecoms on healthcare matters.



Michael Kilbride (61)
Independent non-executive director
BSc (Hons) Mining Engineering, (RSM, London University), MDP (Unisa), SEP (London Business School)

Member of Risk Committee; Safety, Health and Environmental Committee

Michael was appointed to the Board on 4 July 2012.

Michael's career includes working for Anglo American in the gold mining sector as well as serving as an executive director of both Kumba Resources and Exxaro Resources. He also serves on the board of Continental Coal where he is the non-executive chairman. Michael brings extensive experience in mining to the Board.

Juba Mashaba (47)
Group human resources director
BA, LLB (Swaziland), Human Resources Executive Programme (University of Michigan Business School)

Member of Executive Committee

Juba was appointed to the Board in October 2007.

He serves on the boards of group companies Aveng (Africa) and Aveng Trident Steel Holdings.

Juba's HR career started in 1995 with Eskom as a group HR manager. In 1997, he was appointed HR director of Simba, and that role was expanded in 2004 to include the PepsiCo businesses in sub-Saharan Africa. In 2004, he was appointed to the board of ArcelorMittal (South Africa) as executive director, HR. He further served on the human resources and nomination committee, transformation committee, and safety, health and environmental committee of ArcelorMittal (South Africa).

Thoko Mokgosi-Mwantembe (52)
Independent non-executive director
Dip Education (Swaziland), BSc (Swaziland), MSc (UK), SEP (Harvard), MCRP (IMD)

Member of Social, Ethics and Transformation Committee; Remuneration and Nomination Committee

Thoko was appointed to the Board in December 2010.

Thoko is currently the CEO of Kutana Investment Group and the former CEO of Hewlett-Packard South Africa and Alcatel South Africa. She has held senior positions at Siemens Telecommunications, Lucent Technologies and Telkom. She serves as an independent non-executive director on the boards of Vodacom Group, Absa Bank and Knorr-Bremse SA.

David Robinson (59)
Managing director of McConnell Dowell Corporation Limited
BE (Civil), FIE Aust, CP Eng, FAICD

Member of Executive Committee

David was appointed to the Board in January 2005.

He serves as a director of McConnell Dowell Corporation and all group operating and holding subsidiary companies in Australia, New Zealand, Southeast Asia, the Middle East and the United Kingdom. David joined McConnell Dowell as a site engineer in 1978, working on various projects throughout Australia and Southeast Asia. In 1985, he was appointed state manager for New South Wales and in 1987 general manager for the civil division operations. He was appointed chief executive officer of McConnell Dowell Corporation Limited in October 2000. He is a fellow of the Institution of Engineers, Australia, a Certified Practising Engineer and a fellow of the Australian Institute of Company Directors.

Myles Ruck (58)
Independent non-executive director
BBusSc (Actuarial Science), PMD (Harvard)

Chairman of Investment Committee
Member of Audit Committee

Myles was appointed to the Board in August 2006.

Myles joined Standard Merchant Bank in 1985 and was appointed deputy managing director of Standard Corporate and Merchant Bank in 1996 and managing director in 1998. In 2002, he was appointed deputy chief executive of the Standard Bank Group and joined its board. He was appointed chief executive of the Liberty Group in 2003 and retired from that position in 2006. Myles serves on the boards of Mr Price Group, Standard Bank Group, The Standard Bank of South Africa, Standard Bank Argentina SA and Thesele Group.

Mahomed Seedat (57)
Independent non-executive director
BEng (Electrical), PMD, GCC

Member of Safety, Health and Environmental Committee

Mahomed was appointed to the Board on 4 July 2012.

Mahomed is chairman of Eastern Platinum Limited and Western Platinum Limited. He is also a non-executive director of Lonmin plc and an independent non-executive director of Mechel Mining OAO. He was previously chief operating officer of Lonmin plc and served as president of Lonmin South Africa and as president of Energy Coal of BHP Billiton plc. Mahomed also served as president and chief operating officer of Ingwe Collieries Limited (BHP Billiton Energy Coal South Africa Limited) and president and chief operating officer Aluminium Southern Africa, with responsibility for the operations at the Hillside and Bayside Aluminium Smelters in Richards Bay, South Africa and the Mozal Aluminium Smelter in Mozambique.

Nkululeko Sowazi (50)
Non-executive director
BA, MA (UCLA)

Chairman of Social, Ethics and Transformation Committee
Member of Remuneration and Nomination Committee; Investment Committee

Nkululeko was appointed to the Board in March 2007.

He serves on the board of Aveng (Africa).

Nkululeko is chairman of Kagiso Tiso Holdings, an investment holding company with interests in media, infrastructure, power, resources and financial services. He serves on the boards of Exxaro Resources Limited and Actom Holdings and is also chairman of Idwala Industrial Holdings, Litha Healthcare Group and The Home Loan Guarantee Company. He was previously an executive director of African Bank Investments and managing director of the Mortgage Indemnity Fund.

Kobus Verster (47)
Acting CEO/Financial director
BCom (Hons), MBL, EMP

Member of Executive Committee; Tender Risk Committee

Kobus was appointed to the Board as financial director in September 2010.

He serves on the boards of various group companies including Aveng (Africa), McConnell Dowell and Aveng Trident Steel.

Prior to joining the Aveng Group, Kobus was the chief financial officer of ArcelorMittal (South Africa) and also held various senior management positions at ArcelorMittal.

Peter Ward (60)
Independent non-executive director
BCom, CA(SA)

Chairman of Audit Committee
Member of Risk Committee; Tender Risk Committee

Peter was appointed to the Board in July 2007.

Peter joined Deloitte & Touche in 1973, was appointed an audit partner in 1983 and a group leader audit in 1993. He was appointed business unit leader of Deloitte Forensic and Dispute Services Division in 1999 and retired from Deloitte in May 2007. He serves on the boards of Hollard Holdings, The Hollard Insurance Company, Palabora Mining Company and Palabora Copper.

Details correct as at 30 September 2013

APPROACH

In aligning the Aveng Group with the King III Code of Corporate Governance for integrated reporting, we recognise that the roles of chairman and chief executive officer (CEO) are separate and accordingly, they operate under separate board-approved mandates. Our presentation of a combined chairman's and CEO's review is based on a practical decision to avoid duplication and provide the reader with a succinct account of how the Aveng Group is integrating sustainable development into everything it does.

Angus Band, chairman
Kobus Verster, acting chief executive officer

Overview

The 2013 financial year was disappointing, with solid performances in our Australian construction and mining operating groups negated by a poor result from the South African construction operations. The Manufacturing and Processing operating segment was down on the prior year but performed broadly in line with expectations given market conditions, except for Aveng Manufacturing Steeledale which had a difficult year.

The operating environment was not positive as the infrastructure markets that we serve remained under pressure. The infrastructure investment by the South African public sector has not materialised in any substantial way beyond existing projects such as the Medupi and Kusile power stations. In Australia, the commodity boom has slowed and large projects are taking longer to reach tender award stage. Competition is intense and clients are attempting to pass more risk onto contractors.

In South Africa the labour environment is a major concern and deteriorated sharply in the second half of the financial year. The impact on Aveng has been material both in terms of direct costs and lost productivity and has affected Aveng Mining, Aveng Manufacturing and in particular Aveng Grinaker-LTA, which has a high exposure to the Lephalale area.

Operationally, Aveng Grinaker-LTA has had a very disappointing year. Substantial loss provisions on a number of contracts which only became apparent late in the year, had to be raised. In addition, long and intermittent strike action at a number of sites has resulted in materially higher costs as well as a consequent loss in productivity. These issues were compounded by a number of management changes.

The Manufacturing and Processing operating segment experienced very difficult trading conditions characterised by weak demand and volatile steel supply and prices. McConnell Dowell and Aveng Mining performed well.

We have continued to review our operating structure during the year and following the successful reorganisation of our mining operations in 2012, we have formed Aveng Steel as a business group which comprises Aveng Trident Steel, Aveng Steeledale and DSE Steel Fabrication (renamed Aveng Steel Fabrication). In addition the Facades and Automation and Control Solutions businesses were transferred from Aveng Grinaker-LTA to Aveng Manufacturing. We believe that these changes should result in greater focus and provide opportunities for the extraction of procurement and cost synergies.

Against the background of challenging trading conditions in the global and domestic construction and engineering industries, there has been encouraging evidence of growth in the rest of Africa where we have benefited from the award of significant contracts in Mozambique and are well positioned to participate with consortium partners in a toll road contract in Mauritius. In contrast, the Group has experienced a marked softening in the Australian market where lower demand from China is contributing to cutbacks in capital investment, particularly in the mining industry. This trend should be offset partially by anticipated increases in expenditure on social infrastructure projects. To mitigate the impact of declining investment in Australian resources, McConnell Dowell has shifted its focus to sectors that continue to experience growth in Australia such as roads and rail, Southeast Asia and the Middle East.

Financial performance

The Aveng Group experienced a 27% increase in revenue to R51,7 billion and a 7% increase in net operating earnings to R656 million for the year to 30 June 2013. Headline earnings per share of 124,6 cents were 3% lower than the previous year's 128,1 cents.

The primary reason for the sharp deterioration in performance in the second half of the financial year was the impact of the review conducted on larger projects in Aveng Grinaker-LTA which resulted in provisions being raised on a number of projects. This was exacerbated by the impact of strike action in South Africa, the costs of which have been expensed.

The contributions from the manufacturing and processing operations, although in line with our expectations, were well down on the prior year as lower demand from the mining sector adversely impacted Aveng Manufacturing Duraset, while Aveng Steeledale was negatively impacted by labour disruptions and weak demand from the construction industry and steel price volatility. The results of Aveng Trident Steel also deteriorated in comparison with the prior year as lower steel prices adversely affected margins and the impact of unstable domestic steel supply and labour disruption placed more pressure on the operation.

The Aveng Mining operations had a good year, lifting their contribution to earnings in spite of the impact of strike action at some project sites, a loss provision raised when a client was placed in business rescue, and the costs of the termination, by mutual consent, of the Chimiwungo contract in Zambia.

The volatile labour situation in South Africa had a very substantial impact on Aveng's operating earnings for the year, with the direct cost amounting to R350 million. Indirect costs as a result of lower productivity are substantial. Aveng has a number of contracts in the Lephalale area which were particularly badly affected. While every step will be taken to recover labour costs which are either provided for in the contracts or in the commercial agreement concluded by Eskom with all the major contractors, these costs have been recognised in the current year. In most cases, the labour disruption was the result of unprocedural strikes and action by other employees on shared project sites which resulted in the entire construction site being shut down for safety reasons. While new partnership agreements have been signed between Eskom, the contractors and labour to stabilise the labour environment at the Medupi power station project, labour disruptions remain a threat at this site. The Group's employee relations capability has been strengthened with the appointment of senior and experienced employee relations professionals. Group human resources director Juba Mashaba continues to play a critical role in the management of the Group's labour relationships, including the complex negotiations

Additional information on how Aveng is addressing labour relations challenges is available in the human capital report on pages 66 to 70.

to restore stability at the Medupi and Kusile power station projects.

McConnell Dowell in Australia performed well, particularly in the second half of the year. The improvement in operating profits was achieved after the impact of contract provisions on the Queensland Curtis Liquid Natural Gas (QCLNG) pipeline project, demonstrating the underlying strength of the operation. Considerable progress was made in the resolution of major problematic contracts undertaken by McConnell Dowell. The Komo Airfield was successfully completed in July 2013 and has commenced operations. While the Hay Point Berth project in Queensland continued to experience delays due to inclement weather, commercial issues were resolved with the client and McConnell Dowell will work on a collaborative basis with the engineer, procure, construct and manage (EPCM) contractor to complete the remaining 50% of the works. The QCLNG project, which also experienced weather related and other delays, is expected to be completed by the end of calendar 2013. Significant executive effort is being applied to limit the financial impact of ongoing commercial issues on the project.

The operating free cash outflow of R1,5 billion was largely attributable to the South African and Australian construction businesses. In South Africa, underperformance and reduction in margins were the main contributors, whereas in Australia higher levels of activity on the QCLNG and Hay Point Berth projects resulted in higher working capital requirements.

The Board reviewed the current period's financial performance, and, given the adverse cash flow, which was mainly the result of working capital outflow on QCLNG and losses at Aveng Grinaker-LTA, resolved not to declare a dividend.

Additional detailed information on the performance of our operating groups is available in the operational performance review on pages 80 to 101.

Safety

Aveng achieved overall improvements on its journey towards safe work environments but failed to meet the key safety objective of zero fatalities during the period under review. Regrettably, six fatalities occurred at our operations during the year (2012: 12). We investigated each incident and introduced measures to address specific factors that contributed to the fatal accidents. Two of these fatalities involved employees of a service provider, prompting a renewed emphasis on safety awareness among subcontractors and service providers. Two transport related fatalities occurred on public roads. This led to a review and development of best practice for managing the safety of our employees on public roads. The Group's LTIFR remained unchanged at 0,24 and the AIFR declined from 4,65 to 4,52.

Competition Commission

Following the widespread investigation by the Competition Commission into historic anti-competitive practices, a group subsidiary, Aveng (Africa) Limited entered into a R306,6 million settlement agreement with the commission in June 2013. The Competition Tribunal confirmed the settlement in July and this represents the full and final settlement of all alleged collusive conduct as defined in the consent agreement with the commission.

Aveng cooperated to the fullest extent possible with the commission's fast-track settlement process and acknowledged historic anti-competitive practices.

We believed that the most appropriate way to mitigate our risk was to settle all outstanding matters defined in the consent agreement and therefore we chose not to expose the Group to additional penalties or legal expenses by raising any challenges in the tribunal. This included issues in respect of which we had little information. The settlement has provided certainty and finality to our stakeholders and we trust that this draws a line under this regrettable period in our history and enables us to move forward.

We do so in the hope that the South African government will support the construction industry as it seeks to restore trust and develop a sustainable future. We support the introduction of an industry-wide code of conduct that formalises the commitment by industry participants to compete ethically.

In support of the industry's commitment to eradicate unethical behaviour, we have since 2008 implemented a comprehensive group-wide programme to identify and remove anti-competitive conduct and we continue to educate all staff to ensure compliance with the relevant legislation.

Strategy

The Aveng Group broadly reconfirms its strategy which aims to optimise and enhance the performance of the Group's existing business portfolio to generate greater shareholder value, and to expand in selected geographies (rest of Africa, Southeast Asia) and markets (power, concessions, rail) that offer the greatest potential for sustainable growth.

24%

Increase in operating earnings before other gains and losses to **R627 million**

7%

Increase in net operating earnings to **R656 million**

In comparison with last year's strategy, Aveng has reduced its focus on the Middle East due to the current geopolitical volatility and will keep its profile in the Middle East limited to the current McConnell Dowell presence with a focus on specific markets in the region.

The Aveng Group has made substantial progress in the year under review towards optimising the business portfolio through a strategic reorganisation which will eliminate historic duplication, simplify reporting structures, strengthen management capabilities and achieve increased customer focus throughout our engineering, steel and manufacturing business lines. At a strategic level, operations are constantly reviewed on the basis of long-term value creation potential in light of industry and macro-economic parameters, to maximise shareholder value.

While progress in geographic expansion has been slow, a strategic review has been undertaken on markets in Africa to ensure that Aveng's resources are focused on the most attractive markets. Inroads have been made in Mozambique by building a manufacturing plant in Tete and by securing a rail project for a large iron ore client. In the next year, attention will be focused on Mozambique and Ghana. In Southeast Asia, McConnell Dowell continues to perform well, and there are good prospects to win more work in this region.

Growth in the water division was subdued due to the lack of expenditure by public and private clients. Aveng has opted to reduce its focus on water in the short-term. In the rail sector, various projects have been secured in Australia and Africa, and the teams of Lennings Rail Services and McConnell Dowell are positioned for further growth. In the power and concessions sector, the financial close of two renewable energy projects has been successful, and the Group is positioned to increase its presence in the sector if the financial returns are in line with group targets.

Strategic reorganisation

McConnell Dowell

McConnell Dowell's structure is reviewed regularly and is currently well diversified both geographically and sectorally. Sub-optimal performances on some major projects in recent years have had a negative impact on McConnell Dowell's earnings. A project delivery model was implemented to clarify accountabilities and reduce duplication between regions, disciplines and strategic projects to enable a more consistent financial performance. This intervention has resulted in earlier corporate intervention by the executive team and stronger client engagement which have strengthened project delivery and improved McConnell Dowell's earnings.

Aveng Grinaker-LTA

Following an assessment of the Group's organisational readiness for a resurgence in infrastructure investment in South Africa and an increase in mining, energy and related infrastructure activity in the rest of Africa, Aveng Grinaker-LTA is focusing on its core construction activities, while the specialised non-core businesses of Aveng Steel Fabrication, and Automation and Control Solutions and Facades, have been transferred to Aveng Steel and Aveng Manufacturing, respectively.

Aveng Steel

Aveng has three businesses that operate in the steel industry: Aveng Trident Steel, Aveng Steeledale and Aveng Steel Fabrication. These businesses have all been impacted by price volatility, declining demand for steel and increased competition. Given the correlation between steel consumption and GDP growth, Aveng does not anticipate a significant improvement in demand in 2014 and has decided to reorganise the steel businesses to enable them to function optimally in these challenging conditions. By combining the businesses under one strong brand – Aveng Steel – their collective capacity will be leveraged to generate immediate benefits in procurement and sales. In the medium to longer term Aveng Steel will be able to provide a stronger distribution network by rationalising its presence in some market areas and expanding in others.

Aveng Engineering

Historically, Aveng has taken the view that once an engineering discipline has sufficient critical mass or potential, it is best to manage that business as a separate unit to create a focused environment for future growth, hence the decision in 2012 to separate Aveng E^{+}PC and Aveng Water. However, recent project delays and the current size of these two businesses have highlighted significant cost inefficiencies. As a result, Aveng Engineering has been established as the central business unit responsible for generic engineering services and project management activities, with Aveng Water, Minerals, Power and Energy (including renewables) being the customer-facing business operations.

Geographic expansion

Aveng currently derives 10% of its revenue from work in African countries outside South Africa and the Group believes that growth opportunities, particularly in the provision of infrastructure for mining and industrial developments, warrant a strengthening of its focus on the continent. Aveng Mining has historically been the leading operation in Africa, active in contract mining in west Africa (Guinea, Mali, Ghana), southern Africa (Namibia, Botswana, Zambia) and Tanzania in east Africa. Aveng Grinaker-LTA, although less active lately, was recently awarded the Nacala Section 2 rail refurbishment contract in Mozambique and is strongly positioned for transport infrastructure work in Mauritius.

To serve the infrastructure needs of the growing coal mining and related sectors in Mozambique, the manufacturing and processing operations have established new steel processing and concrete product manufacturing facilities in the Tete province of Mozambique.

Leadership

Aveng has strengthened its operational leadership to support the reorganisation and add greater operational management capacity. Following the resignation of Grahame McCaig in June 2013, Brian Wilmot was appointed managing director of Aveng Grinaker-LTA. Brian brings extensive experience in construction and contracting to his new role, having spent 15 years in the domestic civil engineering industry and 22 years in contract mining in Africa. His experience in Africa will be invaluable in facilitating the expansion of our construction platform into the rest of Africa.

Management strength in Aveng Grinaker-LTA has been eroded in the past year with the impact of the loss of people as a result of the difficulties experienced in this operation over the past two years and the consequences of some restructuring. Urgent action is being taken to replace skills, particularly in the commercial and technical functions.

Hercu Aucamp, who joined the Group as managing director of Aveng Trident Steel in 2011, has been appointed the executive responsible for Aveng Steel. Hercu has extensive experience in the steel industry. Alph Ngapo, Hercu's successor at Aveng Trident Steel, joined the Group in 2013 and has broad experience in the steel industry.

Gavin Young, who was managing director of Aveng E+PC, has been appointed managing director of Aveng Engineering. Over the past year Gavin has built a leadership team with the necessary skills to pursue and develop market opportunities in power and energy across a range of disciplines, from renewable, biomass and hydro, to nuclear power.

Risk management

Aveng has adopted a structured approach to identify, evaluate and manage opportunities, threats and uncertainties that could influence the Group's ability to achieve its strategic vision and continue creating sustainable value for stakeholders. The Aveng risk framework governs our approach to the assessment and treatment of all types of risk, at all levels and for all activities in the Group.

During the year under review, Aveng enhanced its project risk management and Tender Risk Committee processes to strengthen the Group's ability to select strategically aligned projects and partners that are most likely to contribute to sustainable growth in its business operations, to ensure that contracts signed are commercially sound, well understood and that execution methodologies are consistently applied, and to learn from our mistakes.

We have introduced a 20% peer review mechanism during project execution which has been piloted and will be rolled out across the Group for all projects in the year ahead. This allows for a process in which independent employees review a project, provide valuable insights and ensure that lessons learned are documented and distributed throughout the Group. An additional oversight function has also been introduced, where senior employees with appropriate project knowledge review selected projects to provide early warning of potential problems and introduction of corrective actions to minimise their impact.

Notwithstanding these actions we have experienced unacceptable project losses and the review of our project risk processes has revealed implementation issues, particularly where new staff are concerned, and a need for greater focus on project initiation.

A different model of engagement

The Aveng Group's order book in South Africa and the Rand monetary area has continued to decline since the infrastructure boom during the period leading up to the 2010 Soccer World Cup. It accounted for 26,7% of the Group's two-year order book at 30 June 2013, compared to 35% in 2010. This trend is reflected in declines in the revenue of our domestic operations over the same period and explains why it has been necessary for the Group to reallocate resources to markets in the rest of Africa, Australia and Southeast Asia that diversify our exposure to economic cycles and offer the best opportunity for growth.

Aveng has demonstrated its capacity to undertake the major projects that enable South Africa to meet the growing needs of its people and its economy for adequate basic services and industrial and transport infrastructure. We do this within the context of South Africa's transformation agenda, understanding the urgent need for our country to broaden and deepen access to the economy. However, it must be acknowledged that there are challenges unique to South Africa that create impediments to growth. The current labour environment which is in a destructive state of flux as breakaway trade unions challenge the power base of the incumbent labour organisations is an example. At a broader level, we operate in a political environment where transformation scorecards sometimes take precedence over economic growth that offers the best prospect of real sustainable transformation.

Another well-documented challenge that affects the construction industry globally is the increased size and complexity of major infrastructure projects and the shifting of higher levels of risk to contractors, particularly during economic downturns when competition is intense. During the period between 2007 and 2012 major projects (valued at more than AUD125 million) undertaken by McConnell Dowell increased from 8% to 22% of the operation's project portfolio. While these major projects require higher levels of attention from our executive teams, they remain consistent with our core competencies of construction and engineering, and the lessons we learn from them improve our delivery capacity and our ability to compete more effectively in global markets.

We constantly review our major contracts to establish a more efficient way of managing them to prevent the erosion of value that is caused in instances where there is litigation to establish liability and where corrective actions need to be implemented to resolve problems. In our engagement with clients, we support different models of engagement based on negotiation and sharing of risk and reward. In this regard, public private partnerships are an effective approach to major infrastructure programmes where the private sector's project management capacity can help to overcome costly scope creep. We urge government and state-owned enterprises to negotiate alliance contracts based on the sharing of risk and reward and we encourage an extension of this model to major private sector projects. Alliance models have been successful elsewhere in aligning the interests of the contractor and the client.

Governance

Aveng applies the governance principles contained in the King Report on Governance for South Africa, 2009. This integrated report outlines how the Group is progressing on its journey to further entrench and strengthen recommended practices in its governance structures, systems, processes and procedures. Aveng complies with the Companies Act 71 of 2008, as amended and the Listings Requirements of the JSE Limited.

In June 2013, an internal evaluation of the Board was conducted. It took the form of one-on-one board assessment interviews between the chairman and each director. This allowed for additional insight into the thinking of the Board and constructive identification of key issues and appropriate actions. It also allowed for in-depth discussions about each committee and its chairman. This process identified the need for improvements in the strategic planning and risk management processes which are receiving attention in the new financial year. Further to the above evaluations, a meeting evaluation takes place following each and every board and committee meeting. This evaluation addresses the structure, effectiveness and process of the meetings and evaluates the performance of the chairman.

Additional information on our corporate governance approach and practices is available in the report on pages 104 to 131.

Sustainability

Sustainable development is a business imperative and is encapsulated in the Aveng Group's corporate mission to leave a "positive and lasting legacy". The Board and executive leadership team remain committed to building a sustainable business that takes into account the economic, social and environmental impacts on the communities in which the Group operates. This commitment to sustainable development is driven at a group level, endorsed and measured by the Board and implemented across the operating groups. The chairman and directors, through their involvement on various board committees, are accountable for group sustainability performance.

Additional information is available in the sustainability overview on pages 48 to 75.

Human capital development

Our people enable our business and are a critical source of competitive advantage. We recognise that to sustain the high levels of performance necessary for Aveng to meet the needs of its business environment, we need to attract, retain and continuously develop our people – from the workforce to leadership teams.

Investment in learning and development remains a top priority across the Group which invested in a range of training, learning and career development opportunities during the year. The Aveng leadership development programme was reviewed and improved to meet accreditation and current business needs, including a stronger focus on leadership in the important areas of safety, health and environment, ethics, corporate governance and continuous improvement. More than 2 000 employees have benefited from the programme since 2009. McConnell Dowell partners with the University of Melbourne to develop project leaders. A graduate development programme and the Aveng bursary scheme ensure that Aveng attracts an ongoing pipeline of engineering talent.

Transformation

It is our vision to make Aveng a home for all South Africans, where there are no divisions or boundaries and where no one feels structurally excluded. A living example of our commitment to transformation is the Group's BEE arrangement which was successfully restructured last year and extended to 2014.

Following a review by external parties it is noted that both Aveng (Africa) and Aveng Trident Steel retain their level 2 and level 3 B-BBEE contributor status, respectively.

Board of directors

Roger Jardine, the chief executive officer, resigned with effect from 31 August 2013 after five years at the helm. Roger informed the Board that the completion of the Competition Commission's investigation into the construction industry, marked an appropriate time for him to step down.

Roger played a primary role in managing the very complex regulatory process with the Competition Commission as well as dealing with the consequent issues that arose as a result of the investigation. He also had to manage the Group in the midst of material economic uncertainty which placed the whole sector under pressure.

The Board thanks Roger for his commitment in steering the Group through one of the most difficult periods that it has faced and wishes him well in his future endeavours.

Kobus Verster, the financial director has assumed the role of acting chief executive officer (CEO) and the Nomination Committee of the Board has commenced a process to appoint a permanent CEO.

Stephen Pell resigned as an executive director on 8 February 2013.

Growth prospects and order book

A slow recovery is anticipated in global economic growth, with emerging economies in Asia, sub-Saharan Africa and Latin America experiencing higher rates of growth than advanced economies. The South African economy is likely to experience limited growth in the medium-term, thus marginal real growth is forecast for the domestic construction industry in line with the slow realisation of the government's infrastructure investment programme.

Growing evidence of job losses and capital expenditure reductions, particularly in the resources industry, confirm that the slowdown in the Australian economy is likely to continue for the remainder of calendar 2013. The Australian construction industry may benefit from a conducive monetary policy, a mild recovery in home building activities and the potential for public sector investment. But there are also counter forces, including a slowing Chinese economy, limited demand for housing, a cautious investor climate for commodity-related projects and federal elections which could alter investment policies.

In spite of this cautious outlook, the Group's two-year project order book remains robust with significant new work outside South Africa.

The order book declined by 6% to R37,4 billion during the six months to 30 June 2013, primarily as a result of the 28% reduction in the Aveng Mining order book following the termination of the Chimiwungo contract in Zambia by mutual consent, and the run-off of mining contracts that are due for renewal in 2014. The successful renewal of these contracts will normalise the future prospects of Aveng Mining.

The Construction and Engineering: Australasia and Asia operating segment's order book declined by 3% to R24 billion as many of McConnell Dowell's major projects are nearing completion. Although many of its key markets are slowing, McConnell Dowell enters this period of uncertainty in a strong position. It has secured a significant portion of its 2014 budget and has shifted its focus to transport infrastructure in Australia and growth in its overseas operations in Asia and the Middle East to mitigate the impact of a slowdown in Australian resources and related infrastructure markets.

The Construction and Engineering: South Africa and the rest of Africa order book increased by 13% to R7,5 billion, reflecting the award of the significant Nacala Rail Project in Mozambique and the Majuba Rail Line for Eskom. Aveng Concessions, together with its consortium partners, is the preferred bidder for the Mauritian toll road concession in the Port Louis Decongestion Programme. If successful, Aveng will participate as a shareholder in the toll road concessionaire and Aveng Grinaker-LTA will be a partner in a joint venture which will undertake the design and construct contract. The wind and solar renewable energy projects secured in 2012 reached financial close and Aveng Engineering commenced construction work with its joint venture partner, Acciona, in the first quarter of the new financial year.

In the Manufacturing and Processing operating group, Aveng Manufacturing enters the new financial year with a solid order book in the contractual side of its business. With no significant improvement in prices or demand for steel anticipated in 2014, Aveng Steel will focus on leveraging the combined capacity of the Group's steel operations to optimise synergies and pursue growth in new market segments, a wider product mix and geographic expansion.

Outlook

We would anticipate that the 2014 financial year will be a year of consolidation for the South African construction operations as management focuses on rebuilding operational capacity and delivery of existing major projects.

We anticipate that public sector infrastructure spend in South Africa will remain slower than anticipated. Opportunities in certain selected key African markets remain an important focus area.

The Australian economy is expected to weaken in the transition from the peak of the resources boom to growth in non-mining sectors, which will negatively impact infrastructure spend. However, McConnell Dowell is tendering on a number of large PPP and transport opportunities which should place it in a good position going forward. The QCLNG project will remain a material financial risk to both profit and cash flow through to completion at the end of the 2013 calendar year, and will thus continue to receive intense focus.

Aveng Grinaker-LTA will continue its stabilisation process by reducing overheads, focusing on current project execution, implementing improved business processes and systems and targeting working capital and cash management. The business will place intense focus on its project awards in Mozambique while leveraging further opportunities in the region, including its preferred bidder status in the Port Louis Decongestion project in Mauritius.

In summary, the current order book and the structural improvements implemented in 2013 as well as the provisions and remedial action taken on problematic contracts should result in an improvement in the operational performance of the Group in the 2014 financial year.

Appreciation

2013 has been a difficult year for Aveng. We would like to thank our colleagues on the Board for their insight and sound judgement in addressing the challenges our Group has faced. Our executive teams and all of our people have worked tirelessly to build ethical and efficient businesses better able to respond to the changing needs of our business environment. Without your commitment and the ongoing valued support of our clients, suppliers and partners we would not be able to continue delivering the projects that sustain the markets and economies we serve. We remain confident in our ability to fulfil our vision of being a leader in our chosen infrastructure development markets in South Africa, the rest of Africa, Australasia and Asia.

Angus Band
Chairman

Kobus Verster
Acting Chief Executive Officer

Financial director's review

The Aveng Group's financial position remains robust despite a challenging financial year.

Performance overview

Group revenue increased by 27% to R51,7 billion against the prior year, with a significant revenue growth having been reported by the Group's Australasia and Asia construction business.

The weaker average ZAR/AUD exchange rate of R9,08 (R9,03 at 30 June 2013) against an average of R8,01 for the 2012 financial year (R8,41 at 30 June 2012) benefited the financial performance of the Construction and Engineering: Australasia and Asia operating segment.

Problem contracts and labour disruptions adversely impacted the net operating earnings, headline earnings and increases in working capital balances.

Net working capital increased by R2,2 billion during the year. The increase is largely attributed to the increases in project working capital requirements in the Construction and Engineering: Australasia and Asia operating segment.

Operating free cash outflow equalled R1,5 billion (2012: outflow of R900 million). This was due to cash outflows from operating activities of R288 million (2012: inflow of R971 million) and cash outflows from investing activities of R1,2 billion (2012: outflow of R1,9 billion).

Borrowings

The net cash position of R2,4 billion was R1,5 billion lower than the prior year's R3,9 billion.

The Group's consolidated return on average equity for the period reduced by 0,2% from 3,8% in the prior year to 3,6% for the 2013 year.

Kobus Verster, financial director

Share performance

The reduction in headline earnings by R29 million from R495 million in 2012 to R466 million resulted in an 8% reduction in earnings per share to 124,6 cents (2012: 134,9 cents). Headline earnings per share of 124,6 cents for the period were marginally lower than the previous year's 128,1 cents per share. Diluted headline earnings per share reduced slightly from 119,8 cents in the comparative period to 115,9 cents.

Statement of comprehensive income

The Group recorded revenue of R51,7 billion, up 27% on the corresponding period. The increased revenue is attributed primarily to the Group's operations outside of South Africa, namely those Africa operations within Aveng Mining, and McConnell Dowell.

McConnell Dowell's increased revenue reflects high activity on the QCLNG and Hay Point Berth projects. Group revenue was also assisted by a positive foreign currency effect upon conversion of foreign currency earnings to South African Rand. In addition to the effect of the positive currency translation, Aveng Mining reported improved underlying results for both its west Africa and South Africa operations.

The Group's gross earnings of R3,5 billion decreased by 1% compared to the corresponding period. Gross earnings was limited by the adverse margins attributable to Aveng Grinaker-LTA, and lower than expected margins from Aveng Trident Steel and Aveng Manufacturing. In contrast, better margins were achieved in Aveng Mining due to the improved operating efficiencies in the regions noted above.

Overheads for the period decreased by 5% to R2,8 billion. The variation comprises a mixture of both savings and the non-recurrence of certain once-off charges in the prior year.

Share of losses from equity-accounted investments amounted to R12 million compared to the prior year's share of earnings of R41 million due to a weaker performance by the equity-accounted operations of McConnell Dowell and Aveng Grinaker-LTA.

Administration and eliminations which comprises Corporate Services, corporate-held investments including properties and consolidation eliminations, reduced net operating earnings by R48 million (2012: R96 million expense). This is reflective of savings of Corporate office overhead expenditure compared to the prior year, success fees earned by the concessions business in reaching financial close on the Sishen renewable solar energy project and increased recovery of centralised Corporate office cost to better reflect the cost structure of each operating segment.

Net financing expenses were R30 million compared to net financing earnings of R113 million in 2012 as a result of the lower net cash position.

Earnings before taxation

Earnings before taxation decreased by 14% (R100 million) to R626 million.

Taxation

The taxation expense amounted to R167 million compared to R203 million in the comparative period. This resulted in a 1,3% decrease in the effective tax rate to 26,7%. Although the effective rate increased compared to the standard rate due to the partial derecognition of the deferred tax asset in Moolmans Mining Zambia, it was more than offset by a beneficial foreign tax rate differential, prior year adjustments and the effect of the foreign exchange differences accounted through other comprehensive earnings.

Earnings per share

The R55 million reduction in earnings for the period attributable to the equity-holders of the parent from R521 million in 2012 to R466 million resulted in a 8% reduction in earnings per share to 124,6 cents (2012: 134,9 cents).

5%

Increase in net asset value per share to **R34,12**

R37,4

billion two-year order book

Statement of financial position

The Group’s statement of financial position remains robust despite a challenging financial year in which there was a deterioration in both headline earnings and the net cash position.

Property, plant and equipment

Capital expenditure decreased by R603 million to R1,5 billion for the year (2012: R2,1 billion). Of the R1,5 billion, R925 million was spent on the replacement of existing equipment and R559 million on increasing capacity.

Aveng Mining contributed R376 million to replacement capital expenditure within South Africa, in accordance with its approved asset replacement programme.

McConnell Dowell accounted for the largest single portion of replacement capital expenditure of R343 million for the replacement of existing construction and project-related equipment. This figure was inflated due to the weakening in the exchange rate during the period.

No significant impairments of property, plant and equipment occurred during the year.

Investments, goodwill arising on consolidation and intangible assets

Goodwill arising on consolidation and intangible assets of R1,6 billion at 30 June 2013 remained consistent relative to the corresponding period.

Goodwill is tested for impairment annually. A comprehensive impairment test was concluded during the year on all group investments that contained goodwill and indefinite useful life intangible assets.

Intangible assets increased due to the capitalisation of computer software.

Equity-accounted investments increased due to investments in the Group’s renewable energy initiatives.

Working capital

Net working capital increased by R2,2 billion for the year. This comprised an increase in inventory levels of R313 million in respect of Manufacturing and Processing inventory, an increase in receivables of R3,1 billion reflecting higher amounts due from contract customers largely on higher revenues at McConnell Dowell and an increase in accounts payable of R1,2 billion due to higher trade and other payables as a result of advanced payments and amounts due to subcontractors reflecting higher activities.

Inventory days (measured at group level) were 21 days, which is marginally lower than recorded for 2012 (24 days).

Accounts receivable days were 92, a deterioration on the 89 days achieved for the 2012 reporting period.

Group accounts payable days measured at year-end were 86 days, a reduction from the 99 days recorded at the end of the previous financial year.

Net cash position and cash equivalents

The Group’s net cash position of R2,4 billion declined by 38% compared to the R3,9 billion reported in the prior year. Cash reserves deteriorated as a consequence of working capital investment in the Construction and Engineering: Australasia and Asia operating segment, and operating losses in the Construction and Engineering: South Africa and rest of Africa operating segment. The Group is pursuing outstanding claims, especially at McConnell Dowell, to recover negative working capital movement whilst optimising the planned capital expenditure programme to improve the overall cash flow.

Internal controls

Management continues to ensure that enhancements are made in establishing and maintaining a sound internal control structure that can be relied upon to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposals, and transactions are executed in accordance with management authorisation and are recorded appropriately.

Certain internal financial control weaknesses were identified within the internal control systems of Aveng Manufacturing Steeledale and Aveng Grinaker-LTA (specifically Rand Roads and Aveng Steel Fabrication).

These internal control weaknesses were identified during the detailed examination and testing of the aforementioned business units. Action plans were, and continue to be implemented to address these weaknesses.

Going concern

The Group's 2014 cash flow forecast has been reviewed, along with the 2014 budget and impairment risk indicators. The losses incurred by Aveng Grinaker-LTA and Aveng Manufacturing Steeledale business unit, and underperformance by the Aveng Engineering operating group, were identified as impairment risk indicators which necessitated impairment assessments of these cash-generating units. Following the computation of the recoverable amounts of these units and assessments of the related sensitivities, management is satisfied that the units are not impaired and remain going concerns. In light of this review and the current financial position, management are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the consolidated and separate annual financial statements are prepared on a going concern basis.

Order book and outlook

The Group's order book of R37,4 billion at 30 June 2013 decreased by 6% from R39,7 billion at 31 December 2012, mainly as a result of the reduction in the mining order book as well as a softening infrastructure market experienced by the Construction and Engineering: Australasia and Asia operating segment. The Group's order book nevertheless remains strong.

The current order book and the structural improvements implemented in 2013 as well as the provisions and remedial action taken on problematic contracts, should result in a solid improvement in the operational performance of the Group in the 2014 financial year, albeit more evident in the second half of the year.

Shareholders' analysis

Aveng Limited shares continued to be actively traded during the 2013 financial year with liquidity at 69,5% (2012: 70,7%). Approximately 254 million shares were traded during the period (2012: 266 million), representing a value traded of R7,9 billion, at a volume weighted average price of R31,02 (2012: R36,03).

Dividend declaration

The Board has reviewed the current period's financial performance, and has resolved not to declare a dividend, given the adverse cash flow which was mainly the result of working capital outflow on QCLNG and losses at Aveng Grinaker-LTA.

Kobus Verster
Financial Director

Sustainability overview

contents

Komo Airfield, Papua New Guinea

Independent assurance report to the directors of the Aveng Group

for the year ended 30 June 2013

Scope of our engagement

We have completed our independent limited assurance engagement to enable us to express our limited assurance conclusions on whether anything has come to our attention that causes us to believe that the Aveng Group's sustainability overview 2013 (the report) for the period ended 30 June 2013, has not been prepared, in all material respects, in accordance with the principles and Listings Requirements of the Johannesburg Stock Exchange's Socially Responsible Investment (JSE SRI) Index for a high impact business, and whether the following key performance indicators (specified KPIs) contained in the report have not been prepared in all material respects in accordance with the criteria disclosed in the footnotes on the relevant pages:

- Recordable injury frequency rate (RIFR) for the 12 months ended 30 June 2013 as disclosed on page 56
- Lost time injury frequency rate (LTIFR) for the 12 months ended 30 June 2013 as disclosed on page 56
- Carbon footprint (Scope 1 – diesel) for the 12 months ended 30 June 2013 as disclosed on page 63
- CSI trust payments for the 12 months ended 30 June 2013 as disclosed on page 74
- Number of personnel trained on the company competition policy for the 12 months ended 30 June 2013 as disclosed on page 73
- Number of employees who underwent HIV/Aids training for the 12 months ended 30 June 2013 as disclosed on page 60.

The specified KPIs noted above have been annotated with an Ⓐ, for identification purposes.

Our responsibility in performing our independent limited assurance engagement is to the Aveng Group only and in accordance with the terms of reference for this engagement (including the release letter dated 13 September 2013) as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Aveng Group for our work, for this report, or for the conclusions we have reached.

We have complied with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

The Aveng Group has elected to prepare the report in accordance with the principles and listing requirements for a High Impact business which are published by the JSE SRI, a full copy of which can be obtained from the JSE's website.

Directors' responsibility

The directors are responsible for implementing a stakeholder engagement process to identify all relevant stakeholders, to identify key issues, to respond appropriately to key issues identified, to determine those key performance indicators which may be relevant and material to the identified stakeholders, and to design and apply appropriate sustainability reporting policies. The directors are also responsible for the preparation and presentation of the report, the information and assessments contained in the report and for such internal control as the directors determine is necessary to ensure that the information and data reported meet the requirements of the relevant criteria, and contain all relevant disclosures that could materially affect any of the conclusions drawn.

Assurance provider's responsibility

Our responsibility is to express our limited assurance conclusion on the report and the specified KPIs based on our independent limited assurance engagement. Our independent limited assurance engagement was performed in accordance with the International Federation of Accountants' (IFACs) International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our engagement to obtain the assurance as required by the scope of our engagement, as expressed in this report.

Basis of work and limitations

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments, we have considered internal control relevant to the entity's preparation and presentation of the report and the information contained therein, in order to design procedures appropriate for gathering sufficient appropriate assurance evidence to determine that the information in the report is not materially misstated or misleading as set out in the summary of work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited assurance conclusions pertaining to the report and the specified KPIs, expressed below.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods adopted for the definition and gathering of information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

Summary of work performed

Set out below is a summary of the procedures performed pertaining to the report and the specified KPIs which were included in the scope of our limited assurance engagement.

» We obtained an understanding of:
  – The entity and its environment
  – The stakeholder engagement process
  – The selection and application of sustainability reporting policies
  – How management has applied the principle of materiality in preparing the report and the specified KPIs
  – The significant reporting processes, including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
» We made such enquiries of management, employees and those responsible for the preparation of the report and the specified KPIs, as we considered necessary.
» We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.
» We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.

We believe that the evidence obtained as part of our limited assurance engagement is sufficient and appropriate to provide a basis for our findings and our limited assurance conclusion expressed below.

Conclusion

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that:

» The report for the period ended 30 June 2013 has not been prepared, in all material respects, in accordance with the principles and listing requirements of the JSE SRI Index for a High Impact business
» The specified KPIs contained in the report have not been prepared in all material respects in accordance with the respective criteria noted in the corresponding footnotes.

Other matter

The maintenance and integrity of the Aveng Group's website is the responsibility of the Aveng Group's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Aveng Group's 2013 sustainability overview or our assurance report that may have occurred since the initial date of presentation on the Aveng Group's website.

Ernst & Young Inc.

Ernst & Young Inc
Director – Jeremy Grist
Registered Auditor
Chartered Accountant (SA)

52 Corlett Drive
Johannesburg
13 September 2013

Internal assurance statement

Aveng Group internal audit services (AGIAS)

The Aveng Group internal audit function operates independently from the Group's operations and derives its independence from the group Audit Committee. The group internal audit manager has unlimited access to all officers of the company including the chairmen of the Board and Audit Committee and the financial director.

The assurance provided by the internal audit function serves to assist the Board in fulfilling its disclosure obligations to report annually to shareholders on the effectiveness of the Group's system of internal financial control and risk management procedures.

The annual internal audit plan is compiled based on AGIAS's audit plan methodology which is presented for review and approval to the Audit Committee. The plan forms the basis of providing the committee with the required assurance on risk management, internal controls and internal financial controls.

Where required, AGIAS makes use of outside service providers for special knowledge, skill, and experience in a particular discipline as required at a point in time.

AGIAS provided assurance through the application of the International Standards of the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (IIA) and the Code of Ethics of the IIA. The internal audit team applies and upholds the principles of integrity, objectivity, confidentiality and competency.

Each internal audit conducted is concluded with a detailed report to management, which includes recommendations to address shortfalls and exposures. All audit reports and findings are also captured onto an audit tracking tool which is used to monitor the status of the findings.

The group internal audit manager provides quarterly feedback to the Audit Committee on all key issues identified during the quarter.

Based on the work performed by AGIAS during the year under review the group internal audit manager provided the Audit Committee with an assessment on the effectiveness of the Group's internal control and risk management as well as internal financial controls.

AGIAS acknowledges that there were some instances during the year where the required internal financial controls were not followed at times mainly due to restructuring and high staff turnover. Shortcomings in the design of group internal financial control systems that were identified during the year have been addressed or are in a process of being addressed by management.

Kenneth Griffin
Group internal audit manager

Approach to sustainability

The Aveng Group is integrating sustainable development into everything it does. This year's report describes the progress made in its journey to align the Group with the King III code of corporate governance guidelines for integrated reporting.

Aveng recognises that it needs financial stability and sustainability to succeed in creating value for its stakeholders. Integrated reporting underpins both and contributes to a more resilient business.

Aveng's commitment to sustainable development is encapsulated in its mission statement "to leave a positive and lasting legacy". The Group recognises that it has a responsibility for the wellbeing of the communities, and the protection of the natural environment, in which it operates.

Our commitment to sustainable development is guided by the requirements of the JSE's Socially Responsible Investment (SRI) Index for a High Impact business. This is driven at a group level, endorsed and measured by the Board and implemented across all operating groups. Additional information about executive responsibility for sustainability is available on page 107 of the corporate governance report.

In preparing our integrated report we take into account the six capitals identified by the International Integrated Reporting Framework of the International Integrated Reporting Council as the stores of value that are the basis of Aveng's value creation.

» **Financial capital** (pages 54 to 55, financial statements and throughout the report)
» **Manufactured capital** (pages 80 to 101)
» **Intellectual capital** (pages 88 to 90 and throughout the report)
» **Human capital** (pages 56 to 61, 66 to 70, 116 to 131 and throughout the report)
» **Social and relationship capital** (pages 71 to 75 and throughout the report)
» **Natural capital** (pages 62 to 65 and throughout the report)

Key milestones in our sustainability journey

» **2007** – Aveng embarked on its sustainability journey by participating in the JSE SRI Index, conducted in conjunction with EIRIS in the United Kingdom.

» **2008** – A process was initiated to measure various additional areas in a focused manner. This has been continuously updated and expanded in accordance with additional reporting requirements and the expansion of the reporting to include the Carbon Disclosure Project (CDP), Water Disclosure Project (WDP), and other initiatives.

» **2009** – Initial submissions were made to the CDP.

» **2011 to 2012** – An open submission was made to the CDP. Aveng developed an environmental framework based on an environmental policy adopted in 2011.

» **2013** – Initial closed submissions were made to the WDP. The Group's involvement in both the JSE's SRI Index and EIRIS programme will be enhanced by its support of the CDP programme which the JSE is progressively including in its reporting requirements.

Aveng was a founder signatory to the World Economic Forum Programme Against Corruption Initiative (PACI). This has formed the basis of the Group's anti-corruption programme that was initially rolled out in 2008. The Group is a member of the PACI task group and was involved with a working group to evaluate the development of a due diligence tool used to ensure that partners and suppliers comply with the PACI requirements. This work was completed in 2013 and a WEF PACI Due Diligence Document on Conducting Third Party Reviews was published by the WEF in 2013. In July 2012 Aveng pledged a recommitment to WEF Partnering Against Corruption Initiative principles.

Aveng has focused on the JSE's SRI Index, CDP, WDP and PACI initiatives to ensure that it applies the necessary systematic approach and enables the achievement of best practice in these areas prior to adding additional measures to the Group's reporting structure. This has proved to be the correct approach and the necessary benefits are being seen in the current initiatives. It is anticipated that once full maturity has been achieved in these areas we will extend this to include the Global Reporting Initiative (GRI) reporting requirements.

Sustainability journey

Key area	Our commitment to sustainable development	2012 achievements	2013 achievements	Future objectives	More info
Economic sustainability	To build and maintain a robust and enduring business for the benefit of all stakeholders.	» Revenue of R40,9 billion » Total value added of R13,7 billion.	» Revenue of R51,7 billion » Total value add of R16,2 billion.	» Continued focus on creating sustainable value for all shareholders.	Economic sustainability report on pages 54 to 55.
Transformation	To achieve substantial transformation in the Group's South African operations.	» Aveng (Africa) and Aveng Trident Steel rated as level 2 (156%) and level 4 (100%) B-BBEE contributors respectively, in terms of the Construction Sector Charter.	» Aveng Trident Steel improved its B-BBEE ratings from level 4 to a strong 3 and Aveng Africa maintained its level 2 rating.	» While there is a continued focus on improving the overall B-BBEE score for Aveng, the development of black and black female employees in technical positions is a key imperative for the organisation.	Social, ethics and transformation report on pages 71 to 73.
Social & ethics	To facilitate sustainable, sound development and promote ethical behaviour in accordance with legislation and the recommendations of various forums.	» All employees above grade 9 signed a pledge committing to uphold the group ethical standards and agreements » Continual anti-corruption training and evaluation » Focus on talent development and succession management, enrolling 310 apprentices, 309 learnerships and 125 bursars.	» The introduction of a pre-employment, anti-competitive practices declaration as well as stringent internal anti-competitive training for 1 054 Ⓐ senior management and key employees who are exposed to pricing activities.	» Continued effort in ensuring employee alignment to the business code of conduct/training on anti-competitive practices and embedding our DNA.	Human capital report on pages 66 to 70, social, ethics and transformation report on pages 71 to 73, corporate social investment report on pages 74 to 75, corporate governance report on pages 104 to 131.
Environmental sustainability	Encourage behaviour and practices that contribute to environmental stewardship.	» Environmental policy and framework developed » Environmental gap analysis completed » Continued improvement in measuring and reporting of carbon emissions » 66% score in 2011 carbon disclosure project.	» Carbon footprint review initiated » Improved reporting and monitoring of key environmental indicators » 81% score in 2012 carbon disclosure project. » Responded to water disclosure project.	» ISO 14001 certification at all operations » Establish accurate baseline carbon and water footprint. » Implement environmental framework.	Environmental report on pages 62 to 65 as well as operational reports for progress on key environmental measures.
Employee satisfaction	To prioritise people and provide a great place to work for all.	» As beneficiaries of the Aveng Empowerment Trust, approximately 12 900 current and retired employees of Aveng (Africa) and Aveng Trident Steel benefitted from a payout of approximately R300 million which had accrued to the trust, confirming the broad-based aspect of the Aveng BEE transaction entered into in 2004.	» Investment of 1,88% of payroll spent on training in South Africa against a target of 1,5%, and 8,9% of payroll spent on training in Australasia » Agreements concluded with three reputable financial health and wellbeing service providers to render counselling and debt management services to employees.	» Embedding the Aveng DNA and continued emphasis on learning and development interventions specifically aimed at increasing management and technical skills capabilities » Focusing on improving employee relations practices and capabilities with particular focus on timeous resolution of employee grievances and improving direct communication with employees.	Human capital report on pages 66 to 70.

Ⓐ *Assured*

Key area	Our commitment to sustainable development	2012 achievements	2013 achievements	Future objectives	More info
Health and safety	To establish an occupational health and safety environment that protects against injury and illness, enhances wellbeing and increases productivity. To encourage behaviour and practices that entrench the group safety vision.	» Health and wellness policy and framework developed » Employee wellbeing programme implemented. HIV/Aids impact analysis completed » Improvement in safety climate maturity at five of seven operating groups » 78% improvement in visible safety leadership visits by senior management » 3% improvement in recordable injury frequency rate to 1,19.	» 11% overall engagement rate in employee wellbeing programme » 8 885 employees and community members tested for HIV/Aids » 25 713 medical examinations conducted. » 113% improvement in visible safety leadership visits » 31% improvement in reported near misses across the Group's operations.	» Review and update group occupational health profile » Increase opportunities for employees to know their health status » Implement health and wellness framework » Eliminate fatalities and achieve a resilient culture of safety at all operations.	Safety report on pages 56 to 58 and health and wellness report on pages 59 to 61.
Corporate social investment	To make a positive and meaningful difference in the communities in which the group operates, with a specific focus on skills development.	» The Aveng CSI Trust will benefit to the value of R301 million from the BEE transaction entered into in 2004 which will be used to sustain and extend the Group's CSI efforts » Ongoing focus on skills development.	» Approximately 12 900 full time, South African employees benefited directly from the BEE transaction » Aveng CSI Trust refined CSI strategy and increased support for the key flagship projects » An impact assessment on the key flagship projects was commissioned together with the establishment of monitoring and evaluation frameworks » The Aveng CSI Trust continues to support educational initiatives through direct contributions to educational institutions which focus on science and maths.	» Contribute to community and skills development to make a real contribution to socio-economic progress in the areas in which we operate » Evaluate the impact of the flagship projects on the focus areas of skills training and maths and science at secondary schools » Encourage further collaboration among operating groups to leverage the benefits in areas of need and focus » Expand Aveng CSI Trust's sphere of impact following the close of the BEE transaction.	Corporate social investment report on pages 74 to 75.

Economic sustainability

During the 2013 financial year, the Aveng Group has continued to contribute positively to a sustainable economy, delivering a 27% increase in revenue to R51,7 billion.

Total value added by the Group's diverse activities, including the cost of raw materials, products and services purchased, amounted to R16,2 billion. Providers of goods and services to the Group benefited from expenditure amounting to R35,7 billion.

The financial performance of the Group has a direct bearing on its ability to act as a responsible corporate citizen in its pursuit of economic sustainability for all stakeholders. The Group is dedicated to building and maintaining a robust, enduring business for the benefit of all its stakeholders, the South African economy and society at large.

Group wealth creation

The Group strives to improve its financial performance year-on-year to achieve solid, sustainable growth and to create value for all stakeholders and communities in which it operates. The Group endeavours to contribute to the development of society and economies in its operating regions.

The value added statement is a measure of wealth created by the Group during the year under review. It equates the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. The statement shows the total wealth created and how it was distributed.

Value added statement

	2013 Rm	2012 Rm
Revenue	**51 704**	40 885
Net cost of products and services	**35 653**	27 417
Value added by operations	**16 051**	13 468
Income from investments and interest	**173**	226
Total value added	**16 224**	13 694
Applied as follows:		
Employees as salaries, wages and other benefits*	**14 337**	11 164
Providers of capital – finance and transaction expenses	**162**	76
– rental for use of assets	**313**	212
– dividends	**241**	561
The state as taxes	**167**	203
Total value distributed	**15 220**	12 216
Reinvested in the Group – amortisation and depreciation	**1 229**	1 516
– reserves retained	**(225)**	(38)
Total value added	**16 224**	13 694

** Refer to note 25 in the notes to the consolidated annual financial statements.*

Indirect impacts

The total economic benefit of the organisation includes impacts outside the core activities of the business. The benefits include the impact on broader society and the workforce. The impact of the indirect economic benefits of the Group include:

- Expenditure on products and services to suppliers in order to generate revenue amounted to R35,7 billion.
- During the year R14,3 billion was paid in salaries, wages and other benefits to 28 296 employees, supporting economic activities in their broader communities. These include ongoing corporate social investment projects within communities, sponsorships and donations, promotional campaigns and staff volunteerism.
- The Group utilises the products and services of a diverse range of people and companies in vast regions around the world. Through its supply chain, the Group injects wealth into the regions from which it procures. Furthermore, the Group is extensively involved in work with contractors and subcontractors across its operations. The support results in growth and development of smaller businesses, injecting wealth into their communities.
- The Group constructs infrastructure and other assets which are beneficial to the economy and the communities in which the projects are located, for example, the development of alternative, renewable energy sources, water treatment, the building of port infrastructure to increase import and export capabilities and the construction and maintenance of roads and airport runways to improve transport services.
- The construction, mining and manufacturing industries continually seek innovative ways to enhance their products, services and work processes to provide sustained quality, cost effectiveness, safety and speedier delivery, while minimising impacts on the environment and society.
- The Group strives to ensure that the companies within its portfolio become industry leaders based on market share and profitability. Interventions in the current year include restructuring the Aveng operating groups to extract greater value for the benefit of all stakeholders.
- The Group continually strives to optimise the Group's capital structure, cash management and capital allocation to enhance returns and increase distributions to stakeholders and shareholders.

Safety

Safety is a core value of the Aveng Group and integral to the way the Group conducts business. Aveng continued to instil a safety culture across all of its operations during the year. The Group recognises that it can only achieve the vision of "Home Without Harm, Everyone Everyday" if each employee adopts it as a value and if leaders visibly demonstrate their commitment.

Approach to safety

Aveng's approach is centred on visible safety leadership, managing critical safety risks, and developing a resilient reporting and learning culture.

The operating groups have implemented a range of approaches to engage employees. These include training, posters, targeted campaigns, newsletters, competitions and safety days.

Key concerns

Six fatalities occurred at Aveng operations during the year to 30 June 2013. Two of these fatalities involved employees of a service provider, prompting a renewed emphasis on subcontractor and service provider safety awareness. Two transport related fatalities occurred on public roads. A transport safety manager was appointed to review and develop best practice for the management of safety of employees on public roads. This includes policies, procedures, performance measures and initiatives to encourage safer driving habits, such as the extended use of in-vehicle monitoring systems.

Progress

Aveng has made considerable progress in its journey to instil a safety culture which will contribute to a safer working environment. Since 2005 the Group has achieved:

» A 77% reduction in the lost-time injury frequency rate (LTIFR) to 0,24Ⓐ (2005: 1,08)
» A 700 fold increase in reported near misses to 377 870 (2005: 452), indicating an improvement in safety awareness and reporting
» A 113% increase in the number of visible safety leadership visits by managing directors and direct reports to 955 (2012: 446)
» More than 95% of the Group's operations by revenue are OHSAS 18001 certified (2009: 25%).

Other advances include:

» Provision of soft skills training to 997 supervisors on how to conduct effective safety meetings with workers
» Continuous improvement in the reporting, monitoring and investigation of potential significant incidents – those incidents which, under different circumstances, could result in a fatality
» Formation of a transport safety work group consisting of operational and safety management to drive and align transport safety initiatives across the Group.

Ⓐ *Assured*

Safety performance

Despite overall improvements in safety trends, Aveng did not meet the key safety objective of zero fatalities for the period under review. Five of the six fatalities that occurred at group operations were recorded in South Africa and one in Botswana. Each of these incidents was thoroughly investigated and lessons learned were shared across the Group. While these deaths represent a reduction in relation to the 12 deaths recorded during the 2012 financial year, any loss of life is unacceptable. The Aveng Group extends its deepest sympathies to the families, friends and colleagues of the deceased.

The Group's lost time injury frequency rate remained unchanged at 0,24Ⓐ since the previous reporting period, with a minor deterioration in the recordable injury frequency rate to 1,36Ⓐ (2012: 1,19). There was a minor improvement in the all injury frequency rate (AIFR) to 4,52 (2012: 4,65). AIFR is the number of fatalities, lost time injuries, restricted work cases, medical treatment cases and first aid cases for every 200 000 hours worked at Aveng operations by employees, subcontractors and service providers.

Visible safety leadership visits by managing directors and their direct reports improved significantly with 955 (2012: 446) conducted.

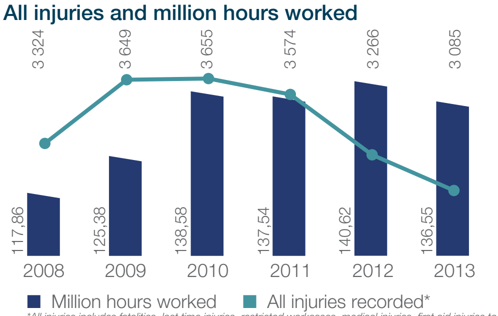
Sustaining a resilient reporting culture has been a key focus area in 2013 with 377 870 near misses reported during the year. A comparison with the 452 near misses reported in 2005 shows the progress made in creating a safety culture where employees are more aware of risks in the workplace and more responsive in managing, reporting and learning from incidents or near misses. Opportunities for improvement and lessons learnt from near misses continue to provide the Group with the ability to reduce workplace injuries.

Safety performance indicators

Indicator	Target 2013	Actual 2013	Actual 2012	Actual 2011	Performance
Number of fatalities	**0**	**6**	12	8	Worse than target
Lost time injury frequency rate	**<0,25**	**0,24**Ⓐ	0,24	0,3	Target achieved
Number of visible safety leadership visits	**>500**	**955**	446	250	Better than target
% of group operations by revenue with OHSAS 18001 certification	**>90%**	**>95%**	>95%	>95%	Better than target
Near miss/all injury ratio	**>80**	**122**	88	34	Better than target
% of identified supervisors who received soft skills training	**80%**	**84%**	New indicator	N/A	Better than target

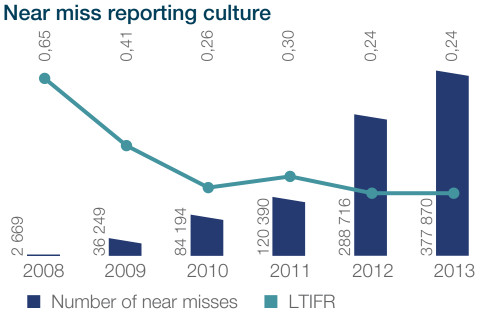
Ⓐ *Assured*

All injuries and million hours worked



*All injuries includes fatalities, lost time injuries, restricted workcases, medical injuries, first aid injuries to employees, service providers and subcontractors.

Near miss reporting culture



Key challenges and risks

» Achieving fatality free operations throughout the Group
» Transport safety management on public roads
» Continued focus on subcontractor and service provider safety management

Key achievements and awards

A number of Group operations continue to demonstrate that our vision can be realised:

» Batam Fabrication facility in Indonesia completed eight million man hours without a lost time injury (LTI), with the last LTI recorded in December 2010.
» Komo Airfield Project in Papua New Guinea completed seven million man hours without an LTI. This is a fantastic safety record achieved in one of the most challenging and physically demanding environments.
» Aveng Grinaker-LTA's Sapref mechanical core contract completed six million man hours without an LTI.
» Siguiri Gold mine in Guinea completed five million man hours without an LTI. This is one of Aveng Moolmans' most remote project sites. In spite of various skills and resource challenges, the site has recorded no lost time incidents for more than three years.
» Mokolo Crocodile Water Augmentation project completed two million man hours without an LTI.
» Aveng Mining Shafts & Underground business operation completed two million fatality free shifts.
» Kopermyn Sumo coal plant and Pembani Coal Carolina plant completed six and five years, respectively, without an LTI.

Realising our safety vision of Home Without Harm Everyone Everyday

The Huntly North Shaft project undertaken by McConnell Dowell received an award for safety innovation at the inaugural Site Safe Construction Health and Safety Awards 2012 in Auckland, New Zealand.

The safety innovation award is for a site or company demonstrating the best new idea or initiative to drive improvements in health and safety systems or behaviours, address or manage a specific hazard, create a design solution to address a problem, or improve productivity.

The award recognised the successful implementation of a number of creative solutions developed by the Huntly North Shaft team to address significant and potentially fatal hazards associated with this technically complex underground project. Solutions included a comprehensive communications programme involving pre-start talks, START cards, and a project newsletter, which encouraged greater hazard and incident reporting, the use of innovative materials to fabricate fit-for-purpose PPE and specialist equipment from off-shore, and an extensive training programme involving rescue simulations which had not been undertaken in New Zealand for the last 40 years – if at all.

This holistic approach to safety management ensured McConnell Dowell completed 141 metres of shaft with no serious injury to its people. It is a great example of how we work together to develop a zero harm safety culture and ensure that Home Without Harm Everyone Everyday becomes a way of life for all people involved in the project.

Looking forward

Key objectives for 2014	Desired outcomes
» Improve the learning culture	» Eliminate fatalities and reduce injuries and repeat incidents
» Manage transport risks on public roads	» Reduce transport incidents on public roads
» Maintain focus on subcontractors and service providers	» Reduce incidents involving subcontractors and service providers with improved safety management
» Sustain visible safety leadership visits	» Influence the safety mindset and culture at all operations
» Improve management and control of high consequence activities	» Zero fatalities, and a decrease in significant incidents

Health and wellness

The Aveng Group realises that to sustain and grow its business and the communities in which it operates, the health and wellness of its employees and communities requires a holistic approach.

As a top-line enabler of the Aveng DNA, health and wellness is a platform where the Group engages with stakeholders, particularly employees, to ensure personal and organisational health, and ultimately, enhanced productivity.

Highlights

Substantial gains were made during the year to 30 June 2013 in establishing an integrated approach to the three strategic health and wellness pillars of HIV/Aids and TB, occupational health, and wellness.

The key highlights were:

» Successful launch of the "Lead the way, know your status" HIV and wellness screening campaign within the workforce and communities
» Significant improvement in occupational health reporting attributed to the rigorous reviewing of service providers
» Target for employee wellbeing programme engagement exceeded
» Launch of an innovative health and wellness communication medium translated into local languages

For more information on the Aveng Group health and wellness policy and framework go to **www.aveng.co.za**

Key concerns

Aveng is responding appropriately to the following concerns:

» Inadequate health infrastructure which places a strain on delivery of effective health and wellness services especially in remote areas and in some countries in which we operate
» The temporary and migrant nature of the workforce, which is characteristic of the construction industry, provides an ongoing challenge to establish an accurate depiction of the health and wellness profile of workers.

Progress

HIV/TB and wellness screening opportunities

The Group continued to focus on creating opportunities for testing among its employees and expanded its focus to include communities. In a successful partnership the Group launched its first HIV and wellness screening campaign entitled "Lead the way, know your status".

Occupational health service provision

The Group undertook an exhaustive process to select a preferred occupational health service provider to improve and enhance business efficiencies, quality control and cost effective services to its operating groups. The Group has improved its approach to establishing occupational risk exposure profiles, risk-based medical surveillance programmes, storage and retention of employee medical surveillance records and management of incapacity cases through the fitness-to-work referral processes.

Employee wellbeing programme

In the first year of implementation within the South African operating groups, employees, spouses and dependants were given access to the 24/7/365 telephone service offered by the employee wellbeing programme (EWP).

Stakeholder engagements

Aveng recognises that one of the critical success factors for realising its health and wellness vision is consistent, meaningful engagement with a range of stakeholders. A multidisciplinary approach is undertaken internally, and externally the Group has established and formalised external partnerships with various service providers, associations, industry bodies and NGOs.

Health and wellness performance

Occupational health

Occupational risk exposure profiles and risk-based medical surveillance

Occupational risk exposure profiles (OREPs), which take into account the inherent requirements of a job and hazardous occupational exposures, continue to be developed. They are informed by ongoing risk assessments and occupational hygiene surveys. Risk-based medical surveillance (RBMS) comprising initial, periodic, exit, travel, fitness-to-work and executive medical examinations are conducted at Aveng's client sites, on-site clinics, mobile clinics and at service provider facilities. The Group achieved an 80% improvement in documenting occupational health examinations, with 25 713 examinations conducted (2012: 14 270).

Drug and alcohol screening

Along with employee education and awareness sessions, 333 507 random and routine drug and alcohol screening tests were conducted, out of which 499 (0,1%) were confirmed positive.

Noise induced hearing loss

3 906 audiometric tests were conducted out of which 51 (1,3%) were confirmed noise induced hearing loss cases.

Fatigue management

The Group continues to place a strong emphasis on fatigue management and piloted an additional fatigue training intervention in 2013.

The pilot study included:

» 3 fatigue management training sessions
» 35 supervisors
» 14 shift workers
» 23 drivers

Fatigue management interventions in 2014 will focus on management training and strengthening existing fatigue management programmes within the operating groups, using a phased in approach.

Wellness

The top four problems that individuals consistently reported through the EWP were relationship issues, stress, money management and legal issues. Interventions ranging from face-to-face consultations, group trauma counselling, family and couple counselling, substance abuse support and professional life coaching, were instituted. The Group's Australian operations utilise an employee wellness programme mainly for psychological health related and relationship issues.

Corporate office wellness days

Wellness days were held within the Group, where all corporate office employees, visitors and subcontractors were invited to participate in determining their individual health status. Outcomes from these wellness days, occupational health examinations and "Lead the way, know your status" campaign, confirm the existence of lifestyle burdens on employees, employers and society at large.

For the year under review, there were 524 participants at these wellness days, 33% of whom were medically uninsured. 76% (2012 75%) of the participants presented with multiple clinical risk factors, illustrating the lifestyle burden prevalent within the Group. It is this trend that has prompted the Group to embark on an executive wellness programme with 47 executive medical examinations conducted.

HIV/Aids and TB

In 2011, the Group conducted an HIV/Aids impact analysis. The analysis illustrated an estimated prevalence rate of 14% within the Group's South African operations. Based on the Actuarial Society of Southern Africa's model, HIV/Aids is expected to cost the Group between 1,3% and 1,4% of total payroll (wage and salary included) and excludes risk benefits (death and disability). These costs include additional costs incurred by the employer for recruitment and training, absenteeism and presenteeism (at work and not productive). This study supported the following combined interventions for both affected and infected individuals:

- Intensify opportunities for HIV counselling and testing (HCT) and TB screening
- Raise awareness on HCT
- Increase training and education
- Assist workers to access treatment through their medical scheme or state facilities.

Aveng Manufacturing, in collaboration with service providers, held its first health and wellness (previously peer educator) conference. This event was attended by peer educators and health and wellness champions from across the country to recognise peer educators as key supporters and vital change agents for health and wellness within the organisation. Aveng Manufacturing trained 53Ⓐ new peer educators. Aveng Moolmans trained 20Ⓐ peer educators. The enhanced training of these peer educators in wellness matters helps reduce the stigma of HIV/Aids by including the broader range of chronic diseases and lifestyle issues.

Ⓐ *Assured*

Employee wellbeing programme*

11% overall engagement rate reflective of:

- A total of 1 825 individuals reached
- 1 314 individually assisted
- 511 individuals assisted in group participation
- 41 high risk cases managed. These related to suicidal thoughts, substance abuse, safety risk, manic/psychotic episodes and disciplinary hearings.

**South African operations only.*

Key performance indicators

Health and wellness performance indicators

Indicator	Target 2013	Actual 2013	Actual 2012	Performance
Employees HIV counselling and testing (HCT)*	**2 000**	**6 031**	575	Better than target
Community HIV counselling and testing (HCT)*	**1 000**	**2 854**	0	Better than target
Occupational health medical examinations	**20 000**	**25 713**	14 270	Better than target
Employee wellbeing programme (EWP) engagement rate*	**6%**	**11%**	Launched EWP for all employees and dependants	Better than target

**Aveng Group South African operations, includes all testing campaigns, clinics and wellness days.*

Key challenges

» Continually finding innovative ways to ensure the health and wellbeing of workers in remote locations
» Continually ensuring that the right communication strategies are adopted to influence behaviours.

Key achievements

Health and wellness comic

A health and wellness comic was launched to support the implementation of the health and wellness framework and promote the integration of the three strategic pillars.

For more information on the Aveng Group health and wellness framework comic go to **www.aveng.co.za**

Another key achievement in health and wellness was the "Lead the way, know your status" campaign. A partnership was entered into with the South African Business Coalition on HIV/Aids (SABCOHA), EOH Health employees of the mining, manufacturing and construction operating groups, communities, local health clinics, non-governmental organisations and service providers. This campaign was part of the government's national HIV Counselling and Testing (HCT) campaign launched in March 2010, to include personal health assessments and not just HIV testing.

The "Lead the way, know your status" campaign commenced in August 2012 with a target to conduct 6 000 tests by March 2013. As the first of its kind within the Group, testing of medically uninsured employees and community members was a priority, in recognition of the pivotal role communities play in business success. HCT and personal health assessments for blood glucose, cholesterol, blood pressure, body mass index, and tuberculosis symptom questionnaires were administered. For some of the employees and community members who participated in the campaign, this was a new experience.

Lead the way, know your status

» Pioneering campaign
» Testing for HIV/Aids and other chronic lifestyle diseases
» Testing employees and communities

Leadership commitment

This campaign enjoyed top leadership support with senior leaders visibly displaying leadership by being the first in line to test and know their status.

Partnerships with communities

During the construction of the Soshanguve stadium in Pretoria, Aveng Grinaker-LTA offered the local community the opportunity to be tested as part of its community engagement process. In KwaZulu Natal, the Group supported the government in the province's flagship programme Operation Sukuma Sakhe to offer HIV testing as well as health assessments for the community of Umlazi.

The stakeholders included in the mobilisation process were human resource managers, shop stewards, union representatives peer educators, health and wellness champions, councillors, local clinic staff and even the local radio station in Soshanguve.

Lead the way, know your status campaign

A nurse explains HIV counselling and testing and personal health assessments to community members

Results:

» 3 866 employees (mining, manufacturing and construction operations) and 2 854 community members from Soshanguve and Umlazi were tested for HIV
» HIV positive testing prevalence of 11% among employees and 8% in the community.
» 4 628 employees and 1 612 community members received personal health assessments.

Looking forward

Key objectives for 2014	Desired outcomes
» Contract and partner with service providers for occupational health	» Improved understanding and monitoring of occupational health profile for the Group » Introduce business operational efficiencies » Increased utilisation of services
» Sustain high engagement rates of EWP (>=6%)	» Enhanced productivity
» Improve fatigue management programmes	» More managers trained and higher levels of awareness » Reduced occupational incidents » Improved health and safety performance
» Continue to increase opportunities for screening for HIV, TB and other chronic diseases	» Enhanced individual and group health profile » Increased employee awareness, repeat HIV/Aids impact analysis

Environmental

The Aveng Group recognises that its activities and operations have an impact on the environment and has embarked on a journey towards improved responsible environmental stewardship. The Group's environmental policy and framework inform and guide this journey. Implementation of the Group's framework and policy is enabled and supported by the Aveng DNA. For more information on the Aveng DNA go to page 67 of the report.

For more information on the environmental policy and framework go to **www.aveng.co.za**

Highlights

- Progress with reporting and monitoring on emissions, energy, water and waste recorded by all operating groups
- Achieved 81% score in the 2012 Carbon Disclosure Project (2011: 66%)
- Increased the number of environmental resources at several operating groups
- Responded to the 2013 Water Disclosure Project as a demonstration of our commitment to disclosing how Aveng approaches and manages water-related risks and opportunities
- Commenced a carbon footprint assessment for the 2013 year

Progress

- Energy efficiency assessments conducted at some of the Group's fixed operations.
- Ongoing efforts to increase the number of group operations with ISO 14001:2004 environmental management standard certifications (currently 75%) by turnover. An additional two Aveng Manufacturing Steeledale factories were certified in 2013.
- Significant ongoing improvements in the collection and reporting of environmental data, resulting in an improved understanding of the scope and coverage of the environmental impact emanating from Aveng operations and activities.
- Aveng has, for the third consecutive year, publicly responded to the Carbon Disclosure Project (CDP 2013), demonstrating its commitment to manage and disclose its approach to climate change.
- First submission of a response to the Water Disclosure Project.
- Building of environmental capacity commenced at the operations by recruiting dedicated environmental resources at project sites and fixed facilities and strengthening existing resources.
- Commenced first formal greenhouse gas emissions (carbon footprint) assessment.

Key concerns

Aveng operates in a complex and dynamic environment with different companies spanning the engineering, manufacturing, mining, construction and steel industries operating at different points in the value chain. This diverse range of businesses requires:

- Methodology that is able to draw distinct lines of primary responsibility and accountability for key environmental indicators within these sectors
- Different legal and organisational structures which include wholly owned operations, joint ventures, and wholly or partly owned subsidiaries.

Given the complex and varied nature of the business, it may not be possible to choose one ideal approach. The reporting and operational boundary challenges are being addressed with more training and awareness.

Environmental performance

Aveng has developed a set of environmental key performance indicators based on the Global Reporting Initiative (GRI) and the greenhouse gas (GHG) Protocol. Most of the Group's reported environmental key performance indicators, with the exception of carbon emissions, are reported based on a scope of coverage of between 70% and 80% of our operations.

Carbon emissions

While the Group is in the process of conducting its first formal carbon footprint assessment we continue to measure and report the emissions profile.

Emissions are the first pillar of the group environmental framework. In 2011, Aveng commenced reporting on the Group's Scope 1, Scope 2 and, to a limited extent, Scope 3 carbon emissions. The Scope 1 emissions include emissions from diesel combustion in owned vehicles and electricity generators. Scope 2 emissions include emissions from the generation of purchased electricity. This method of reporting will continue in the 2014 financial year.

Aveng emitted 576 574 tonnes of CO_2e for the year under review, a 1% decrease from last year's 585 869 (tCO_2e). The Group calculated its tCO_2e using two primary sources of emissions: diesel consumed and electricity purchased. The increase in the carbon emissions profile from 2011 was expected due to increased scope, coverage and accuracy of the data collected and reported. Scope 3 emissions were not reported this year due to data availability challenges.

The Group's total energy consumption this year at 70% scope of coverage is 93 million kilowatt hours, compared to 143 million kilowatt hours consumed in 2012.

The Aveng Group	Unit	Actual 2013	Actual 2012	Actual 2011
Carbon emissions (tonnes)				
Direct carbon dioxide (CO_2) – Scope 1Ⓐ†	tCO_2e	**486 250**	438 567	392 405*
Indirect carbon dioxide (CO_2) – Scope 2	tCO_2e	**90 324**	145 098	42 650
Indirect carbon dioxide (CO_2) – Scope 3	tCO_2e	**n/a**	2 204	14 174
Total carbon emissions	tCO_2e	**576 574**	585 869	449 229
Emissions intensity	tCO_2e per R1 million revenue	**11,09**	14,33	13,21
Waste (kilotonnes)				
Total waste	kt	**180**	107	n/a
General waste	kt	**126**	107	n/a
Hazardous waste	kt	**54**	n/a	n/a

* *Improved Scope 1 reporting resulted in more accurate data for three operating groups.*
† *Scope 1 emissions include emissions from diesel consumption in owned vehicles and electricity generators.*
Ⓐ *Assured.*

Water

Water is one of the six environmental pillars defined in the group environmental framework. Understanding the Group's water use, quality and footprint parameters will remain a key focus area in the 2014 financial year.

Initiatives to address the water pillar commenced at the operations, including collecting, recording, reporting and improving the integrity of the water data. In particular, Aveng is focusing its efforts on recording and reporting municipal water quantities used throughout our operations.

Waste

The management of waste is a key pillar in the group environmental framework. Improving Aveng's waste management, including efforts to minimise waste generated and disposed at its operations, continues to be a key focus area. The Group generated 180 kilotonnes of total waste, of which 54 kilotonnes were hazardous and 126 kilotonnes taken to landfill as general waste. Hazardous waste accounts for 30% of total waste generated within the Group. Over the past year the waste taken to landfill fill sites increased mildly compared to 2012. This increase is attributed to improved reporting.

Environmental performance areas

Performance area	Target/goals	Actual 2013	Actual 2012	Actual 2011	Performance
Improve collection and monitoring of environmental data	**Scope of coverage >60% at all operating groups**	**>70%**	>60%	>40%	Target met
Make a public disclosure to the CDP 2013	**Public disclosure completed for CDP**	**Completed**	Completed	Completed	Target met
For the first time submit non-public water disclosure response	**Non-public water disclosure**	**Completed**	No	No	Target met
Conduct environmental legal compliance audits (20% sample size)	**Improve levels of compliance to environmental legislation**	**Completed**	Did not answer question-naire	Did not answer question-naire	Target met
Build environmental resource capacity	**To support strategic journey towards environmental stewardship and excellence**	**In progress**	No	N/A	On target

Key challenges and risks

Aveng continues to closely monitor environmental fiscal reforms and policies in various countries it operates in to understand and quantify the potential implications for the Group. Some of the identified climate change risks continue to include:

» Carbon taxes
» Emissions reporting obligations
» Fuel/energy taxes and regulations and availability
» Water and energy scarcity as well as tariff increases

Understanding and setting an environmental approach and reporting boundaries for Aveng is an ongoing challenge given the complexities encountered in the construction, mining, manufacturing and engineering environments globally and the various types and duration of contracts and projects.

Looking forward

Key objectives for 2014	Desired outcomes
» Increase the Group's environmental key performance indicators data scope of coverage	» To ensure data integrity which will enable informed and accurate strategic decision-making
» Complete the Group's carbon footprint study	» To establish an accurate baseline carbon emission and water footprint for the Group that will enable the setting of reduction targets
» Continue with energy efficiency audits at fixed premises	» To increase energy efficiency intensity for fixed premises at the Group
» Increase the group operations' ISO 14001:2004 certification coverage by revenue	» To ensure that a comprehensive, structured and systematic approach to environmental management is in place for continued improvement in environmental performance
» Responding to Water Disclosure Project in 2014	» To publicly declare and demonstrate our approach and efforts towards managing water related risks and our impact at group operations

Key achievements/initiatives and awards

McConnell Dowell

» The environment management team from Origin/APLNG Pipelines received an Australia Biosecurity Award in March 2013 in recognition of their cooperation and coordination in assisting the Department of Agriculture, Fisheries and Forestry to manage the exotic Siamese snail detected on the prefabricated buildings sourced from Thailand.
» Global Water award for Adelaide Desalination Plant: Desalination Plant of the Year. For the desalination plant, commissioned during 2012, this represents the most impressive technical, financial or ecologically sustainable achievement in the industry. The plant was designed and built by the AdelaideAqua consortium of Acciona Agua, Trility, McConnell Dowell, and Abigroup. The ADP is one of the most technically accomplished desalination plants ever built, taking the search for energy efficiency to an entirely new level. Turning the plant's 52 metre elevation to its advantage, an innovative energy recovery system at the outfall recovers approximately 2,5% of the plant's total energy consumption.
» Inaugural Australian Pipeline Industry Award for McConnell Dowell's erosion and sediment practices on the QCNLG pipeline projects.

Aveng Water

» Awarded the prestigious Achievers' Award at the Technology Top 100 (TT100) business awards programme
» Awarded second consecutive Blue Drop Status Award by the Department of Water Affairs for the supply of reclaimed water to Hendrina Municipality from the Optimum Water Reclamation Plant.

Aveng Grinaker-LTA

» The Department of Environmental Affairs' (DEA's) new head office in Pretoria is the first government building, as well as the first in Tshwane, to be awarded a six-star Green Star rating by the Green Building Council of South Africa for office design. The building also recorded the highest score to date for a large commercial office space.

Adelaide Desalination Plant: Global Water award for Desalination Plant of the Year.

Overview

The strategic focus of the Aveng Group's human resources (HR) function is the attraction, development, career management and retention of talented employees, while continuing to entrench a high performance culture, underpinned by the strong, uncompromising ethics enshrined in the Aveng DNA. The Aveng DNA is an intervention aimed at realigning the Group's culture.

As part of the ongoing process of strengthening management capability, a number of senior and experienced operational managers and professionals have been appointed to complement the Group's talent pool. Specific focus in this regard has been on sourcing and appointing experienced project managers, commercial managers and proposals professionals.

The launch of the 2013 redesigned Leading in Aveng leadership development programme as well as the formalisation of the executive coaching programme will enhance business leadership skills.

In the volatile labour environment that has prevailed in the mining and construction industries in particular across South Africa over the past year, building strong labour and employee capability has also become a key focus area for Aveng. The high number of mostly unprocedural strikes and work stoppages has had a negative impact on earnings. The Group's response to these challenges is documented under the Labour and Employee Relations section.

Over the years, one of the major constraints to the delivery of effective and efficient human resources services to the Group has been the lack of an integrated human resources and payroll system. In an exciting development which will enhance HR's capability and effectiveness the Aveng Board approved the necessary capital expenditure to enable the development and implementation of the Aveng human capital management project. This project entails the implementation of the SAP human capital management module which will significantly enhance the way HR operates in future. This project is currently underway and is on track in terms of both timelines and budget. Concurrently and to complement this project, a group-wide initiative is underway to assess the capacity and capability of the current HR organisation and to fully implement the new HR operating model and structure.

Aveng Group DNA

The Aveng DNA is the company's cultural alignment intervention. It was initially defined in 2011 based on the input of over 1 300 randomly selected employees, all operating group executive committees, clients and suppliers. Feedback from these stakeholders enabled the Group to identify eight aspirational enablers and eight prevailing disablers in its organisational culture. The enablers are positive behaviours, values or unwritten ground rules which Aveng would like to enhance and embed as part of its aspirational culture. The disablers are negative cultural attributes, behaviours or unwritten ground rules which the Group would like to eliminate from its culture.

In line with the rollout plan Aveng has to date introduced the Aveng DNA to all management structures and generated awareness and interest through Aveng DNA branding across the Group.

The Aveng DNA is also the key focus area of the Group's executive induction programme to equip new leaders with a sound understanding of our values and to inform them upfront of which behaviours and/or values are acceptable and unacceptable in Aveng.

Entrenching the Aveng DNA has become even more critical as a key initiative to mitigate against the unacceptable behaviour demonstrated by a minority of mostly former colleagues who violated the Competition Act in the past. Going forward, Aveng is intensifying its efforts to ensure that the Aveng DNA increasingly becomes part of the fabric of who we are as an organisation and is absolutely non-negotiable.

Labour and employee relations

Various group operations, including Aveng Grinaker-LTA, Aveng Mining, Aveng Manufacturing and Aveng Trident Steel have been negatively impacted by labour disruptions at some point during the year under review.

Some of the major labour disruptions occurred on the Medupi project and to a lesser extent at Kusile. Following weeks of intense tripartite negotiations facilitated by independent mediators, progress was finally achieved on 7 June 2013 when both the commercial agreement between Eskom and the contracting companies and the tripartite partnership agreement between Eskom, the unions and the contracting companies were signed. The commercial agreement sets out the principles and commitments for addressing the contractors' outstanding labour cost claims, as well as the labour costs that the contracting companies stand to incur as a result of the implementation of this new partnership agreement.

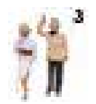
continued on page 68

Culture alignment – The Aveng Group DNA

Having historically been a loose grouping of diverse, semi-autonomous businesses, the Aveng Group has experienced silo tendencies which have contributed to the unintended consequences of duplication of effort and inability to leverage scale, supplier arrangements, costs and capability. Therefore the need for a more synergistic "Unity in Diversity" approach to leverage the untapped group synergies, scale and capabilities is being addressed via a number of group initiatives, including the development and embedding of the Aveng Group DNA.

Top line ENABLERS of success

Aveng's employees identified and weighted the following enablers, those things they believe the Group must continue to do, in the Aveng Blueprint for Success:



Effective leadership
- Inspirational
- Maintain composure when under pressure
- Make bold and courageous decisions
- Be humble

Adaptable and open to change
- Nimble
- Open to new and different approaches
- Flexible
- Receptive

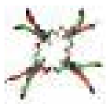
Safety minded
- Home Without Harm Everyone Everyday

Empowering our people
- Acknowledge and appreciate
- Respect
- Reward
- Develop

Customer focused
- Exceed expectation
- Customer first
- Know your customer

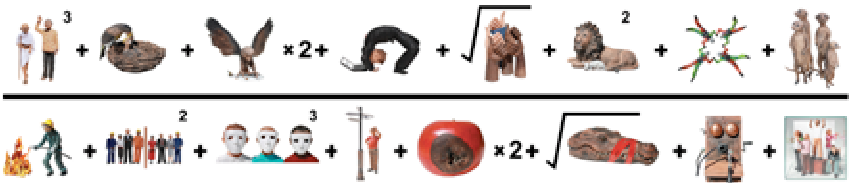
Honesty, integrity and trust
- Ethical
- Transparent
- Disclosure

Performance and results driven
- Operational excellence
- Driven employees
- Governance
- Growth



Teamwork
- One vision
- One goal
- Empowering communities

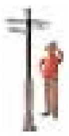
Aveng Group DNA



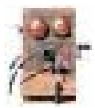
Bottom line DISABLERS of success

In contrast, Aveng's employees identified and weighted the following disablers, those things that they believe the Group should guard against and refrain from doing, in the Aveng Blueprint for Success:

Reactive
- Acting after a negative outcome
- Ineffective planning
- Use rules instead of sound principles
- Poor foresight
- Complacent attitude

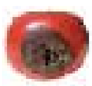


Indecisiveness
- Lack of confidence
- Lack of knowledge
- Lack of urgency
- Loss of work and tenders



Poor communication
- Do not listen
- Ineffective information systems
- Inaccurate data
- Ineffective feedback

Working in silos
- Inward looking
- Compete at all costs
- Not acting in the interest of the greater good
- Losing opportunities



Corruption
- Double or no standards
- Anti-competitive behaviour
- No guiding principles
- No conviction

Unrealised potential
- Unaware of the talent
- Do not know our employees
- Untapped competence
- Having employees in incorrect positions

Lack of accountability
- No ownership
- Blame culture
- No follow through
- Loss in bottom line

Bureaucracy and red tape
- Unnecessary barriers
- Complex systems
- Ineffective decision hierarchy

Labour and employee relations continued

While there is renewed optimism that the Medupi partnership agreement will create a sustainable framework for a stable labour relations environment, a significant amount of work still lies ahead if a harmonious labour relations climate is to be established and sustained.

At Aveng Trident Steel, a process of engagement with the representative union, complemented by focused and regular direct management communication with employees, is having the desired effect of resolving the major employee grievances and stabilising the labour relations environment.

Identified root causes

While the reasons for the strikes vary in each situation, the recent emergence of new trade unions and the resultant inter-union rivalry is a contributor to the instability. Other identified causes of the current labour instability include:

» Management in some parts of the Group not communicating sufficiently with employees and tending to communicate to employees via union shop stewards

» Employee grievances not being speedily resolved at the lowest possible level, which results in unions elevating the engagement with management to senior management thereby disempowering shop floor management

» Ineffective communication of the Group's employer value proposition to employees.

Impact of strikes

During the year to 30 June 2013, labour disruptions have had a R350 million impact on the Aveng Group's net operating earnings.

Aveng management's responses to labour relations challenges

Some of the interventions initiated across the Group to ensure sound labour relations include:

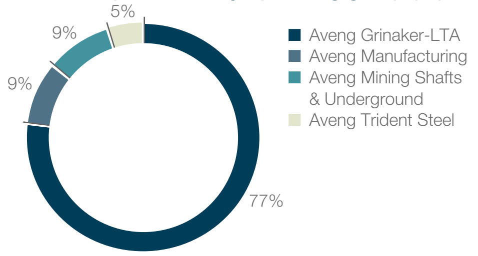
» Submitting claims for recovery of applicable labour costs where these are provided for in terms of the commercial terms of the various contracts

» Strengthening the Group's employee relations capability by appointing experienced employee relations managers in South Africa and Australasia

» Retraining and refocusing management efforts on regular and effective communication with employees

» Rolling out the DNA culture survey to identify behaviour and values "hot spots" in order to take the necessary corrective action.

Labour disruption cost by operating group (%)



Caring for our employees

Given the difficult prevailing socio-economic conditions that Aveng employees are exposed to, the Group has contracted with three reputable financial, health and wellbeing service providers to render services to employees in the areas of financial and debt management, stress, HIV and other personal matters. These services have proven invaluable according to management and employee feedback.

SAP human capital management project

Aveng's new SAP human capital management project, Project Vantage, will for the first time provide the Group with an integrated human resource management and payroll system.

Project Vantage is aimed at consolidating information management into a single source system as well as introducing a shared service centre that will focus on processing high volume transactional work allowing HR business partners at the various operating groups to focus on strategic human resources activities. The system will be implemented in a phased manner from November 2013 through to December 2014. The shared service centre will follow the same implementation timelines.

For more information on Project Vantage refer to **www.aveng.co.za**

Talent management

The Group has continued to embed the core talent management processes with the aim of ensuring talent is developed and retained within the organisation. Key to the success of the talent management model within Aveng is to ensure an ongoing review of the talent pipeline as detailed below.

Performance management

The drive to entrench the discipline of performance contracting, evaluation and assessment continued during the year with formal reports on the performance management status by operating group presented quarterly to the Remuneration and Nomination Committee of the Board. Good progress continues to be made and the focus is shifting to the formalisation and execution of individual development plans as part of the performance management process.

The intention is to further embed the performance management process and culture, and this will be reinforced by ensuring that the performance management cycle is included on the operating groups' annual calendar.

Succession management

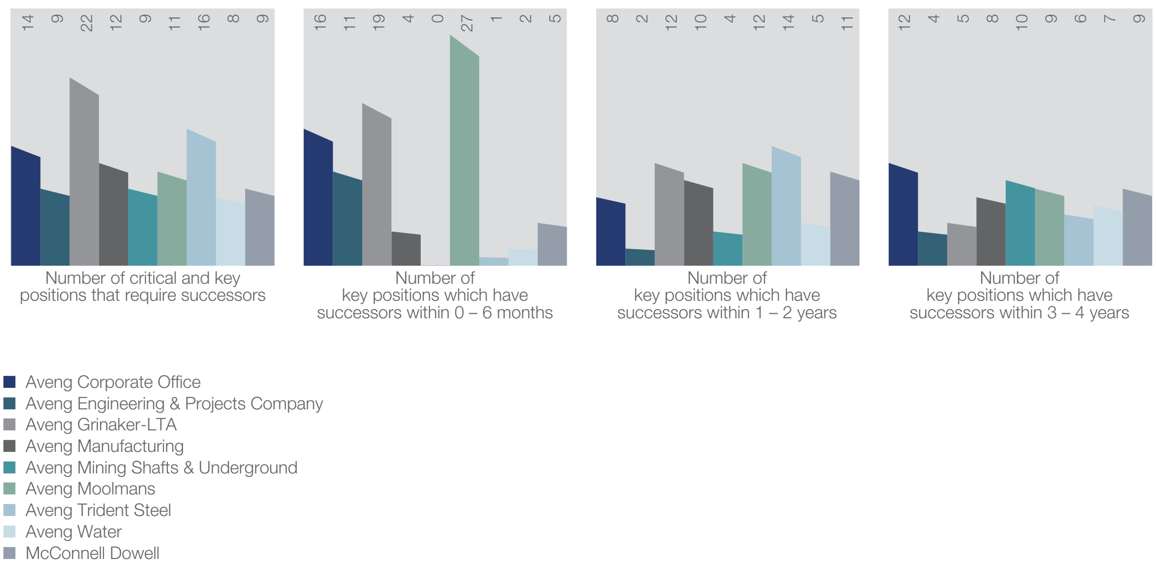
Succession planning

The Group considers succession planning as one of its key people development processes as it enables the organisation to identify and address leadership gaps for critical positions, and provides opportunities for top talent to develop and assume higher levels of responsibility to drive the growth and sustainability of the business. This process is also an important enabler of the Group's ambitions to attract, develop and retain critical skills and highly talented individuals, while addressing the transformation imperative by giving particular focus to the representation of black and female talent in the various leadership roles.

Over the past year more effort has been placed on aligning the Group's employment equity plans with the succession plans. To address the challenge of how to accelerate the development of identified emerging talent for the Group, the group HR director has now assumed direct responsibility for implementing individual development plans for the key emerging talent identified in the Group's succession review process. In this regard 148 talented individuals have been identified and the necessary individual development plans are being implemented.

Succession planning and talent deployment is a critical element as we continue to grow and sustain our existing businesses and establish operations across the African continent.

Succession readiness of key and critical positions per operating group



Learning and development

Learning and development framework

Over the past year, there has been increased focus on leadership development and a learning and development framework has been developed which is subdivided into two pillars:

- Leadership development
- Competency and skills based training.

Two key focus areas in learning and development over the past year have been launching the Leading In Aveng (LIA) leadership programme and the development of a safety critical programme for first line managers. The LIA programme replaces the previous Aveng leadership development programme which has been running for the past five years.

Leading In Aveng

In 2013 there was an intake of 79 employees onto the LIA programme. The programme has been accredited and successful delegates will obtain a certified qualification in Advanced Organisational Leadership (NQF Level 7).

Revamping the Aveng leadership development programme (ALDP) into LIA

This programme was reviewed and improved to meet the accreditation and current business needs. The revision in the curriculum now incorporates the Aveng Group DNA, as well as modules on leadership in safety, health and environment, ethics and corporate governance, continuous improvement and embedding the leadership competencies.

Safety critical programme

The ability of supervisors to have effective conversations with their workforce during their daily start-up or at other similar meetings has been identified as an area of weakness across the Group. An effective safety critical programme developed by McConnell Dowell has been adopted and modified for South African operations. This programme equips supervisors with the skills to have effective safety conversations during these meetings. Twenty-seven internal facilitators, trainers and assessors from the Group's operations attended a training programme to enable them to implement this programme at their various locations.

Leadership development in McConnell Dowell

For the foreseeable future, McConnell Dowell will continue with its current leadership developmental interventions and programmes. The leadership programme, run in partnership with the University of Melbourne, is the equivalent of the Leading in Aveng programme. McConnell Dowell has 24 employees enrolled in its emerging leadership programme and the company has introduced a 10 week leadership development programme for staff based in New Zealand.

Graduate development programme

The Aveng graduate development programme (GDP) started with 31 graduates from disciplines ranging from engineering to construction management two years ago and there are currently 30 graduates on the programme. The GDP is a structured two-year programme with 27 specific training interventions covering both interpersonal skills and specific technical skills pertaining to each technical discipline.

McConnell Dowell has 60 graduates across various disciplines, 80% in civil engineering and the rest split between mechanical engineering, environmental engineering, quantity surveying and accounting.

To ensure this programme remains relevant, its current effectiveness is being reviewed with the aim of improving it further.

Bursar strategy

The Group provides internal and external bursaries to 339 recipients, of whom 196 are black students and 79 black female students.

The Group has bursars across various disciplines with 68% in engineering and the rest split between commercial and mining.

Total training investment in leadership versus technical development

While technical training is key to Aveng's operational requirements, leadership development is key to future sustainability. The Group is fundamentally a skills-based organisation, however 52% of its current training and development spend is on leadership development.

Apprenticeships and learnerships

There was an increase in the intake for apprenticeships and learnerships in 2013 and the total number of black candidates awarded apprenticeships and learnerships also grew, although there needs to be a greater focus on developing more black females.

Learning and development metrics

As part of the future metrics we want to maintain the good business practice of a targeted training spend of 1,5% of payroll for the 2013 financial year. While current economic constraints dictate a potential decline in the investment of training and development, Aveng exceeded its target by spending 1,88% of payroll on training interventions.

For more information on key people metrics and the detailed HR report refer to **www.aveng.co.za**

Overview

The Aveng Group considers its contribution to the socio-economic development of communities, the transformation of society and conducting business in an ethical manner as not only a business imperative, but also a key success factor in ensuring sustainable business performance. This report outlines the progress made by the Group over the review period in meeting its obligations in terms of Regulation 43 of the Companies Act 71 of 2008, as amended.

Social and economic development

Aveng's 28 296 employees are critical stakeholders in the realisation of the Group's vision and strategic intent. While the transformation of the profile of the Group's managerial population remains an ongoing challenge, good progress, particularly with regard to employment equity, was made during the period under review.

Employment equity

Transformation and the fostering of a diverse and demographically representative workforce is a business imperative of Aveng. The Group strongly supports all efforts to promote equal opportunity and demographic representation of the workforce to reflect the communities in which it operates. In South Africa, employment equity is a national imperative enshrined in the Employment Equity Act and one of the elements of the Construction Sector Charter.

South Africa presents Aveng with its biggest transformation challenge and opportunity. While the Group has made good progress in its executive management tiers, where 30% of employees are from historically disadvantaged groups, a greater transformation effort is still required at management level if the Group is to realise its transformation objectives.

Approximately 79% of Aveng employees operate within South Africa, with the largest concentration located in the Gauteng (30%) and Mpumalanga (16%) provinces.

During the year under review, the Social, Ethics and Transformation Committee has monitored and guided management on the following social and economic development initiatives:

- Reviewing the Group's performance relative to its transformation plans. This has included reviewing each of the operating companies' performance against the targets set for each element of the Construction Sector Charter and requesting management to report on the necessary interventions to address any performance gaps.
- Reviewing key primary contributing factors to the achievement of employment equity such as recruitment, promotion and skills development. During the period under review, the committee has continued with the practice of inviting managing directors of subsidiary companies to present their transformation plans and progress to the committee.
- Reviewing the Group's statutory compliance to the provisions of the Employment Equity Act and ensuring that the necessary corrective action is taken where compliance gaps are identified.
- The Group continued with the practice of having an interim B-BBEE verification process to evaluate its contributor status for the first half of the financial year. The purpose is to identify any possible performance gaps early and to take the necessary corrective action before the end of the financial year. This process is also used as a training opportunity to ensure organisational readiness for the final verification.
- The committee reviewed the mid-year interim verification report compiled by the Group's appointed B-BBEE verification agency, EmpowerLogic, and emphasised the importance of both Aveng (Africa) and Aveng Trident Steel retaining their level 2 and level 3 B-BBEE contributor status respectively.
- The committee reviewed Aveng's submissions to the Department of Trade and Industry on the proposed draft B-BBEE Codes of Good Practice
- Rolling out of the Aveng Black Supplier Summit in July last year and the SMME day events in June 2013. The aim of these events is to create access to procurement opportunities for both existing and emerging black and women-owned suppliers within the Group. A total of 450 current and potential SMME suppliers benefited from these initiatives. Specific emphasis was placed on ensuring that SMMEs are given direct access to procurement personnel across the Group and that the entire procurement community assumes responsibility and accountability for providing opportunities to SMMEs in future, including mentoring and advising them.

Skills development

Aveng's primary response to addressing this transformation challenge has been to invest in education and training and this is beginning to produce promising results. It is, however, a long-term process and employees being trained for careers in civil, mechanical, electrical and mining engineering, will require years of practical experience before they are ready to be elevated into more senior positions. Therefore, the Group's strategy focuses on both internal development and external recruitment of skilled and experienced talent from historically disadvantaged groups. In line with its transformation commitments, the Group is also focusing on developing and training women at all levels of the organisation with a key focus on technical positions. In addition to inadequate availability of skills, the physical demands of construction and mining and the fact that work sites tend to be temporary and in remote locations make it particularly difficult to attract women to these sectors.

Training

Global shortages in technical, engineering and processing skills remain a challenge across Aveng, and each operating group has strategies in place to attract, develop and retain the best skills available. The Group's commitment to the development of historically disadvantaged employees is evident in the allocation of training spend on black employees. During the year under review, Aveng spent 57% of its total training budget on black and female employees. This equates to R7 524 average spend per employee.

The accredited Aveng Grinaker-LTA, Aveng Manufacturing, Aveng Mining Shafts & Underground and Aveng Moolmans training centres continued to play an important role in developing the technical skills required by the Group for optimal performance. During the year, 548 employees successfully completed trade courses in South African based operations, while many others underwent further training.

It is pleasing to see that the Group's investment in bursaries is generating a steady supply of black engineers and technicians. Aveng currently has 65 black bursars studying at various institutions of whom 36 are female. The Group also has a pool of 27 graduates in training, 180 learnerships and 339 apprentices currently in the system of whom 84% are black. In 2013 we initiated an internship programme which will be expanded over the coming years as a feeder into our talent pipeline, while also addressing South Africa's youth unemployment challenge.

R8 734 000 will have been invested over five years in the Artisan Training Institute in Dobsonville, Soweto, to strengthen the development of an artisan skills pipeline in South Africa. This sponsorship, which is part of Aveng's socio-economic development investment, has already benefited 102 unemployed artisan trainees.

Women in Mining

Aveng is proud of its Women in Mining initiative which is making a positive impact in developing women, particularly black women in traditionally male dominated mining roles. The focus of our Women in Mining initiative is in the Northern Cape and in eMalahleni, where the bulk of our mining operations in South Africa are concentrated.

Localisation initiatives in international operations

Given Aveng's international footprint, the Group strives towards ensuring that over time it employs predominantly local employees in the countries in which we operate.

African operations

The largest groupings of Aveng employees outside South Africa are located in Mali, Botswana, Guinea, Zambia, Ghana, Namibia and Tanzania, with Aveng Mining the largest employer in the rest of Africa. In all of these countries the majority of the management and employee population has been localised.

Attraction and retention of skilled employees remains a challenge at our international operations. Competitive remuneration structures are a priority for the Group to ensure we retain key and critical talent in these regions.

Australasia

McConnell Dowell employs predominantly local management and employees in its various Southeast Asia operations. The employment of Aboriginal and Torres Straight Islanders is a key imperative for McConnell Dowell which is committed to creating 900 jobs for these indigenous people over 10 years. McConnell Dowell is on track to achieve its target of appointing 90 employees from these indigenous groups per annum.

B-BBEE rating review

Aveng Trident Steel (Proprietary) Limited improved its B-BBEE ratings from level 4 to a strong level 3 and Aveng (Africa) Limited maintained its level 2 rating.

The table below shows the positive performance of both Aveng (Africa) Limited and Aveng Trident Steel (Proprietary) Limited against the various elements of the Construction Sector Charter.

Broad-based black economic empowerment scorecard 2012

Scorecard elements	Construction Sector Charter targets	Aveng (Africa) 2011	Aveng (Africa) 2012	Aveng Trident Steel 2011	Aveng Trident Steel 2012	Comparison indicator
Ownership	25	24	24	24	24	↔
Management control	10	7,84	8,16	6,66	9,36	↑
Employment equity	10	4,33	5,19	3,83	7,67	↑
Skills development	15	11,62	10,26	11,78	11,57	↓
Preferential procurement	20	18,78	18,55	12,85	12,26	↔
Enterprise development	15	15	15	2,22	14,72	↑
Social-economic development	5	5	5	5	5	↔
Total	**100**	**86,58**	**86,15**	**66,67**	**84,48**	
Rating	**1**	**3**	**2**	**4**	**3**	↑

Notwithstanding the significant progress made by Aveng over the past year, the organisation still faces a number of challenges on its transformation journey. Significant progress has been achieved in employment equity with Aveng Trident Steel doubling its score from 3,83 to 7,67 and Aveng (Africa) improving from 4,33 to 5,19. Although this improvement is commendable, a lot more effort is necessary to sustain this performance and ensure the accelerated development of talent. Achieving employment equity targets remains the biggest transformation challenge for Aveng.

Consumer relations

The Aveng Group signed a one-year sponsorship with the Eastern Province rugby union to support the Southern Kings in March 2013. The fact that Aveng built the Nelson Mandela Bay stadium in Port Elizabeth and that Aveng is active in the region, made it a perfect fit. The team is in its development phase and the Aveng sponsorship has contributed to the team's first year in the Super 15 tournament while also giving Aveng mass international TV exposure to a global audience and enhancing the Aveng brand.

Ethics management

Aveng Limited is committed to limiting the opportunity for fraud and corruption. The Group requires all staff at all times to act honestly, with integrity and to safeguard the resources for which they are responsible. Aveng has a number of procedures in place to govern fraud and corruption (i.e. fraud policy, procedure for fraud investigations, an anonymous fraud hotline, a whistle-blowing policy, a mandatory Competition Commission online training programme for 1 054Ⓐ senior managers and employees involved in tendering and procurement, as well as a pre-employment declaration for all prospective new senior employees confirming that they have not violated the Competition Act or been involved in any corrupt practice). All allegations received are reported to, and managed by, the Head of Forensics. Where allegations relate to fraud, theft or corruption the relevant employee/s will be suspended pending the completion of an investigation. Depending on the outcome of the investigations, various actions are taken, including disciplinary hearings, reporting of any criminal violations to the police, or any other action which management may deem appropriate under the circumstances.

The perpetration of fraud by Aveng employees is a serious offence and carries the consequence of summary dismissal and criminal conviction. Where there is evidence of a criminal act, the matter will be reported to the police. During this financial year, 92% of the incidents/allegations reported through the tip-offs hotline facility were addressed. The facility is independently managed by an external service provider and the identity of all tipsters remains anonymous. Recommendations for preventive and/or corrective actions, to ensure that similar incidents do not reoccur, are included in the investigation reports to management.

Good corporate citizenship

Corporate social investment in Aveng is primarily focused on skills development and secondary school education projects, focusing on mathematics and science education in poor communities. See page 74 for additional information on the Group's community development initiatives.

Safety, health and environment

Refer to the Group's detailed report on safety, health and environment on pages 56 to 65 of this report.

Ⓐ *Assured*

Corporate social investment

The Aveng Group supports the development of the communities in which it operates and has in recent years consistently invested more than the widely accepted benchmark for Corporate Social Investment (CSI) spend of 1% of earnings for the period.

Year	Total CSI disbursed by Aveng Rm	Percentage of headline earnings (%)
June 2010	21	1,1
June 2011	23	1,9
June 2012	12	2,4
June 2013	19	4,1

Of the 4,1% of headline earnings Aveng invests in CSI initiatives, 75% is allocated to the Aveng Community Investment Trust and the remaining 25% funds projects supported by the operating groups. The operating groups tend to exceed this amount – further evidence of the Group's commitment to community support.

During the financial year to 30 June 2013, Aveng's total CSI investment amounted to:

Operating group	Investment
Aveng Community Investment Trust	R12 454 363 (A)
Aveng Engineering & Projects Company	R157 654
Aveng Grinaker-LTA	R138 591
Aveng Manufacturing	R495 698
Aveng Mining	R1 369 425
Aveng Trident Steel	R594 825
McConnell Dowell	R4 096 316
Total	**R19 306 872**

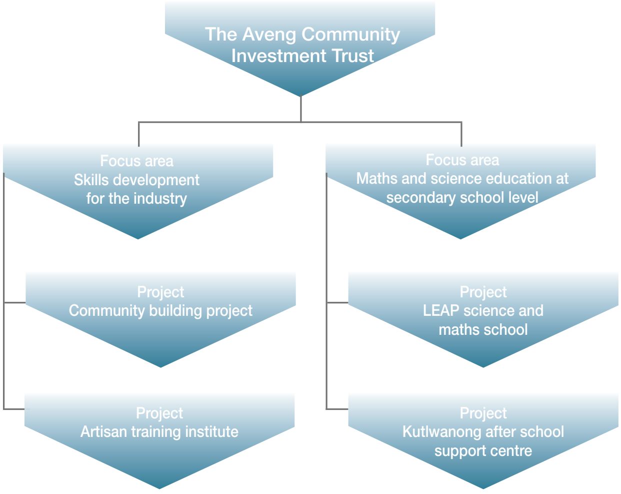
(A) *Assured*

Principles

Aveng's CSI strategy is driven by the principles of focus, nurturing relationships and enhancing sustainability.

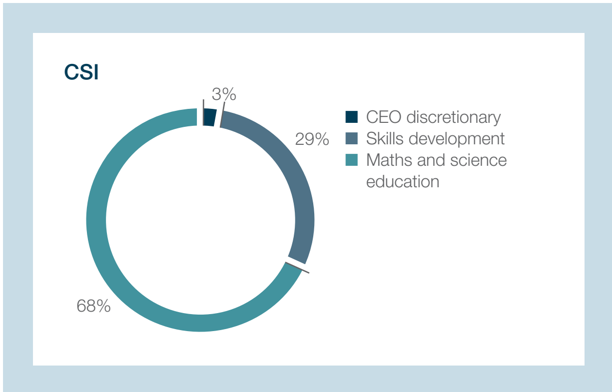
The Aveng Community Investment Trust (the Trust) was established in 2005 following the Group's black economic empowerment transaction. With the vision of building a stronger South Africa, it was necessary to be focused in order to make a deep and sustainable impact with the funding available. The Trust identified the two strategically aligned focus areas of skills development for the construction and engineering industry and maths and science education at secondary school level. Four flagship projects are supported under these focus areas.

This year, the Trust remained committed to these focus areas and projects, with 29% invested in skills development and 68% in maths and science education.



The following benefits have been realised:

- 28 learners (50% female) benefitted from the Artisan Training Institute
- 389 learners benefitted from the Kutlwanong after school support centre
- 95 learners benefitted from the LEAP science and mathematics school



When the Group's broad-based black economic empowerment transaction of 2004 reached maturity in 2011, the Aveng Community Investment Trust realised gains of R301 million. This will go some way in enabling the Trust to achieve a lasting impact.

Measuring the difference

The four flagship projects were identified in 2009 and investment in them commenced. Four years later, Aveng can start to measure the returns achieved by these investments and their ultimate impact on the beneficiaries. Consequently, the Aveng Community Investment Trust has mandated independent monitoring and evaluation experts to conduct thorough project reviews and establish a framework for monitoring and evaluating results in the future. The results of this exercise will be available in the new financial year.

Aveng has invested significant funds in the following four anchor projects:

Project	Investment	Beneficiaries	Overview
Community building	R8 million (2009 – 2013)	6 schools 1 962 learners 1 community centre for orphans and vulnerable children 53 unskilled men and women	This project provides skills training to the unemployed in disadvantaged communities in the unique rammed earth building methodology. Trainees receive accredited training on-site as part of the building team constructing facilities for disadvantaged communities.
Kutlwanong After school support programme	R4 million (2010 – 2013)	360 grade 10, 11 and 12 learners	An organisation offering after school support to grade 10, 11 and 12 learners from disadvantaged schools with a focus on maths and science education. The Aveng Trust fully funds a centre in the rural Nebo district of Limpopo.
LEAP maths and science school	R14 million	95 grade 9 and 10 learners	LEAP is a model of crisis intervention in education. Six schools in disadvantaged areas across South Africa offer learners rigorous intervention in maths, science and leadership skills, assisting them to access tertiary education. The Aveng Trust funds one LEAP school in Diepsloot.
Artisan Training Institute	R5 million (2009 – 2012)	102 unemployed trainees	IFTA is a technical training centre for learners or artisans, and artisan assistants, providing training in mechanical, electrical, motor/diesel and boiler making qualifications. IFTA has a high placement rate of trainees into relevant learnerships.

Operational overview

contents

Santa Fé jackup barge at Hay Point Coal Terminal, Australia

Executive directors and key operational management

Kobus Verster (47)
Acting CEO/Financial director
BCom (Hons), MBL, EMP

23 years' industry and related experience

Three years with the Aveng Group

Prior to joining the Aveng Group, Kobus worked at ArcelorMittal (South Africa) Limited and was appointed general manager, corporate finance and treasury in 2003. He then became general manager, corporate treasury at Mittal Steel Company N.V. in 2004. In February 2006, he was appointed executive director, finance at ArcelorMittal.

Juba Mashaba (47)
Group human resources director
BA, LLB

18 years' industry and related experience

Six years with the Aveng Group

Juba has held senior human resources positions with Eskom, Simba, and ArcelorMittal (South Africa). He was appointed group HR director of Aveng Limited in 2007.

Juba was appointed to the Board in 2007. He serves on the boards of group companies Aveng (Africa) and Aveng Trident Steel Holdings.

Juba's HR career started in 1995 with Eskom as a group HR manager. In 1997, he was appointed HR director of Simba, and this role was expanded in 2004 to include the PepsiCo businesses in sub-Saharan Africa. In 2004, he was appointed to the board of ArcelorMittal (South Africa) as executive director, HR. He also served on the human resources and nomination committee, the transformation committee, and the safety, health and environmental committee of ArcelorMittal (South Africa).

David Robinson (59)
Managing director: McConnell Dowell Corporation Limited
BE (Civil), MIE Aust, CP Eng, FAICD

36 years' industry and related experience

34 years with the Aveng Group

David joined McConnell Dowell as a site engineer in 1978 and subsequently held various senior management positions at McConnell Dowell Corporation. He was appointed to the position of managing director of McConnell Dowell in October 2000 and was appointed to the Board of Aveng in January 2005.

Solly Letsoalo (51)
Managing director: Aveng Manufacturing
BSc (Eng)

29 years' industry and related experience

Four years with the Aveng Group

Prior to joining the Aveng Group, Solly was the chief operating officer of Transnet Port Terminals and also held senior management positions at Nampak and SAB. Solly was appointed managing director of Aveng Manufacturing in October 2009

Stuart White (49)
Managing director: Aveng Moolmans
NHD (Civil Eng)

32 years' industry and related experience

32 years with the Aveng Group

Stuart started his career with LTA Construction and was transferred to Aveng Moolmans. He obtained experience on various civil engineering and mining contracts. As a project manager from 1990, he managed various open cast coal mines for Moolmans in Mpumalanga and was appointed contracts director in 1993. In 1997 he was appointed general manager of West Africa and relocated to Ghana where he managed Moolmans Mining (West Africa), including civil engineering and mining contracts in Mali, Guinea and Ghana. He was appointed to the Opencast Mining board in 1999. In February 2013 he was appointed managing director of Aveng Moolmans and appointed to the board of newly formed Aveng Mining.

Hercu Aucamp (45)
Managing director: Aveng Steel
BCom, MAP, EDP

24 years' steel industry experience

Two years with the Aveng Group

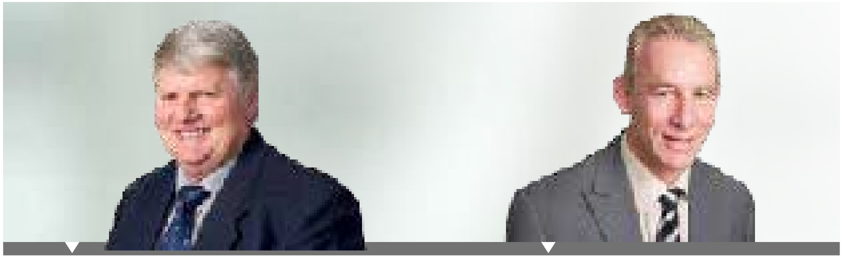
Hercu started his career at ArcelorMittal South Africa where he held several key management positions, including chief marketing officer, South Africa; financial manager, Vanderbijlpark works and divisional manager, Production Planning and Logistics. Early in 2010 he moved to Robor as group marketing director. He has held a number of directorships, including four years as non-executive director of Macsteel International Holdings (MIHBV in the Netherlands).

Martin Hobbs (56)
Managing director: Aveng Mining Shafts & Underground
Pr Eng, BSc Eng (Mech), BCom

34 years' industry and related experience

9 years with the Aveng Group

After graduating in 1981, Martin gained experience in deep level mining and plants on the Free State gold mines. In 1988, following a period in steel engineering, he joined Grinaker Construction in its mining, crushing and plant operations. From 1993, Martin ran his own consulting business operating primarily in the mining industry. He was appointed as managing director of Aveng Grinaker-LTA Mining in 2010 and joined the board of Aveng Mining in 2012, having previously served on the Aveng Grinaker-LTA board.



Brian Wilmot (59)
Managing director: Aveng Grinaker-LTA
PR Tech Eng, ECSA

40 years' industry and related experience

40 years with the Aveng Group

Brian started his career with Aveng Moolmans in 1973 and, after a break to complete his studies, returned to the company. Brian worked on various notable contracts, including Sasol Roads and the Louis Trichardt Mountain Pass. He also held senior management positions on various coal mines including Phoenix Colliery and Wonderwater for Sasol. Brian was promoted to the board of Aveng Moolmans in 1989 and became managing director of Aveng Moolmans in 2004. In June 2013, he was appointed managing director of Aveng Grinaker-LTA.

Gavin Young (54)
Managing director: Aveng Engineering
BSc Eng Chemical, BCom, MBA (Project Management)

28 years' experience

One year with the Aveng Group

Gavin previously held managing director positions at Parsons Brinkerhoff and Johnson Matthey and has gained extensive experience in consulting engineering, project management and technology intensive manufacturing which he acquired in Europe, North America and southern Africa.

Details correct as at 30 September 2013

Construction and Engineering:
Australasia and Asia

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

Financial highlights
Construction and Engineering:
Australasia and Asia* operating segment

	2013 Rm	2012 Rm	Variance (%)
Revenue			
» External revenue	**26 749**	17 122	56
» Internal revenue	**–**	–	–
Gross revenue	**26 749**	17 122	56
Net operating earnings	**639**	**406**	**57**
Capital expenditure	**384**	**611**	**(37)**

For additional highlights refer to the group overview on pages 10 and 11 of this report

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

Key management	D Robinson D Morrison C Hall J Hearst G Jackson A Jenkins N Cain R Rooney J Frith
Primary geographic markets	Australia, Hong Kong, Indonesia, Kiribati, Laos, Malaysia, New Caledonia, New Zealand, Papua New Guinea, Philippines, Qatar, Samoa, Saudi Arabia, Singapore, Solomon Islands, Thailand, United Arab Emirates

** The Construction and Engineering: Australasia and Pacific operating segment has been renamed Construction and Engineering: Australasia and Asia.*

David Robinson » Managing director

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

McConnell Dowell is geographically structured into Australian and overseas operations, with specialist services in tunnelling and pipelines. Separately branded Electrix operates in the construction, maintenance and asset inspection parts of high-voltage electrical transmission and distribution systems, generation and electrical substations, as well as gas distribution networks. Built Environs is the commercial building arm of McConnell Dowell.

McConnell Dowell contributed 52% to the Aveng Group's revenue and 64% to the two-year project order book at 30 June 2013.

Financial performance

McConnell Dowell recorded a major improvement in its financial performance, with revenue growth of 56% to R26,7 billion and net operating earnings up 57% to R639 million.

The growth in revenue was largely due to the contribution of major projects such as Hay Point Berth (Hay Point), the Australia Pacific Liquid Natural Gas Pipeline (APLNG), the Queensland Curtis Liquid Natural Gas Pipeline (QCLNG), Gladstone Liquid Natural Gas Pipeline (GLNG) and Gold Coast Rapid Transport (GCRT) project. The solid earnings increase was enhanced by good contributions from the Electrix business unit and the marine projects in Australia. While QCLNG and GCRT contributed significantly to revenue, problems experienced on the contracts resulted in loss provisions. A positive result on the previously troublesome Komo Airfield project in Papua New Guinea was also a contributor to earnings.

McConnell Dowell is well positioned with a good portion of the 2014 revenue budget having been secured. However, the market remains challenging with key sectors such as Australian resources experiencing a significant retraction which is reflected in the cancellation or deferment of a number of major projects. In response, McConnell Dowell has shifted its attention to transport infrastructure as a source of opportunities in Australia, and has refocused its efforts on growing the contribution from its overseas businesses. Competition remains intense in all markets and margins are under pressure.

Operational performance

The **Australian construction operations,** including Built Environs, maintained strong growth, reporting revenue growth of 49% to R11,5 billion. Key contributors were Hay Point and GCRT projects in Queensland, although access, services and weather-related problems encountered in the final quarter of the year had a negative impact on GCRT's profit margins. A commercial settlement was agreed on Hay Point removing significant downside risk on this previously troublesome project. Other highlights include the completion of the Adelaide Desalination project, which has won a number of industry awards including the Desalination Plant of the Year award at the Global Water Awards held in Spain, and a breakthrough achievement in Victoria with the awarding of an alliance contract with VicRoads, the state government road authority. With the slowing of investment in major resources infrastructure, McConnell Dowell has shifted its focus to transport infrastructure opportunities in New South Wales and Victoria, Western Australia and Queensland. A restructure of the Australian operations has also occurred to drive better business development focus, executive governance and risk management across all projects.

The revenue of **Built Environs** increased by 81% to R2,1 billion. The business unit achieved a record award of new work which augurs well for improved revenues again next year. Performance was very strong in Western Australia, the highlight being the awarding of the Perth Airport project. In South Australia (SA) work continues on the upgrade of the Centro Arndale Shopping Centre and Whyalla Regional Cancer Centre, with both projects on target for timely completion. Built Environs was awarded SA's Australian Institute of Building Awards for its work on the Noarlunga to Seaford Railway Extension and University of Adelaide Capital Management Plan. Both projects now go through to the national awards. In Queensland, Built Environs' teams continue their partnership with McConnell Dowell on the GCRT public private partnership. This project provides a springboard for Built Environs to pursue a range of new opportunities in that state.

The **overseas construction operations** reported a 1% decrease in revenue to R3,6 billion as revenue from Southeast Asia slowed, reflecting competitive markets. New Zealand, the Pacific Islands and the Middle East achieved consistent revenue levels. Work progressed well on projects in Singapore, Indonesia and the Vale Jetty in Malaysia. The mechanical projects in Saudi Arabia are close to completion and have progressed well. Winning work remains a challenge, however, there are positive signs in growth markets going forward, including Southeast Asia, Qatar and Saudi Arabia.

The **pipelines** business unit reported a considerable increase in revenue to R8,0 billion compared to R2,9 billion in the comparative period. Work on a number of significant coal seam methane projects secured in Queensland in the previous financial year are still in progress. Work on the APLNG (approximately 70% complete) and GLNG (approximately 60% complete) projects has progressed according to schedule and both are performing well overall.

However, profitability continues to be impacted by the QCLNG project, which is now 88% complete, primarily due to adverse weather conditions and commercial issues with the client. As a result, further loss provisions have been recognised on the project. The QCLNG project is being undertaken with a joint venture partner, and involves detailed design and construction work for a 540km, 42-inch underground gas pipeline network. The extreme weather events experienced in Queensland in the current year have extended the project beyond the 31 August 2013 schedule which has added costs and commercial risk for which provisions have been recognised. Although this project is expected to be substantially completed in November 2013, it is adversely impacting working capital as well as profitability which is expected to be resolved during the second half of the new financial year.

The revenue of the **tunnelling and underground** operation declined marginally to R1,0 billion and the team continued to focus on strengthening its execution performance. Winning new major projects, however, has proven to be a challenge. In New Zealand, manufacture of the massive tunnel boring machine for the R9,9 billion Waterview project was completed and it is currently being mobilised to site in Auckland. The project is approximately 30% complete and on schedule. The Abu Dhabi cable project is on track and the Beauty World Mass Rapid Transport Station in Singapore is moving towards substantial completion ahead of time. Strong performances on these projects have positioned McConnell Dowell to secure future infrastructure transport projects across Australia, Singapore and New Zealand. The underground mining sector is committed to productivity and technology improvements to ensure long-term sustainable mining and McConnell Dowell is well placed to work with leading mining groups to develop innovative tunnelling solutions.

The **Electrix business unit** has further consolidated its position as a leading contributor to McConnell Dowell with 37% growth in revenue to R2,6 billion and profit growth. In New Zealand, business remains strong, underpinned by long-term maintenance contracts in transmission lines and substations. Work levels in the gas business remain high and good growth has been experienced in the distribution sector on the back of the Vector contract and work secured with new customers. Electrix Australia has experienced growth through significant contracts with Powerco, SP Ausnet and Western Power, including the extension of existing term contracts. In Queensland, Electrix has positioned itself as a major player in the industrial and resources sector with work being done for GLNG, QGC, and Boral in its own right and in conjunction with McConnell Dowell. The focus on gas and high voltage substations in Australia has paid off with contracts secured with APA for gas mains refurbishment in South Australia and Western Power for substation construction. Electrix goes into the new financial year with a record level of work on hand and excellent prospects to expand in the distribution, gas, transport and water sectors.

Safety and health

McConnell Dowell's LTIFR increased marginally to 0,13 (2012: 0,12). The ongoing target is to improve performance against rolling three year indicators by 10% annually. The major initiative undertaken in 2013 was the centralisation of the health, safety, environment and quality management function in Melbourne to drive efficiency and performance improvements across these key business disciplines.

Environment

There was a marginal increase in the total environmental incident frequency rate for the year due to some storm water, erosion and sediment management incidents recorded on the larger pipeline projects. Each of these areas has undergone significant procedural improvements and good progress has been made. A positive sign of this progress was the inaugural Australian Pipeline Industry Association Environment award that McConnell Dowell received for its erosion and sediment control practices on the QCLNG project.

Human capital

McConnell Dowell achieved an overall satisfaction score of 70% in its annual employee opinion survey and continues its focus on leadership training and performance management. An Indigenous Participation Policy guides the sourcing, attracting, developing and retaining of Australia's indigenous employees, together with a strategy for procuring indigenous suppliers and subcontractors in the domestic market.

Looking ahead

With significant slowing in key markets, McConnell Dowell enters this period of uncertainty with significant opportunities.

In the short-term the company will continue to focus on its core competencies and current geographic footprint. The Asian and Middle East markets represent important growth opportunities and these will be exploited to their fullest extent.

With the reduction in mining commodity resource investments in Australia, McConnell Dowell will apply greater effort to securing transport projects in Australia, especially larger opportunities in Sydney. Additional strategies in Australia will include stronger marketing of the company's rail and industrial capabilities.

The McConnell Dowell executive team will continue to employ early corporate intervention in underperforming businesses and projects, and cost control will remain a core focus.

Komo Airfield, Papua New Guinea

Construction and Engineering:
South Africa and rest of Africa

Financial highlights
Construction and Engineering:
South Africa and rest of Africa operating segment

	2013 Rm	2012 Rm	Variance (%)
Revenue			
» External revenue	**8 059**	7 931	2
» Internal revenue	**235**	267	(12)
Gross revenue	**8 294**	8 198	1
Net operating earnings	**(914)**	**(861)**	**6**
Capital expenditure	**46**	**176**	**(74)**

For additional highlights refer to the group overview on pages 10 and 11 of this report

	Aveng Grinaker-LTA	Aveng Engineering & Projects Company	Aveng Water
Key management	B Wilmot, A Shaikh, A Hopgood, A Crooks, J Greenway, L Petrie, M Meire, M Janse van Rensburg, P Davies, P Keenan, P Mbambo, S Makhaye, W Kriel	G Young, J Groenewald, V Maharaj, E Mohube	G Young, V Maharaj, G Terry, R Malcolm, R Hattingh, M Nizetich, A Linington
Primary geographic markets	Botswana, Ghana, Lesotho, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia	Malawi, Mozambique, Namibia, South Africa, Zambia	Australia, Namibia, South Africa

Brian Wilmot » Managing director

Aveng Grinaker-LTA offers multidisciplinary services across the construction and engineering value chain to its clients in South Africa, Mozambique, Mauritius and other selected markets in the rest of Africa. Services range from building, civil engineering and earthworks, to mechanical and electrical engineering.

The repositioning of Aveng Grinaker-LTA continues in a challenging environment. The South African construction and engineering industry, in which the operating group generates 92% of its revenue, remains subdued. Increased competitiveness for diminishing volumes of work is a key characteristic of the market, and industrial action continues to have a large impact, particularly on major projects. These factors added a material additional financial burden during the 2013 financial year. Aveng Grinaker-LTA contributed 15% to the Group's revenue and 18% to the two-year order book at 30 June 2013.

A review of the specialised businesses within Aveng Grinaker-LTA resulted in a decision to move the non-core construction businesses of Aveng Steel Fabrication (ASF, previously DSE Steel Fabrication) to Aveng Steel, and Facades and Automation and Control Solutions (ACS) to Aveng Manufacturing with effect from 1 July 2013. The businesses of Karrena, Concrete Repairs, Rand Roads and Ground Engineering (GEL) have been retained in Aveng Grinaker-LTA. The results of ASF, Facades and ACS are included in the Aveng Grinaker-LTA report for the 2013 financial year.

Financial performance

Despite a marginal increase in revenue to R7,7 billion, operating losses increased substantially in the second half of the year, resulting in a significant operating loss of R950 million for the operating group.

The loss was mainly attributed to losses of R500 million on major projects, including the Mokolo Crocodile Pipeline (Mokolo) project and the Medupi Power Station Joint Venture project, labour disruption costs of R270 million, and losses of R150 million at Rand Roads and ASF.

Rand Roads reported an operating loss, largely as a result of inventory write-downs and cost-overruns, while ASF contributed to the loss due to low productivity and utilisation levels, and losses at the KNM Grinaker-LTA subsidiary.

Operating unit performance

The construction business unit comprises the building, civil and earthworks engineering, and mechanical and electrical businesses and is geographically structured into inland and coastal operations. Construction reported a 2% decline in revenue to R6,1 billion. An operating loss was incurred largely as a result of operational and labour problems experienced at the Medupi Power Station and Mokolo projects. The coastal operation performed well, benefiting from the integration of the building and civils operations. A number of higher margin large contracts awarded during the year had a positive impact on the results and will have a greater impact in the new financial year.

The building operation is the largest contributor to Aveng Grinaker-LTA, and together with its 25% BEE partner, commenced work on the design-build contract for the Department of Environmental Affairs' new head office in Pretoria. The PPP project was awarded in June 2012 and the building work is scheduled to be completed in June 2014. Work progressed on the Cradlestone Mall project in Krugersdorp, which is due to be completed in October 2013, and ancillary building projects in the sports, entertainment and commercial building sectors. New awards included the Vodacom Data Centre in Midrand for Coffey Projects, the Sandton City Atrium Repositioning for Liberty Group Properties, an EPC contract to build a private hospital in the Western Cape for Busamed and mining-related infrastructure at Shondoni mine for Sasol.

The Medupi civils contract conducted in a joint venture partnership, accounts for the bulk of the civil engineering order book. Challenges experienced on the Medupi site, including a decline in productivity as a result of labour disruptions, had a significant negative impact on the performance of the civil engineering operation. A framework agreement was signed by Eskom, labour and the contractors in June 2013 but the general working climate remains volatile and unproductive. Aveng Grinaker-LTA, together with its joint venture partners, have lodged claims for compensation of significant losses associated with the labour disruption. The Medupi contract was approximately 82% complete at 30 June 2013.

The mining industry is a valuable driver of construction opportunities at the early stages of new mining projects. Unfortunately, however, ongoing uncertainty in the domestic industry continued to restrict opportunities for the earthworks engineering operation during the first half of the financial year.

A number of challenges at the Mokolo project contributed to a major decline in performance. The Mokolo project was identified as a major risk and significant project losses have been incurred. Risk provisions were recorded during the year, largely as a result of delays in pipe supply, labour disruptions as well as weather and execution challenges on the project.

Two major contracts awarded in February 2013 – the Nacala Section 2 Rail Project for Vale/CFM Concessions Company and the Majuba Rail Link for Eskom Holdings – have strengthened the operation's position, although their contribution will only be felt later in the new financial year. The Nacala contract includes the provision of earthworks and structures for a 60km railway line from Tete Province in Mozambique to the Malawian border. The Majuba railway line is a 68km heavy-haul line from Ermelo in Mpumalanga to the Majuba power station in KwaZulu Natal. Site establishment has commenced and the project is due for completion after 24 months.

A portion of the rehabilitation of the N3 highway between Warden and Villiers was completed in 2013 and Aveng Grinaker-LTA was awarded the contract to rehabilitate 31km of the national road between Cradock to Knutsford for the South African National Roads Agency.

The performance of the mechanical and electrical business unit was impacted by labour unrest at its Medupi Power Station related projects as well as delayed certification on a number of claims relating to mineral processing and pipeline work. Subsequent to year-end, these claims were certified. A number of long outstanding historic claims continue to receive attention with encouraging progress being made on these, specifically in the run-up to, and following year-end.

The specialised businesses operation comprised Rand Roads, GEL, Karrena, Concrete Repairs, ACS, Facades and DSE Steel Fabrication during the year under review. The operation increased its revenue by 26% to R1,6 billion mainly as a result of increased volumes in Rand Roads, growth in the asphalt binders market and good performances by ACS and GEL.

Remedial initiatives

Actions have been implemented to strengthen the focus of Aveng Grinaker-LTA on its core services of building, civil engineering, earthworks engineering and mechanical and electrical engineering, and improve its value offering to clients.

Brian Wilmot was appointed managing director of Grinaker-LTA with effect from 1 July 2013. Brian will lead the ongoing process to fundamentally address profitability in the operating group and build a business better equipped to withstand both internal and external shocks. Key areas of focus in the year ahead are:

- » Ensuring that employees are adequately supported by leadership, systems and processes in their daily efforts to execute and deliver projects effectively for clients
- » Strengthening project execution to ensure that the business generates appropriate value for its clients and other stakeholders
- » Optimising the balance between the core functions of building, civil engineering, earthworks engineering and mechanical and electrical engineering to improve workflows, optimise costs and ultimately increase profit margins
- » Mitigating the challenges in the domestic construction and mining industries by expanding beyond South Africa's borders in association with other Aveng operations in pursuit of higher margin work
- » Managing risk by balancing the portfolio of contracts based on client, country, competency and currency, and other fiscal regimes.

Safety and health

Aveng Grinaker-LTA suffered four fatalities (2012: six) during the period under review. The LTIFR increased marginally to 0,28 (2012: 0,25). With the assistance of a dedicated SHEQ manager, the operation has intensified its focus on safety as a core value with the aim of achieving a zero fatality environment. A number of LTI-free targets were met during the year.

The operating group commenced the rollout of the employee wellbeing programme and achieved an engagement rate of 5% for the financial year. The programme has been well received, and further training and awareness sessions to increase the utilisation of the programme have been planned for the year ahead.

Skills

A shortage of skills in the construction and engineering industry continues to have a negative impact on productivity. To mitigate this impact Aveng Grinaker-LTA operates civil engineering, mining engineering and welding training centres.

Environment

Aveng Grinaker-LTA has adopted the Group's environmental framework to drive an increased focus on environmental management as a core value.

The Department of Environmental Affairs head office in Pretoria was awarded a six-star Green Star certification for office design from the Green Building Council of South Africa in May 2013.

Human capital

Grahame McCaig resigned as Aveng Grinaker-LTA managing director with effect from mid-June 2013.

Looking ahead

Growth in the South African construction industry is expected to remain subdued in 2014 and profit margins will remain under pressure due to ongoing competition and labour disruption.

Urgent attention is being given to the stabilisation and recovery of Aveng Grinaker-LTA, with a specific focus on strengthening the commercial and project execution capabilities of the business and to align overheads with revenue.

Encouragingly, Aveng Grinaker-LTA has commenced work on major new rail projects awarded in Mozambique and South Africa, and is the preferred bidder for the Mauritian toll road concession in the Port Louis Decongestion Programme.

Medupi Power Station, Lephalale, South Africa

Gavin Young » Managing director

The Aveng Group offers concept and detailed engineering, design and project management services to its clients in the minerals processing, water, and power and energy sectors, and longer-term operation and maintenance services across a broad range of plant capabilities in these sectors in South Africa and southern Africa.

Aveng Engineering was established with effect from 1 July 2013 as the operating segment responsible for generic engineering services and project management activities with water, power (including renewables) and minerals positioned as the customer-facing business operations.

By combining these operations, the Aveng Group will optimise their collective capacity and build the critical mass necessary to serve future growth in their market sectors. This strategy will strengthen the resilience and sustainability of Aveng Engineering as its exposure to more market sectors mitigates risk and enables it to respond more efficiently to changing market dynamics. In the current environment, for example, where the minerals processing and water sectors are under pressure, Aveng Engineering has shifted its focus to renewable energy as a key business driver.

Financial performance

The revenue performances of Aveng Engineering and Projects Company (Aveng E+PC) and Aveng Water were both impacted by shortages of work as declining opportunities in large projects in South Africa and delays in the start of new contracts reflected the impact of the sustained economic downturn and severe labour disruption on their key market sectors. The global softening in demand for commodities extended the negative impact to mining projects in African markets in the second half of the year.

The extension of some existing contracts partially offset the effect of project delays on revenues but the costs of retaining skills and related capacity in anticipation of an improvement in market conditions which did not materialise took its toll on profits. Combined revenue declined by 10% to R643 million.

Operational performance

Power and energy

Contracts were secured for the construction of the Sishen solar farm and Gouda wind farm awarded in 2012 during the second round of the South African government's renewable energy independent power producer programme (REIPP), following successful achievement of financial close on these projects in June and July 2013. Construction work with joint venture partner Acciona commenced in the first quarter of the new financial year. The power operation, in joint venture with Acciona, is preparing to submit bids for wind and solar plants in the third round of the programme.

Minerals processing

The minerals processing operation suffered the consequences of adverse conditions in the mining industry. While work continued on existing contracts, a number of these will be completed in the 2013 calendar year and new project opportunities have been slow to come to market. This operation continues to support the commissioning of the Moma heavy mineral sands recovery plant project in Mozambique but its involvement will reduce as the plant approaches full capacity by the end of 2013. Engineering and commissioning work at the Grootgeluk coal processing plant which has been expanded to serve the Medupi Power Station, continued during the year and Aveng Engineering will support the commissioning and commencement of operations, also due late in 2013. A small team is completing the refurbishment and upgrade of the Ndola Lime project in Zambia.

The minerals operation has completed a number of feasibility studies but none had progressed to implementation at the time of reporting.

Longer-term operations and maintenance contracts across a broad range of processing plants progressed well and continued to provide a baseload of work in a volatile market. Contracts were renewed for Sumo's Kopermyn and Pembani's coal washing plants in Mpumalanga and Kayelekera sulphuric acid plant in Malawi, while a new long-term agreement was concluded with AngloGold Ashanti to operate and maintain a tailings recovery plant at the Hartebeesfontein slimes dam near Stilfontein.

Water

Acid mine drainage (AMD) is the core strength of Aveng Water and the source of the bulk of its current order book. The HiPro Water Recovery Process serves to strengthen the Aveng Group's offering to this market but new projects are slow in being developed. The water operation was negatively impacted by delays in project awards and implementation due to the curtailment of discretionary spending by clients in the South African and Australian mining sectors. There has also been an increase in competition as a result of the attractive potential of the water treatment market in South Africa.

Work on the Anglo American Thermal Coal eMalahleni Water Treatment Plant Phase 2B expansion design and build project is underway, but construction is behind schedule due to delays in the civil scope of work. The project will expand the daily capacity of the acid mine drainage treatment plant by 30 megalitres per day to 50 megalitres per day when fully commissioned in the 2014 calendar year. The Kromdraai mine water reclamation plant is in plant optimisation phase, but has been delayed by challenges in reaching full capacity. Construction works commenced on a mine waste recovery plant in Middelburg for BHP Energy Coal South Africa. The project has experienced some late engineering changes to facilitate the adoption of latest generation operating parameters to ensure optimal performance.

Aveng Water has two-year contracts to operate and maintain the eMalahleni and Optimum Colliery water reclamation plants. The terms of its contract to operate and maintain the Erongo sea water desalination plant in Namibia were amended during the 2013 financial year as the Trekkopje Uranium Mine it was due to support was mothballed by Areva.

Strategic initiatives

Aveng Engineering has made progress with a number of strategic initiatives to improve internal efficiencies and strengthen its market positioning. Key focus areas are:

Engineering skills shortages

The combination of Aveng E+PC and Aveng Water will support efforts by Aveng Engineering to address the industry-wide skills challenge, enabling more effective deployment of a centralised pool of skills for available work.

Customer focus

The implementation of a customer relationship management system has strengthened relationships with targeted clients, resulting in the award of feasibility studies during the period under review.

Competitive differentiation

The use of advanced engineering systems affords Aveng Engineering a distinct competitive advantage and the operating group has made further investments in, and implemented, a suite of engineering systems to support best practice project management.

Geographic and market diversification

Aveng Engineering has identified Africa as its main growth market and while the business continues to work on minerals processing plants in Mozambique, Namibia, Zambia and Malawi, some of these contracts are near completion and will need to be replaced in the new financial year. Aveng Engineering continues to seek and find opportunities, although shifting market dynamics have resulted in relatively more opportunities appearing in the renewable energy sector and fewer in the minerals and water sectors.

The merging of the engineering operations has positioned the operating group more favourably to adapt and respond to these rapidly changing market dynamics in bidding and delivering projects and studies for its targeted sectors. The curtailment of client appetite for capital expenditure in the minerals and water sectors in South Africa has reinforced the need to re-energise the group's focus on diversification into Africa.

Safety and health

Aveng E+PC performed poorly with its LTIFR deteriorating to 0,21 (2012: 0,05) as a result of three lost time injuries that occurred during the year. Two of these LTIs occurred in May, and immediate action was taken to prevent this trend continuing into the new financial year. The operating group's focus on safety management with visible felt leadership was reinvigorated to reverse this poor performance. The Kopermyn and Pembani coal washing plants achieved six and five years of lost time injury free operations, respectively, during the year.

Aveng Water achieved an LTIFR of 0,47 (2012: 0,96), and while this represents an improvement it still remains unacceptably high. Both the eMalahleni and the Erongo water treatment plants achieved three years of LTI free operations.

Aveng Engineering will increase its management focus on reporting safety incidents and is taking preventive steps to reduce them. The application of best in class safety systems and management practices across the entire operating group will assist this effort.

Aveng Engineering commenced the rollout of the employee wellbeing programme and achieved an engagement rate of 10% for the financial year. The programme has been well received, and further training and awareness sessions to increase the utilisation of the programme have been planned for the year ahead.

Environment

Aveng Engineering is acutely aware of the impact of its work activities on the environment and manages this impact carefully and responsibly. The operations were able to operate without any significant environmental incidents during the year.

Human capital

Gavin Young was appointed managing director of Aveng Engineering on 1 July 2013. Khungeka Njobe resigned as managing director of Aveng Water with effect from 30 June 2013 to pursue other opportunities. The human resources from Aveng E+PC and Aveng Water will be combined to enable deployment of different skills sets and best of breed practices across the businesses within the new Aveng Engineering structure. Successfully capturing growth opportunities in the renewable energy sector will require a reorganisation of human resources to ensure that the necessary construction delivery and management capacity is available for projects awarded in the sector. There will be a strong focus on retaining and building the core and critical knowledge and skills of Aveng Water which represent a key competitive advantage in the water market.

Looking ahead

Aveng Engineering has entered a period of consolidation as ongoing constraints in the minerals processing and water markets, and the slow pace of public sector investment in the power sector, curtail growth.

The newly formed operating group will focus on implementing the renewable energy projects it has been awarded and leveraging the experience gained to secure additional opportunities in future rounds of the domestic energy procurement programme.

Long-term prospects for the water and minerals businesses are linked to prospects in the mining industry, with the power market presenting counter-cyclical opportunities for the power business. In the short-term, Aveng Engineering will focus on completing projects already in construction and providing operations and maintenance services for installed plant to its clients.

Financial highlights
Manufacturing and Processing operating segment

	2013 Rm	2012 Rm	Variance (%)
Revenue			
» External revenue	**9 326**	9 148	2
» Internal revenue	**409**	178	130
Gross revenue	**9 735**	9 326	4
Net operating earnings	**269**	**585**	**(54)**
Capital expenditure	**305**	**198**	**54**

For additional highlights refer to the group overview on pages 10 and 11 of this report

	Aveng Manufacturing		Aveng Trident Steel	
Key management	S Letsoalo C Barrett B Khonyane W De Gidts B Long G Steyn	P Tsheledi L Lelaka R Tembedza R Otto T Dabula	H Aucamp A Ngapo N Grobler G Nel L Rayson H Meaker	D Subramanian M Mahlangu B Harvey W Jones A Tsima R Mohanlal
Primary geographic markets	Australia, Botswana, Finland, Ghana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Tanzania, USA, Zambia, Zimbabwe, rest of Africa		Botswana, DRC, Ghana, Kenya, Lesotho, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe	

Solly Letsoalo » Managing director

Aveng Manufacturing manufactured and supplied steel and concrete products to the construction sector, services and engineered solutions to mining and construction clients, and rail construction and maintenance services to the transport sector during the period under review.

From 1 July 2013, Aveng Manufacturing Steeledale (Steeledale) was combined with the newly formed Aveng Steel operating group. The Facades and Automation and Control Solutions (ACS) businesses of Aveng Grinaker-LTA were moved to Aveng Manufacturing. These developments form part of the Aveng Group's reorganisation and will enable Aveng Manufacturing to strengthen its focus on the construction, mining and rail sector.

Aveng Manufacturing reported mixed results: strong performances by its operations serving the rail sector were not sufficient to offset the severe impact of market conditions and cost inefficiencies on the operations serving the steel and mining industries. Certain internal control weaknesses and irregularities were identified within the internal control systems of Steeledale. These internal control weaknesses, relating to inventory pricing models and costing, and physical controls relating to the assets, were identified by newly appointed management during detailed examination and testing of Steeledale's accounting systems. Action plans were, and continue to be implemented to address these weaknesses.

Financial performance

The revenue of Aveng Manufacturing was impacted by the supply of lower volumes to the mining and construction sectors and revenue growth of 3,9% to R3,7 billion (2012: R3,6 billion) was largely attributable to increases in rail construction work in Australia and infrastructure product sales in Mozambique. Operating profits declined significantly from the high base established in the previous year to R14 million (2012: R206 million) as volatile conditions in the steel industry and labour disruptions in mining took a heavy toll on Aveng Manufacturing. The operating group contributed 7,2% to the Aveng Group's revenue and 2,1% to its net operating earnings.

Operating performance

Construction products

Steeledale was unable to sustain the turnaround achieved in 2012 and recorded a decline in revenue and an operating loss. The business operates in the highly competitive steel market and was adversely impacted by a combination of market share losses in mesh, a price war initiated by a major competitor in rebar and labour disruption on one of its largest projects (Medupi). Steeledale's financial performance was further impacted by higher steel and manufacturing costs and inventory write-downs. A recovery plan was implemented to strengthen the management of debtors, standardise costing systems and apply a disciplined pricing model.

Aveng Manufacturing Infraset achieved solid growth in revenue and operating profits, with much of its improved performance attributed to cost reduction and efficiency gains from the operational improvement programme implemented in 2012, and considerable growth in the supply of precast concrete products to its markets in South Africa and Mozambique. Infraset was awarded a contract to supply the Nacala Rail Project in Mozambique with 80 000 railway sleepers and a letter of intent for a contract to supply Zambian Railways with 665 000 concrete railway sleepers, but was unsuccessful in the award of a further 1,2 million sleepers for the Nacala project. The operation has a strong order book and sufficient capacity to meet increased levels of demand.

Mining and water supplies

Aveng Manufacturing Dynamic Fluid Control (DFC) and Aveng Manufacturing Duraset both have high levels of exposure to the mining industry and were heavily impacted by lower demand and industrial actions, particularly at the platinum and gold mines they supply.

DFC reported declines in revenue and operating profits. Apart from the mining strikes, DFC was also impacted by a decline in demand for its specialised minerals processing valves in platinum mining and water valves in the municipal sector. Viewed as a capital investment by its clients, DFC's products were affected by the current spending constraints in mining and low levels of public sector investment in water projects. The impact of these developments was partially offset by growth in demand from American and Australian clients, and a full order book in the fourth quarter enabled the business to complete the year closer to its budgeted profits.

Duraset experienced a decline in revenue largely as a result of strikes in the mining industry, while a significant slowdown in the industry, with some closure or suspension of mines, maintained the downward pressure on volumes. Profit margins were also further eroded in the second half and the operation ended the year with a reduction in profit as sales of low margin products outweighed those of the higher margin items in the product mix, and customers were reluctant to accept price increases. A plan was implemented to improve margins by reducing production costs, the benefits of which will only materialise in the new financial year.

Rail construction and maintenance

Aveng Manufacturing Lennings Rail Services (Lennings) achieved significant growth in revenue and profits as work proceeded on track maintenance in South Africa and the rail construction project for Fortescue Metals Group (FMG) in Western Australia. The rail project was undertaken in joint venture with McConnell Dowell and entailed the construction of a 300km railway line from iron ore mines to port. The project was delivered ahead of time in August 2013. Lennings was awarded the Nacala Section 2 Rail Project in Tete province, Mozambique, and is awaiting the outcome of the award of the railway line project to serve the Majuba Power Station.

Strategic initiatives

Aveng Manufacturing implemented key strategic initiatives to support its ongoing operational improvement programme during the year. There was a renewed focus on optimising cost efficiencies at Duraset and the operating group maintained its focus on improving its competitive positioning by expanding its geographic footprint and developing innovative new products.

Geographic expansion

Aveng Manufacturing has factories in Swaziland and Zambia and, in partnership with Aveng Steel, has established two new manufacturing and processing plants in Tete, Mozambique, to serve coal mining and related infrastructure development in the province. The steel facility commenced production in April 2013. The concrete products factory is expected to commence operation in January 2014 and is well positioned to supply pipes, culverts and railway sleepers to the mining and rail sectors in Mozambique.

The operating group continued to experience growth in the export of its concrete and steel products to Mozambique and Zambia and is exploring opportunities to build factories in other growth markets in west and east Africa where it does not currently have a presence. Further afield, the group will leverage the significant growth in its rail construction business in Australia and is pursuing additional opportunities to supply concrete products to the rail and mining sectors in the rest of Africa. The establishment of a presence in DFC's market in the United States and the appointment of a distributor for its valves in Australia in the previous financial year have both resulted in growth in volumes in those markets.

Plant and product development

As competition has intensified in its markets for manufactured goods, Aveng Manufacturing adapts continuously to meet the demand for quality and cost efficiency.

In recent years, the operating group has consolidated or upgraded many of its factories to maximise their efficiency, with good results. It has also invested in new product innovation to maintain a competitive edge.

New product development initiatives currently underway at Infraset include an investment in the development of capacity to add road kerbs to its extensive product range.

Duraset has introduced the following new products and developments:

- a new zinc coating plant installed in 2012 to protect steel products, commenced operations and will deliver profits in the new financial year
- an investment in a production facility for patented pre-stressed pots for mine support
- integration of electronic tags into roof bolts to scan for threats to safety
- development of a mechanised mining process to instal Duraset products in mines.

Safety and health

Aveng Manufacturing is deriving tangible benefits from its heightened focus on safety performance. The LTIFR was reduced to 0,60. No fatalities were reported during the year and there were no lost time injuries recorded in the third quarter.

Support for health and wellness programmes among all levels of employees has increased. Training on fatigue management took place in March and will be rolled out to other employees.

The operating group commenced the rollout of the employee wellbeing programme and achieved an engagement rate of 10% for the financial year. The programme has been well received, and further training and awareness sessions to increase the utilisation of the programme have been planned for the year ahead.

Environment

Aveng Manufacturing conducts its activities in accordance with the Group's environmental framework and employs a team dedicated to managing reductions in its emissions, waste and energy consumption.

Human capital

Following the resignation of Henry Smith as MD of DFC, Brenton Long, the former MD of Aveng Duraset succeeded Henry with effect from April 2013. Brenton had served as a director of DFC for a year and was familiar with the business. Ben Khonyane, the former chief operating officer of specialised businesses at Aveng Grinaker-LTA returned to Aveng Duraset to succeed Brenton as MD. Reinhardt Otto will join the Aveng Manufacturing executive committee as MD of Aveng Manufacturing Automation and Control Solutions (ACS). Facades will report directly to Ben Khonyane and receive support from the Duraset support functions. Considerable progress in the development and implementation of a succession plan is reflected in these appointments.

Aveng Manufacturing conducted employee training in safety legislation governing the Group's business activities and personal development and competency.

Relationships with unions and labour were strengthened by greater interaction between employees and group employee relations executives.

Looking ahead

Aveng Manufacturing enters the new financial year with a business that is more focused on its growth markets in rail, mining and construction. The operating group is currently working on rail construction and product supply projects in Australia and Africa, it has been awarded two rail projects in Mozambique and is awaiting the award of the Majuba rail project in South Africa. The operating group has also geared up its capacity to meet anticipated growth in demand for its precast concrete products in South Africa and the SADC region and its water valves in international markets as well as the domestic municipal market.

The two-year order book of Aveng Manufacturing is promising and shows significant improvement in relation to the interim reporting period.

Rail construction contracts that were awarded during the previous financial year, and the early part of this financial year have been delayed. This has resulted in the carry-over of work secured.

Tenders for mechanised track maintenance contracts were awarded to the benefit of the order book prior to the 2013 financial year-end.

The leadership team will focus much of its attention on driving the growth of the rail business and integrating the new ACS and Facades businesses into the group. ACS, which supplies automation control solutions and operates under licence from Emerson, will pursue opportunities in the oil and gas and mining markets. Facades fabricates and instals aluminium and glass facades for buildings in the construction market.

Ballast regulator at Sishen – Saldanha Rail Corridor, South Africa

AVENG TRIDENT STEEL

Hercu Aucamp » Managing director

Aveng Trident Steel supplies a wide range of products to the domestic and export markets in the steel construction and automotive industries from its steel yards, processing centres and manufacturing plants.

Aveng Steel was established with effect from 1 July 2013 to combine the Aveng Group's steel businesses into one operating entity and leverage their collective value. The business activities of Aveng Trident Steel, Aveng Steeledale and Aveng Steel Fabrication (ASF, previously DSE Steel Fabrication) have been consolidated into Aveng Steel. Aveng Steeledale and DSE Steel Fabrication are still reported in the Aveng Manufacturing and Aveng Grinaker-LTA results, respectively, for the 2013 financial year.

Financial performance

Aveng Trident Steel's revenue performance in the second half of the year was buoyed by marginally higher volumes and an improvement in steel prices. These factors contributed to a 5% improvement in revenue to R6,01 billion. The business contributed 12% to the Aveng Group's revenue.

Operating performance

Aveng Trident Steel operated in a challenging environment, particularly in the first half of the year, as depressed market conditions reduced demand for steel and global commodity prices declined. A number of decreases in steel prices between April and November 2012 impacted stock valuations as well as sales margins and had a severely negative impact on profit margins. These factors were compounded by unreliable supply of steel by domestic mills and labour disruptions in the steel and transport sectors which resulted in low stock levels.

Conditions improved in the second half as stronger performances by all divisions contributed to a marginal improvement in sales volumes and steel prices strengthened, while an increase in steel imports normalised low stock levels towards the end of the financial year. The reliability of domestic mills remains a concern for downstream suppliers in the longer-term and Aveng Trident Steel constantly reviews its sourcing strategy to maintain its high levels of customer service.

The private sector continues to provide a solid baseload of work for Aveng Trident Steel in the absence of the long-awaited public infrastructure investment programme and the business is active in the automotive sector which has been strengthened by the South African government's programme to incentivise increased localisation.

Strategy

In recent years, Aveng Trident Steel has sought to mitigate the impact of volatility in the steel industry by balancing a strong internal focus on continuous strengthening of its capacity and efficiencies with an external campaign to drive growth by diversifying its market, product range and geographic footprint.

The combination of the Group's steel businesses under one strong brand will generate immediate benefits in procurement and sales and, by leveraging the synergies between them, will support an ongoing improvement in internal efficiencies. In the medium- to longer-term Aveng Steel will provide a stronger distribution network by rationalising its presence in some market areas and expanding in others.

Since June 2013, Aveng Steel MD Hercu Aucamp has been leading an intensive intervention to restore fundamental business practices in Aveng Steeledale to ensure that the competitive advantages in its geographic spread and experience in managing construction sites are leveraged.

Operational efficiencies

In the period under review, Aveng Trident Steel has recorded improvements in most of its operational efficiencies, achieving production records at some of its facilities. Capital expenditure of R119 million funded a number of projects to drive further improvements. These include a state-of-the-art open section mill, a tube laser and a peeling machine, which are currently being commissioned, and a new cut-to-length line for the KwaZulu Natal operation which will be installed in January 2014. A new SAP enterprise resource planning system was implemented post year end to improve efficiency of data management and internal business processes.

Geographic expansion

Aveng Trident Steel, in partnership with Aveng Steeledale, has established a new processing plant in the Tete province of Mozambique to serve coal mining and related infrastructure development in the province.

The business has strengthened its regional network of branches in South Africa and is extending all of its offerings into other markets in southern Africa to support its drive to improve its processing capacity and service delivery.

Safety and health

Aveng Trident Steel aims to become an industry leader in safety and environmental management. The business reported no fatalities during the period under review and, having achieved significant improvements in its LTIFR in recent years, recorded a further 13% improvement to 0,40 in the year under review (2012: 0,46) – progress towards its target performance of below 0,30. The hand safety campaign which focuses on raising awareness of hand injuries was launched during the financial year.

The operating group commenced the rollout of the employee wellbeing programme and achieved an engagement rate of 14% for the financial year. The programme has been well received, and further training and awareness sessions to increase the utilisation of the programme have been planned for the year ahead.

Environment

Aveng Trident Steel is progressively implementing the group environmental framework as well as the energy saving project. A successful ISO 14001 recertification audit was completed in June 2013.

Transformation

Aveng Trident Steel continued to make progress in its transformation initiatives as demonstrated by an achievement of level 3 B-BBEE certification in 2013.

Looking ahead

The steel industry is likely to remain under pressure in 2014, with no significant improvement in prices or demand for steel anticipated. Aveng Steel will focus on restoring stability in the Aveng Steeledale business and leveraging the combined capacity of its operations (including ASF) to pursue growth in new market segments, a wider product mix and geographic expansion. There will be an ongoing focus on operational improvements to mitigate the challenging dynamics in the steel industry. The labour strike in the automotive industry will have a negative impact on revenue and gross earnings in the first half of the 2014 financial year.

Open section mill, South Africa

Mining

Financial highlights
Mining operating segment

	2013 Rm	2012 Rm	Variance (%)
Revenue			
» External revenue	**7 435**	6 680	11
» Internal revenue	**–**	–	–
Gross revenue	**7 435**	6 680	11
Net operating earnings	**710**	**579**	**23**
Capital expenditure	**615**	**1 087**	**(43)**

For additional highlights refer to the group overview on pages 10 and 11 of this report

	Aveng Moolmans	Aveng Mining Shafts & Underground
Key management	S White, P Schumann, J Du Toit, E Lundgren, S Maharaj, D Hattingh, T Nair, S Stirling, A Jackson, R Nicholson, W Sephton, A Herman, L Rundle	M Hobbs, J Coetzee, F Krugell, J Pienaar, P Schipper, C Knoetze, G Roberts, R Erasmus
Primary geographic markets	Botswana, Ghana, Guinea, Mali, Namibia, South Africa, Tanzania, Zambia	Chile, South Africa, Zambia

Stuart White » Managing director: Aveng Moolmans

Martin Hobbs » Managing director: Aveng Mining Shafts & Underground

The Aveng Group offers services across the mining value chain, from shaft-sinking, underground development and contract mining, open cut mining, minerals processing and acid mine drainage to construction of mine infrastructure and the supply of mining equipment and products. The Group's experience spans a broad range of commodities and it has operated successfully in remote and difficult locations.

Aveng Mining was established in 2012 to leverage the collective capacity of the Aveng Group's open cut mining (Aveng Moolmans) and shaft sinking and contract mining businesses (Aveng Mining Shafts & Underground) to pursue growth opportunities in domestic and international markets.

Aveng Moolmans owns and operates heavy earthmoving and mining equipment and is one of the largest open cut mining contractors in Africa, mining over 20 million tonnes of material monthly. Aveng Mining Shafts & Underground, which was founded in South Africa and is expanding internationally, provides diversified mining infrastructure solutions in a range of commodities. The business specialises in mine design, feasibility studies, shaft sinking, mining and construction. It is one of only four deep-level shaft sinking companies in the world.

Aveng Mining accounts for 14% of the Group's revenue and 16% of the two-year project order book.

Financial performance

A strong performance by Aveng Moolmans in the first half of the year was tempered by unusually high rainfall in southern Africa, particularly in Zambia, and the impact on the mining industry of ongoing declines in global commodity prices. In these challenging market conditions, a decision was taken (in agreement with the client) to terminate the Chimiwungo pit at the Lumwana mine contract in Zambia early, as it was unsustainable for both parties. This resulted in lost revenue and termination costs. Aveng Mining Shafts & Underground was negatively impacted by project commencement delays on three new projects and the business rescue of Great Basin Gold Limited which forced the termination of the Burnstone Mine project. Labour disruption during the first half of the year continued for the remainder of the year, resulting in margin slippage.

A heightened focus on operating efficiencies, the completion of some lower margin projects and solid performances on existing projects in west Africa and South Africa partially offset these negative factors. Aveng Mining ended the year with 11% growth in revenue to R7,4 billion. The operating margin increased to 9,6%.

Operating performance

Aveng Moolmans

In the current challenging mining environment, Aveng Moolmans' strategy of mitigating risk by balancing its portfolio of contracts based on client, commodity, climate and country has ensured its resilience. Aveng Moolmans operates in eight African countries and its order book is diversified across a range of commodities. The business has developed associations over many years with leading global mining houses such as BHP Billiton, AngloGold Ashanti and Anglo American as it pursues opportunities on mines with sustainable futures. Clients consider contractors that use their own equipment a valuable capital saving – and therefore risk mitigation measure – in difficult times and this represents a distinct competitive advantage.

During the period under review, Aveng Moolmans recorded growth and good operational performances in its South African operations. The contract at Sishen Iron Ore Mine for Anglo American's Kumba Iron Ore Limited was renewed until 2017, which necessitated approximately R320 million in capital expenditure. Additional work was secured at the Kolomela iron ore expansion project in the Northern Cape, also for Kumba, and at the Smaldeel mini-pit in Mpumalanga for BHP Energy Coal South Africa. Solid performances were delivered on these contracts and the five-year Tshipi Borwa open cut manganese mine contract in the Northern Cape due to a combination of efficiency improvements, careful use of capital and good management of labour relations.

Further north, Aveng Moolmans successfully completed work at the Kansanshi Mine in Zambia for First Quantum Minerals in April 2013 and continued work on long-term contracts at Tati Nickel's Phoenix Mine in Botswana and a number of AngloGold Ashanti mines, including the Siguiri Mine in Guinea, Iduapriem Mine in Ghana and Star & Comet Pit in Geita Mine, Tanzania. At the end of the financial year, Aveng Moolmans was in the final stages of concluding a contract extension with AngloGold Ashanti at the Sadiola gold mine in Mali.

Aveng Mining Shafts & Underground

Aveng Mining Shafts & Underground (Shafts & Underground) offers expertise in deep-level vertical shaft sinking (below 1 000 metres), horizontal development and contract mining in South Africa, the rest of Africa and South America. Work on the 975 metre shaft at Codelco's Chuquicamata Copper Mine in Chile is underway and the shaft sinking and development contracts at the Shondoni coal project for Sasol are progressing well. The Wesizwe Platinum Bakubung mine shaft sinking project is proceeding to plan. A letter of award for a R700 million contract at the Platreef project for Ivanhoe Plats has been received. Financial constraints and misalignment with the client on the KCM project in Zambia made it necessary to withdraw from the project. The Two Rivers Platinum and Savmore Colliery projects were also terminated during the period under review. In addition, a significant impairment of receivables was made during the year relating to Great Basin Gold Limited's Burnstone Mine.

Despite a downward trend in the domestic mining industry, Shafts & Underground is pursuing a number of opportunities at Stylsdrift, Nchwaning and decline development work at Impumelelo. Prospects in international markets include work for AngloGold Ashanti at its Geita gold mine in Tanzania and for Mawarid Mining in Oman.

Shafts & Underground is focused on balancing the client, commodity and geographic spread of its project portfolio, while simultaneously reducing its exposure to low margin projects.

Strategic initiatives

Aveng Moolmans and Aveng Mining Shafts & Underground offer diverse expertise within mining contracting, with different skills sets and unique capabilities. Improved performances are largely a consequence of the strong focus of a unified management team on improving operational efficiencies and reducing underperformance. By combining the two businesses the Aveng Group has been able to leverage synergies in the areas of business development, financial reporting and client management. Both operations will continue to benefit from the sharing of best practices and cooperation with other group companies to pursue the Aveng Group's 'mine to market' strategy.

Operational efficiency

Continuous improvement in operational efficiency has been a fundamental practice of Aveng Moolmans since the 1950s. The business employs two key metrics: heavy mining equipment benchmarking, where asset utilisation is measured against global best practice and overall equipment efficiencies, where a number of metrics are measured against client and internal requirements. There is a singular focus on these and other metrics at all levels of the business to ensure that the drive to extract maximum value from equipment continues to deliver value.

Shafts & Underground focuses on improving operational efficiencies on all sites by identifying key initiatives relevant to each site, driven by specific needs and operations.

Geographic expansion

With approximately 70% of its work in locations north of South Africa Aveng Moolmans is well diversified geographically. However, the business is exploring opportunities further afield in the growing markets of South America and the Middle East. Shafts & Underground is exploring opportunities to expand its footprint in Africa to replace contracts that will be concluded in 2013.

Safety and health

Aveng Mining suffered two unfortunate fatalities during the year. Both Aveng Moolmans and Shafts & Underground have maintained a strong focus on safety during the year, with the latter achieving two million fatality free shifts in April 2013.

The combined LTIFR for both businesses was 0,21 (2012: 0,24). The AIFR (all injury frequency rate which includes fatalities, lost time injuries, restricted work cases, medical treatment cases and aid cases) was 1,84 (2012: 1,64). The Aveng Moolmans operations at Siguiri Gold Mine in Guinea achieved more than five million LTI free man hours, while Sadiola Gold Mine achieved 2,9 million LTI free man hours.

The operating group commenced the rollout of the employee wellbeing programme and achieved an engagement rate of 18% for the financial year. The programme has been well received, and further training and awareness sessions to increase the utilisation of the programme have been planned for the year ahead.

Shafts & Underground received ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 accreditation during the year. Aveng Moolmans received recertification of its safety and quality management systems to the OHSAS 18001:2007 and ISO9001:2008 management standards.

Environment

Aveng Mining applies the Aveng Group's environmental framework across its operations.

Human capital

Aveng Mining has a strong focus on leadership and skills development. A total of 5 635 people were trained in the year, of which 118 underwent management training through either the Aveng Leadership Development Programme or the Moolmans Supervisory development programme. Aveng Moolmans is accredited by the Mining Qualifications Authority (MQA), and 119 people undertook MQA skills training internally. Apprenticeships amounted to 43 registered, with 13 qualifying as earthmoving mechanics during the year and a civil engineering bursar due for completion in 2014.

The communities in which the business operates are major stakeholders, particularly on the long-term contracts where localisation and skilling of the local workforce provides a social and competitive advantage.

Looking ahead

Aveng Mining anticipates a period of consolidation, given the current state of uncertainty in the mining industry. This is reflected in the reduction in the combined order book to R8 billion (2012: R10 billion). Furthermore, a number of contracts that are due for completion in the period under review have not yet been replaced with new work. Management is confident that a number of contracts will be renewed, notably in west Africa.

In the year ahead, Aveng Mining will focus on maintaining its asset base and pursuing work opportunities, while developing its capacity and people for the next phase of growth.

Initial works at Kolomela iron ore extension project, South Africa

Corporate governance

contents

Controlled blast at Tshipi Borwa Mine, South Africa

Corporate governance

Aveng's approach to corporate governance

Companies are shaped by relationships. The most successful companies exhibit good relationships with their clients, investors, shareholders, the environment and the relevant authorities. At the Aveng Group, we call the management of these relationships corporate governance, and we believe it is the heart of our organisation.

Corporate governance is a positive and continuous action, it speaks to fair play and responsibility. If these are in force, the resounding victory of a good reputation will be achieved, something that Aveng not only seeks to protect, but to improve.

At the Aveng Group governance has three ground rules: candid disclosure of material information; adequate systems to ensure data is readily available; and checks and balances to protect the integrity of the company. These prerequisites empower the Board for good decision-making so that shareholders receive a fair return on their investments.

Corporate governance at Aveng is approached from four perspectives, perhaps pillars, each addressing areas of key focus:

- **Compliance** – to formalise and integrate the Group's relationships with relevant legislation and codes of good practice
- **Internal and external assurance** – to ensure that there are no material breakdowns
- **Risk management** – to determine whether any material issues need to be addressed
- **Ethics management** – to ensure that the organisation is operating with integrity and fairness to all of its stakeholders.

Compliance

The Board notes its duty to ensure that the company complies with applicable laws and considers practical adherence to non-binding rules, codes and standards as an imperative part of doing business. The Board has also ensured that compliance is included on the strategic risk dashboard of the Group and it remains a key component of the Group's integral approach to governance, risk and compliance. The Board monitors its compliance with the following:

- **JSE Limited:** The Aveng Group is a public company listed on the JSE Stock Exchange. The company is subject to, and remains compliant with the Listings Requirements of the JSE Limited (Listings Requirements) with the exception of Section 3.84(g) where Kobus Verster, who is employed on a full-time basis as the executive financial director, is currently the acting CEO until a fulltime CEO is employed. It should be noted, however, that he has not relinquished his statutory duties in terms of Section 3.84(g) and has only assumed the additional duties of oversight. The Board has prioritised the filling of the CEO position as a matter of urgency.
- **King Report on Governance for South Africa, 2009 (King III):** As part of its commitment to good corporate governance, the company continues to apply the recommendations as contained in King III and to identify areas where such application can be enhanced in the best interest of the company.
- **Companies Act 71 of 2008, as amended (the Act):** The company has taken the necessary actions to ensure compliance with all relevant provisions of the Act.
- **Other South African legislation:** In 2013, Aveng established a new legal compliance function to review legislation pertinent to the Group, and monitor compliance accordingly.

Statement of compliance: *The Aveng Group applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in its governance structures, systems, processes and procedures.*

For a complete list of all the principles and a detailed explanation of the application thereof please refer to **www.aveng.co.za.**

Internal and external assurance

Financial reporting and going concern

Based on the recommendation of the Audit Committee, the Board considers and reaffirms the going concern status of the Group in the preparation of the consolidated and separate annual financial statements at both the interim reporting period and at year-end. The assumptions underlying the going concern statement include profitability, budgets, forecasts, cash flow and liquidity assessments, and impairment indicator reviews.

The Board is also responsible for monitoring the preparation, integrity and reliability of the financial statements, accounting policies and the information contained in the integrated report. There is a continuous effort to ensure that enhancements are made in establishing and maintaining a stable and reliable internal control structure, in order to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposal, and transactions are executed in accordance with management authorisation and recorded properly. A robust, integrated process exists to assist the Board in identifying, evaluating and managing the significant risks posed to the Group. This process has been in place for the year under review, and while management is responsible for this process, it is independently monitored by the Audit Committee and Risk Committee.

The Group's 2014 cash flow forecast along with the 2014 budget and impairment risk indicators have been assessed. The losses incurred by the Aveng Grinaker-LTA and Aveng Steeledale business unit and under-performance by the Aveng Engineering operating group in 2013 were identified as impairment risk indicators, necessitating impairment assessments of these cash-generating units. Following the computation of the recoverable amounts of these units, together with an assessment of the sensitivities related thereto, Aveng Grinaker-LTA, Aveng Manufacturing Steeledale and Aveng Engineering have been determined not to be impaired, and remain going concerns.

Statement on going concern: *The Board is confident that there are no known events or conditions which may give rise to business risks that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. Based on its knowledge of the Group, key processes in operation and specific enquiries, the Board is of the view that there are adequate resources to support it as a going concern for the foreseeable future.*

Certifications of assurance

At an operations level, each operating group within Aveng is required to submit to the Audit Committee a certification of reasonable assurance confirming that adequate internal controls are in place.

Risk management

The Aveng Group's Board of directors is responsible for overseeing risk management within the Group. The Risk Committee has been delegated to assist the Board to continuously review the Group's risk management structures, systems, processes and procedures to ensure they are aligned to the principles contained in King III. Management is accountable to the Board for integrating the risk management into the day-to-day activities of the company.

Internal controls and systems are in place to support the Board in discharging its responsibility and ensure that the range of risks associated with the Group's operations are managed well and stakeholders' interests are safeguarded.

Certain internal control weaknesses and irregularities were identified within the internal control systems of Aveng Manufacturing Steeledale and Aveng Grinaker-LTA (specifically Rand Roads and ASF). Remedial action plans were, and continue to be implemented, to address these weaknesses.

Statement on risk controls: *The Board is of the opinion that the Group's risk management processes and the systems of internal control that are continually being enhanced will ensure an appropriate risk culture that will proactively identify, quantify, mitigate and monitor risks on an ongoing basis.*

Risk management is addressed in more detail on page 25 of this integrated report.

Ethics management

Aveng is committed to running its business with accountability and integrity.

The Board of directors considers itself accountable to Aveng's shareholders, employees, clients, suppliers, communities and the environment. Corporate governance is the vehicle to ensure the responsible and sustained growth of Aveng in the interests of these stakeholders.

Aveng has been severely affected by the Competition Commission's investigations and findings and has received penalties. In addition, disciplinary sanctions were imposed on managers who were implicated. The existing competition law programme has been enhanced and additional measures to prohibit anti-competitive behaviour and encourage a high standard of ethics within the organisation has been implemented by the Board:

- On 13 March 2013, the Aveng Board's charter was reviewed to ensure the relevant controls, structure and internal practices were in place
- The Social, Ethics And Transformation Committee's charter was revised and changes were approved at board level
- The standing board meeting agenda item was reinstated where directors affirm their commitment to the Aveng Code of Business Conduct, thus ensuring the principles are firmly entrenched at a senior level. Top leadership takes this commitment seriously and directly manages any unethical behaviour in operating activities
- As of May 2013, all prospective executive employees are required to sign a declaration that they have not participated in anti-competitive behaviour before a formal offer is made to them
- The Group's competition law compliance programme continues to disseminate information and ensure that all employees, management and directors are aware of the provisions of the Competition Act 89 of 1998
- A compliance officer has been appointed at Aveng Limited to champion regulatory compliance to all key laws and regulations
- Enhanced monitoring of the independent hotline service, "Tip-Offs Anonymous", that reports any unethical behaviour.
- Regular communications are disseminated to employees from management on ethical issues
- On the whole, a zero tolerance policy is employed within the Group.

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

An overview of the period under review

One of the primary tasks of the corporate governance office this year was to harmonise the Group and operating groups' memorandums of incorporation with the requirements of the Companies Act.

After a thorough revision process, a special resolution seeking to adopt the Aveng Group's new memorandum of incorporation was proposed at the annual general meeting held on 8 November 2012. This resolution was subsequently withdrawn due to a requirement by foreign shareholders for executive directors to be subject to retirement by rotation where at least one-third of the directors retire at the company's annual general meeting. In response to this request, Aveng agreed to amend the proposed memorandum of incorporation to provide for the rotation of both executive and non-executive directors. The new memorandum of incorporation was adopted at the general meeting of shareholders held on 17 April 2013. Thereafter, the memorandums of incorporation of Aveng's subsidiary companies were redrafted, approved and submitted to CIPC, and are now aligned with the requirements of the Act.

The above process was an interesting one as the requirement for executive directors to retire by rotation was already in the company's DNA, but was not documented in the memorandum of incorporation as it is not a South African requirement. This brought to the fore a variety of contractual issues that had to be addressed and brought in line with international best practice.

Moving from international requirements to internal controls, the team next addressed the charters of the Board and its committees. In March 2013 the Board approved changes to the Audit Committee charter, the Risk Committee charter and the Social, Ethics and Transformation Committee charter. It was agreed that the Board charter and Remuneration and Nomination Committee charter were well aligned with the memorandum of incorporation and King III principles and required no amendments. In June 2013, the Safety, Health and Environmental Committee charter was amended and approved by the Board. The Safety, Health and Environmental Committee charter was also submitted to the Institute of Directors (IOD) for review to ensure that it covers all actions suggested by the IOD and Health and Safety Executive in the UK.

In 2012, the Board approved a revised delegation of authority framework which was rolled out and implemented at Group and operating group level during the period under review.

To ensure that management are up to date on the latest corporate governance developments and remain keenly aware of their personal responsibilities and duties, corporate governance training was conducted for executive management at all the operating groups.

Aveng responded in support of the Presidency's request for a senior executive salary freeze in both the public and private sectors for the year. In keeping with the spirit of this request by government, the Board also agreed that fees for non-executive directors would be frozen for the year.

During the year, the large and cumbersome Aveng (Africa) and Trident Steel Finance and Risk Committee was dissolved. Smaller, more focused, Finance and Risk Committees were formalised at each operating group. After the first round of the new meetings, it was agreed that the process was more adequate to mitigate key risks in support of the Group's strategic goals. All of the relevant policies are now in place and consistent with the Group as a whole. Each major operating group's Finance and Risk Committee is chaired by the group financial director. The chairmen of the Risk Committee and Audit Committee attend by invitation.

The journey towards an appropriate legislative compliance framework began during the period under review. A list of the 10 pieces of legislation most applicable to the company has been drawn up and a group legal compliance officer has been appointed to ensure the Group maintains compliance with the relevant legislation. In the year going forward, the framework will be rolled out at both group and operating group level. The Board continues to give particular attention to compliance with competition laws.

The continuing education and information stream to directors is one of the main tasks of the corporate governance office. During the year the company secretary implemented an electronic resource centre to ensure a speedy distribution of reports and updates on latest developments in the industry by means of regular newsletters.

Further to the above, a site visit was arranged for the directors on 25 June 2013. It was agreed that the visit to the offices and underground at Wesizwe Platinum Bakubung Mine was a great aid in ensuring the Board as a whole has a "deeper", more adequate understanding of this aspect of the industry. The management of Wesizwe were highly commended for their input. Site visits of this sort will become a regular Board development feature.

Boards and directors

Mandate of the Board of directors

The Board of directors of Aveng Limited is the highest decision-making body within the Group and the ultimate custodian of corporate governance. The Board's aim is to provide effective leadership and judgement in pursuit of the Group's strategic goals and objectives.

Day-to-day responsibilities for corporate governance are overseen by management who regularly report to the Board and board committees. The chairman of the Board and the chairmen of the board committees play an active role in all corporate governance matters and regularly interact with the company secretary, executive directors and management.

The Board oversees processes which ensure that each business area and every employee of the Group is responsible for acting in accordance with sound corporate governance principles in their relationships with management, shareholders and other stakeholders.

Aveng's approach to strategy is to embed economic, environmental, social and governance considerations into core business management and risk processes.

Statement of commitment: *The Aveng Board of directors makes itself collectively responsible for the success of the company. Its aim is to provide stakeholders with confidence that the Group is being managed ethically, with robust operations that are within prudent risk parameters.*

Roles and responsibilities (charter)

The Board has a formal charter which, among other things, sets out its roles and responsibilities in areas such as ethical leadership, strategy, financial management, risk management, compliance, sustainability and governance in general. The charter addresses the specific duties of individual directors both in terms of the common law as well as the provisions of the Act. Important elements of good governance that are also covered

Structure of Board and Committees

AVENG LIMITED
AWB Band – Chair
PJ Erasmus – Non-executive
MA Hermanus – Non-executive
RL Hogben – Non-executive
MJ Kilbride – Non-executive
JJA Mashaba – Executive
T Mokgosi-Mwantembe – Non-executive
DG Robinson – Executive
MJD Ruck – Non-executive
MI Seedat – Non-executive
NL Sowazi – Non-executive
HJ Verster – Acting CEO/Financial director
PK Ward – Non-executive

AUDIT COMMITTEE
PK Ward – Chair
RL Hogben
MJD Ruck
Responsible for:
Economic sustainability
Stakeholder sustainability

RISK COMMITTEE
PJ Erasmus – Chair
AWB Band
MJ Kilbride
PK Ward
Responsible for:
Economic sustainability
Stakeholder sustainability

REMUNERATION AND NOMINATION COMMITTEE
RL Hogben – Chair
AWB Band
TM Mokgosi-Mwantembe
NL Sowazi
Responsible for:
Social sustainability

INVESTMENT COMMITTEE
MJD Ruck – Chair
AWB Band
NL Sowazi
Responsible for:
Economic sustainability
Stakeholder sustainability

SAFETY, HEALTH AND ENVIRONMENTAL COMMITTEE
MA Hermanus – Chair
MI Seedat
MJ Kilbride
Responsible for:
Environmental sustainability
Social sustainability

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE
NL Sowazi – Chair
AWB Band
TM Mokgosi-Mwantembe
Responsible for:
Social sustainability
Stakeholder sustainability

in the charter include the separate roles of the chairman and the chief executive officer, the focus on stakeholder relationships, the implementation of a proper delegation of authority and the composition and evaluation of the Board and its various committees.

Statement of compliance: *The Board is satisfied that, for the year under review, it has complied with the terms of its charter.*

Board composition

The Board of directors is stable, with only one resignation out of the 15 directors in the past year. Subsequent to the reporting period Roger Jardine, the chief executive officer, resigned with effect from 31 August 2013. Kobus Verster, the current financial director, will fill the role of acting chief executive officer until a suitable candidate has been appointed. This interim measure was decided upon as Kobus is the appropriate choice to ensure a continuous oversight of operations. For the past three years he has served on all of the Group's operating boards and this has afforded him insight into the operations, opportunities and constraints of the various group businesses. He is well positioned to effectively manage the Group through this transitional period. The Board has prioritised the employment of a new chief executive officer. Six committees support the Board to focus on the various mandates it fulfils. The Tender Risk Committee, a sub-committee of the Risk Committee, creates the seventh structure for providing specific recommendations to the Board.

The membership of the Board has been constituted to reflect a balance of skills, experience and racial diversity to ensure it can fulfil the objectives of the Group and adequately reflect its stakeholders. Details of the directors appear on pages 32 and 33 of this report.

During the period under review and up to publication of this report, the following changes occurred in the composition of the Board:

» Mike Kilbride was appointed as an independent non-executive director on 4 July 2012
» Mahomed Seedat was appointed as an independent non-executive director on 4 July 2012
» Stephen Pell resigned as an executive director on 8 February 2013
» Roger Jardine resigned as chief executive officer on 31 August 2013.

Independence

The independence of non-executive directors is evaluated annually by the Remuneration and Nomination Committee against criteria set out in the Act and King III. The strong independent component of the Board ensures that no one individual has unfettered powers of decision-making and authority.

Nkululeko Sowazi is chairman of the Kagiso Tiso Holdings Group, which has a material relationship with Aveng Limited as it holds 25% in Aveng (Africa) Limited and Aveng Trident Steel Holdings (Proprietary) Limited. Accordingly, Nkululeko is not considered independent.

Attendance at Board and committee meetings in the financial year ended 30 June 2013

	Board	Audit Committee	Risk Committee	Safety, Health and Environmental Committee	Social, Ethics and Transformation Committee	Investment Committee	Remuneration and Nominations Committee
Independent non-executive directors							
AWB Band	6/6*		4/4		4/4	1/1	5/5
PJ Erasmus	5/6		4/4*				
MA Hermanus	5/6			3/4*			
RL Hogben	4/6	4/6		2/4			3/5*
MJ Kilbride[1, 4]	6/6		4/4	1/2			
TM Mokgosi-Mwantembe	5/6				4/4		5/5
MJD Ruck	6/6	5/6				1/1*	
MI Seedat[1, 3]	5/6			4/4			
PK Ward	6/6	6/6*	4/4				
Non-executive director							
NL Sowazi	5/6				4/4*	0/1	4/5
Executive directors							
WR Jardine (CEO)[5]	6/6		4/4				
JJA Mashaba	6/6						
SD Pell[2]	3/3						
DG Robinson	6/6						
HJ Verster (FD)	6/6						

[1] Appointed to Board on 4 July 2012
[2] Resigned 8 February 2013
[3] Appointed to Safety, Health and Environmental Committee on 31 August 2012
[4] Appointed to Safety, Health and Environmental Committee on 28 November 2012
[5] Resigned 31 August 2013
** Chairman*

Role of chairman of the Board

In accordance with King III and the JSE Listings Requirements, the roles of chairman and chief executive officer are separated and there is a clear division of responsibilities within the Board and the company, ensuring a balance of power and authority. The position of chairman is held by an independent non-executive director. The majority of the directors of the Board are independent and the ratio of executive to non-executive directors ensures that the Board is sufficiently informed by independent perspectives.

Company secretary

The company secretary for the year under review was Ms Michelle Nana.

Michelle Nana holds the full time position of company secretary of Aveng Limited; she is not a director of the company. The Audit Committee and the Board are satisfied that Michelle Nana provides guidance and assistance to the company on an objective, arm's length basis notwithstanding the fact that she is a full time employee. The committee and the Board of Aveng Limited have reached this conclusion as a consequence of their working relationship with the company secretary. Michelle's competence and objective guidance was confirmed when her performance as company secretary was evaluated by the chairman as part of the one-on-one interviews with the Board members.

The company secretary plays a pivotal role in corporate governance within the Group. The directors have unlimited access to the advice and services of the company secretary in respect to their responsibilities and duties and how to discharge these in the best interests of the Group. The company secretary has a direct channel of communication to the chairman.

The company secretary's main responsibilities to the Board are to guide the directors in the discharge of their duties, responsibilities and powers; provide information, advice and education on matters of ethics and good governance; and ensure that the company's proceedings are properly administered in line with relevant legislation.

Statement of satisfaction: *In line with the JSE Listings Requirements, the Audit Committee and the Board have assessed and is satisfied that Michelle Nana has the requisite skills, attributes and experience to effectively fulfil the duties of company secretary of a public, listed company.*

Appointments

The aim is to have a vibrant Board with directors whose skills complement each other so that they can constructively challenge management's strategies and evaluate the performance of the company against established benchmarks. The formal process for nominating new candidates for appointment as directors to the Board is overseen by the Remuneration and Nomination Committee. Any appointments of directors are approved by the Board as a whole and newly appointed directors are expected to stand down at the first annual general meeting following their appointment, for election by shareholders.

Inductions and ongoing development

New directors are required to take part in a formal induction programme immediately after their appointment to the Board. This training is intended to provide new directors with in-depth knowledge of the company's activities and organisation, the environment in which it operates, sustainability issues and it facilitates introductions to senior managers.

Other directorships

Non-executive directors may accept appointments to other Boards, including industry-related organisations, government entities and charitable organisations, provided their other commitments do not impact their ability to discharge their duties to the Aveng Group.

Non-executive directors are not awarded share options or any benefits other than directors' fees, more fully set out in note 39 to the consolidated annual financial statements contained on pages 195 to 199 of this integrated report. No service contracts exist between the company and non-executive directors.

Access to information and resources

From time to time, members of the executive committee attend board meetings by invitation. Non-executive directors also interact regularly with executive management through site visits and the Tender Risk Committee.

All directors of the Board are provided with unrestricted access to the company secretary, management and company information. Directors are also provided with the requisite resources to discharge their duties and responsibilities, including the access to external professional advisers, at the expense of the company.

Retirement by rotation

In compliance with the provisions of the company's memorandum of incorporation, one third of the directors are expected to retire by rotation and, if eligible and willing to continue to serve as directors, offer themselves for re-election by shareholders. Details of directors retiring by rotation are set out in the notice of the annual general meeting.

Performance evaluations

The annual evaluation of the Board and chairman is one of the checks and balances in place to assess effectiveness and identify gaps or any areas that require improvement. In 2012, evaluation was done by means of a comprehensive questionnaire distributed to directors. In June 2013, the evaluations took the form of one-on-one board assessment interviews between the chairman and each director. These interviews allowed for additional insight into the thinking of the Board and constructive identification of key issues and appropriate actions. It also allowed for in-depth discussions about each committee and its chairman.

There was a common consensus from the Board that certain areas could be improved. The strategic planning process, the Board has said, needs to move to a longer-term focus that can clearly drive Aveng to be the top-rated player in its sector. There is also a general perception that the risk management process needs to tighten the link between the high-level theoretical issues and the more practical management issues. The Board has further requested more interactive opportunities to be created between non-executives and executives to cement mutual respect and constructive engagement in the interests of Aveng.

Board meetings are evaluated quarterly, after each and every meeting. The purpose is to maintain a constant high level for support and structure for the company's decision-makers.

Delegation of authority

The Board has defined levels of materiality in respect of strategy, financial matters, risk, compliance, sustainability and governance. Board committees have been constituted to assist the Board in discharging its duties in these respects. In addition to that, on 27 June 2012 the Board approved a delegation of authority framework to formalise management's responsibility and accountability for the decisions and actions taken by them. The delegation of authority was disseminated to all operating groups and will be reassessed annually.

Strategy

Management is responsible for developing and presenting the Group's strategy to the Board annually. The Board has a duty to ensure this tactical course of action takes account of associated risks and is aligned with the Group's code of business conduct. Each year a formal, full day strategy session is held. The Board scrutinises and approves the strategy and agrees the financial, governance and risk objectives. At each meeting of the Board, management reports on its performance against these objectives.

Board meetings

The Board convenes each quarter to attend to the requirements of the board work plan which stipulates regular material reviews and approvals for consideration. Business and financial reports are presented at each of these meetings to ensure the Board retains a finger on the pulse of the business.

Additional meetings, often full day sessions, are scheduled to consider the Group's strategy and operational business plans. *Ad hoc* meetings are held as and when required. The non-executive directors meet independently of executive directors after each board meeting.

During the period under review, the Board formally met a total of six times (five scheduled and one *ad hoc* meeting).

Sponsor

J.P. Morgan Equities South Africa (Proprietary) Limited is the company's sponsor and among other functions, advises the Board on compliance with the JSE Listings Requirements.

Share dealings by directors and officers

The company implements a voluntary closed period for two weeks prior to the mandatory closed period commencing at the company's year end on 1 July until the release of the year-end results. As required by the JSE Listings Requirements, a closed period is also implemented at half-year until the release of the interim results.

During closed periods, directors and designated senior executives may not deal in the shares, or in any other instrument linked to the shares, of the company. In addition, directors and senior employees cannot trade in the company's shares during any period where they have access to unpublished price sensitive information. To ensure effective compliance, it is a requirement that no trade in Aveng Limited securities by executives may take place outside of the closed periods without the prior written approval of the chairman for directors and the chief executive officer for executives of the Group.

Directors and senior designated employees are required to instruct their portfolio or investment managers not to trade in Aveng Limited securities without their written consent. They are required to advise the company secretary immediately after the trade has taken place, who will then report the transaction to the JSE through the Stock Exchange News Service (SENS), within one working day.

Identical rules and restraints apply where Aveng Limited securities are held by immediate family members of directors, or senior designated employees, or by trusts in which directors or senior designated employees or their families are beneficiaries.

Board committees

In order to assist the Board to discharge its duties and in line with legislative and regulatory compliance requirements, the Board has constituted the following committees:

- Audit Committee
- Risk Committee
- Remuneration and Nomination Committee
- Safety, Health and Environmental Committee
- Social, Ethics and Transformation Committee
- Investment Committee

Each committee is governed by a formal charter which is reviewed by the Board on an annual basis and applies the recommendations of King III. The chairman of each committee reports to the Board on its activities at each board meeting and the minutes are made available to all directors. On an annual basis, the committees assess whether they have complied with the terms of their charters and report back on compliance to the Board.

The duties and responsibilities of the members of the committees as set out in each charter are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the committees do not reduce the individual and collective responsibilities of the board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations. Charters are subject to the provisions of the Act, the memorandum of incorporation of Aveng Limited, as well as any other applicable law or regulatory provision.

Audit Committee

Composition and mandate of the committee

The Audit Committee is a formal committee of the Board with authority delegated to it by the Board. The committee is responsible for assisting the Board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial statements. The statutory report of the Audit Committee as required in terms of the Companies Act 71 of 2008, as amended can be found on page 136 of this report.

Shareholders elect the members of the committee on an annual basis. The Board elects the chairman from those members appointed. The committee is made up of three independent non-executive directors and excludes the chairman of the Board, who attends meetings of the committee by invitation.

The chief executive officer, financial director, head of internal audit and representatives of the external auditor attend meetings by invitation. Executive attendees are not present during periodic discussions with the external auditors on executive openness and cooperation. The committee meets on a quarterly basis and the minutes of these meetings are included in the quarterly board papers. The committee met six times in the year under review (four scheduled meetings, two *ad hoc*). The chairman of the committee provides the Board with a verbal report of the committee's activities at each board meeting.

The committee reviews the financial reporting processes in the Group and the Group's South African subsidiaries through the various operating group risk and finance committees, and its Aveng Australia subsidiary through the McConnell Dowell Corporation Limited audit committee.

The chairman of the committee attends the meetings of the operating group risk and finance committees. Minutes of these meetings are separated into risk and finance, with the risk minutes sent to the Risk Committee and the finance minutes sent to the Audit Committee at the relevant quarterly meetings.

The chairman attends the meetings of the McConnell Dowell Corporation Limited Audit Committee. This is a combined audit and risk committee. Minutes of these meetings are presented to the Audit Committee quarterly.

Board statement of comfort: *The Board is of the opinion that the members of the Audit Committee collectively possess the knowledge and experience to oversee and assess the performance of the Aveng Group's management and auditors, the quality of the Group's disclosure controls, the preparation of the financial statements and financial reporting. The Board is also of the opinion that the members of the Audit Committee collectively possess the understanding of the functions of the committee necessary to execute their responsibilities expertly and diligently.*

Main responsibilities of the Audit Committee

- Review and recommend for approval the Group's annual financial statements, interim financial statements, accompanying reports to shareholders, preliminary announcements of results and announcements
- Recommend the annual declaration of a dividend to the Board for approval
- Nominate an external auditor for appointment by the shareholders and approve the terms of engagement and remuneration of the external auditor
- Oversee the internal audit function, ensuring that it remains independent and has the requisite resources, budget, standing and authority to discharge its functions
- Ensure that the combined assurance model applied to the Group is appropriate to address all significant risks and oversee financial risk management and controls
- Review the competence and qualifications of the company secretary and financial director annually
- Maintain the "register" containing narrative statements in respect of the King III 75 principles of good governances
- Prepare a report for inclusion in the annual financial statements describing how the committee carried out its functions and pronounce on the independence of the external auditors
- Prepare a report for inclusion in the annual financial statements in respect of the internal controls, internal financial controls and risk management of the Group
- Review and recommend the approval of an appropriate external assurance provider in respect of the material elements of the sustainability report
- Consider the adequacy of the Group's insurance cover on an annual basis
- Assist the Board in discharging its responsibility for IT governance across the Group

The committee has developed a formal annual work plan to assist it in discharging its functions.

Audit Committee statement of compliance: *The committee is satisfied that it has complied with its responsibilities under the charter, as well as its legal responsibilities in terms of the Companies Act 71 of 2008, as amended, its regulatory and other responsibilities.*

Internal audit and control

The Board is ultimately responsible for overseeing the establishment of effective systems of internal control in order to provide reasonable assurance that the Group's financial and non-financial objectives are achieved. This system of control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss. Executing this responsibility has been delegated to the Aveng Group internal audit services (AGIAS), which is overseen by the Audit Committee and guided in discharging its functions as set out in the internal audit charter, approved by the Audit Committee on an annual basis.

The internal audit charter ensures that the internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. The group internal audit manager has direct access to the chairman of the Audit Committee and reports operationally to the financial director. The group internal audit manager has a standing invitation to attend the executive committee meetings and also attends all Audit Committee and Risk Committee meetings as an invitee, and submits a report to each Audit Committee meeting.

The annual audit coverage plan is reviewed and approved by the Audit Committee annually. Each internal audit conducted is followed by a detailed report to management, including recommendations on aspects requiring improvement. The group internal audit manager (who fulfils the role of the Group's chief audit executive) is responsible for reporting significant findings and the performance against the agreed internal audit plan to the Audit Committee.

External audit

The company has continued to utilise the services of Ernst & Young Inc. as its independent auditors.

The external auditors regularly review the internal audit reports and meet formally with the internal audit team at least twice annually to ensure that their joint efforts are properly co-ordinated. The external auditors express their independent opinion on the annual financial statements and have confirmed their independence. The Audit Committee evaluates the independence and expertise of the external auditors annually.

Audit Committee statement on the external auditors: *The Audit Committee has considered the independence of Ernst & Young Inc. and recommends that Ernst & Young Inc. be reappointed as the auditors of the company as proposed in the notice of annual general meeting.*

Audit Committee statement on the integrated report: *The Audit Committee has considered and discussed this integrated report with both management and the independent auditors and is satisfied that it has adequately evaluated significant judgements and reporting decisions, the completeness of the financial and sustainability discussion and disclosures. The committee is also satisfied with the treatment of significant transactions and has recommended to the Board that the integrated report containing the Consolidated and separate annual financial statements be approved.*

Audit Committee statement on the financial director: *In accordance with the JSE Listings Requirements, the Audit Committee is required to consider the appropriateness of the expertise and experience of the financial director of the company. In respect of this requirement and for the year under review, the committee is satisfied that Kobus Verster possesses the appropriate expertise and experience to fulfil his responsibilities in that position.*

Audit Committee statement on the company secretary: *In accordance with the JSE Listings Requirements, the Audit Committee is required to consider the appropriateness of the expertise and experience of the company secretary. In respect of this requirement and for the year under review, the committee is satisfied that Michelle Nana possesses the appropriate expertise and experience to fulfil her responsibilities in that position.*

The Risk Committee

Composition and mandate of the committee

The Risk Committee is a formal committee of the Board and has powers delegated to it by the Board. The committee is responsible for assisting the Board in discharging its responsibilities for the governance of risk through a formal process and a system of risk management. The formal risk management report can be found on page 25 of this report.

The membership of the committee is made up of four independent non-executive directors, including the chairman of the Board. Meetings of the Risk Committee are attended by the financial director, group risk manager, the head of group internal audit services and external auditors. During the year under review, the committee met four times and the minutes of these meetings were included in the quarterly board papers. The chairman of the committee provides the board with a verbal report of the committee's activities at each board meeting.

The committee also reviews the activities of the Group's Tender Risk Committee which ensures that all the major risks in tenders presented to the committee have been adequately mitigated, and provides guidance to the operations on strategic matters relating to the submission of a particular bid or contract negotiation.

Main responsibilities of the Risk Committee

- Assist the Board to review the risk management policy and plan on an annual basis and recommend the same to the Board for approval. Monitor the implementation of the risk management framework and plan through systems and processes designed for that purpose, ensuring that management disseminates the risk management plan throughout the Group and ensures that it is integrated into the daily activities of the business
- Based on the advice of management, express to the Board the company's formal opinion on the effectiveness of risk management systems and processes across the Group
- Review the strategic risk dashboard at each meeting to ensure that a process exists where risk management frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risk; a process exists where risk management assessments are performed on a continuous basis; management considers and implements appropriate risk responses, ensuring that continuous risk monitoring by management takes place
- Through the Tender Risk Committee, review problematic contracts on a regular basis
- Review external audit report with particular focus on risk-related items

The committee has developed an annual work plan to ensure that it discharges its responsibilities under its charter, which has been aligned with the principles set out in King III.

Risk Committee statement of compliance: *The committee is satisfied that during the year under review it has complied with its responsibilities under the charter, as well as its legal responsibilities in terms of the Companies Act 71 of 2008, as amended, its regulatory and other responsibilities.*

Safety, Health and Environmental Committee

Composition and mandate of the committee

The committee consists of three independent non-executive directors. Meetings of the Safety, Health and Environmental committee are attended by the chief executive officer and the group safety manager, the group environmental manager and the group health and wellness manager. The committee met four times during the year under review. The minutes of these meetings are included in the quarterly Board papers and the chairman of the committee provides the Board with a verbal report of the committee's activities at each Board meeting. A comprehensive safety, health and wellness, and environmental report is included on pages 56 to 65 of this integrated report.

Safety, Health and Environmental Committee statement of compliance: *The committee is satisfied that it has complied with its responsibilities under the charter, however, it recognises much work still remains to be done on its safety, health and environmental journey.*

While the committee is satisfied that it complied with its charter, it recognises that more work is to be done to prevent avoidable accidents. The committee has developed an annual work plan to assist it in discharging its functions. These include embedding safety management systems, enhancing visible leadership and high consequence activity protocols, and continuing with the near miss and significant incident management programmes.

Board statement: *The Board acknowledges its accountability for safety and upholds the philosophy of "Home Without Harm Everyone Everyday", which applies to all employees and subcontractors of the Aveng Group. Safety is the first item for discussion on all Board and operating group management agendas.*

Main responsibilities of the Safety, Health and Environmental Committee

- Ensure that the Group has a clear and defined direction to achieve a world-class Safety, Health and Environmental culture
- Review and approve the Group strategy on Safety, Health and Environmental management and in particular its progress towards:
  - demonstrating visible leadership in Safety, Health and Environmental issues
  - establishing effective interdependent Safety, Health and Environmental communication systems and management structures
  - the integration of sound Safety, Health and Environmental management with business decisions
  - the implementation of behavioural change initiatives
- Ensure that a structure exists through which a system of continual Safety, Health and Environmental risk assessments and risk mitigation is implemented across the Group
- Ensure that a compliance framework exists where the Group's compliance with Safety, Health and Environmental legislation, regulations and recommended best practice is monitored
- Review Safety, Health and Environmental performance of the Group, through the regular review of both leading and lagging indicators
- Ensure the integrity and quality of Safety, Health and Environmental reporting to the Board and stakeholders
- Report to the Social, Ethics and Transformation Committee on an annual basis concerning matters relating to the environment, health and public safety

Social, Ethics and Transformation Committee

Composition and mandate of the committee

The social, ethics and transformation committee is a formal committee of the Board and has powers delegated to it by the Board. A formal social, ethics and transformation committee report can be found on page 71 of this report.

The Social, Ethics and Transformation Committee plays a dual role:

- Having oversight of the transformation strategies, plans and processes in the Aveng Group
- Acting as a social and ethics committee for Aveng Limited and relevant subsidiary companies as required in terms of the Companies Act 71 of 2008, as amended (Act).

The committee consists of two independent non-executive directors and one non-executive director. Meetings of the Social, Ethics and Transformation Committee are attended by the group human resources director, the group transformation and organisational development manager and the group risk manager. The committee met four times during the year under review. The minutes of these meetings are included in the quarterly board papers and the chairman of the committee provides the Board with a verbal report of the committee's activities at each board meeting.

Main responsibilities of the Social, Ethics and Transformation Committee

- Proactively review management actions and efforts to comply with relevant legislation and charters and apply the principles of the King III Report, including the review and recommendation, for approval by the Board, of policies, strategies and plans for management implementation, to ensure that the company and the Aveng Group comply with the industry charter scorecard
- Guide, monitor, review and evaluate the Aveng Group's decisions and progress on social, ethics and transformation.

Requirements in terms of sections 72(4) of the Act and 43 of the regulations are being reviewed in the new financial year. A reporting template will be amended to reflect compliance with the above requirements.

The committee will be receiving and considering appropriate reports from the various areas of the business in this regard.

Social, Ethics and Transformation Committee statement of compliance: *The Aveng Group adheres to a culture of sound ethical business conduct as is clearly defined in the Aveng Code of Business Conduct and its DNA. The Group and its global operations are diverse in geographical, political, legislative, regulatory, cultural and social contexts. Although this creates challenges, Aveng strives at all times to conduct its business ethically and legally.*

The committee has made great strides in establishing and administering the Social, Ethics and Transformation Committee in line with Regulation 43 of the Companies Act 71 of 2008, as amended. Issues deliberated by the Social, Ethics and Transformation Committee include:

- *Social and economic development*
- *Good corporate citizenship*
- *Environment, health and public safety*
- *Consumer relations*
- *Ethics management.*

To ensure that all requirements were being addressed either by the Social, Ethics and Transformation committee or the other board committees, all the committees' charters and work plans were reviewed. It was found that certain requirements were being implemented, monitored and reported by other board committees and would not fall within the ambit of the Social, Ethics and Transformation Committee, apart from obtaining high level feedback from these committees.

To ensure compliance to all laws and regulations applicable to the Aveng Group, the group compliance officer and the relevant stakeholders are identifying the compliance universe and, using a risk-based approach, will categorise these laws as core and topical. Currently over 80 laws for South Africa alone have been identified as relevant.

Investment Committee

Composition and mandate of the committee

The Investment Committee is a formal committee of the Board and is responsible for assisting management and the Board to consider major investment opportunities. The committee may approve transactions within a certain threshold and may also recommend transactions to the Board for approval.

The committee consists of two independent non-executive directors and one non-executive director. Meetings of the Investment Committee are held on an *ad hoc* basis and often at short notice. Meetings are attended by the chief executive officer, the financial director, and the Group strategy manager. The committee met once during the year under review. The minutes of these meetings are included in the quarterly Board papers and the chairman of the committee provides the Board with a verbal report of the committee's activities at each board meeting.

Main responsibilities of the Investment Committee

- Decisions in respect of acquisition or disposal of fixed property to be noted or approved by the committee subject to relevant limits of authority and the effect it may have on the Group's cash flow
- Decisions in respect of acquisition or disposal of equity to be noted or approved by the committee following the consideration of viability of the transaction and subject to relevant limits of authority and the effect it may have on the Group's cash flow
- To ensure correct and appropriate due diligence procedures are followed in respect of any investment-related transaction
- Perform other investment-related functions as the Board may deem necessary.

Investment Committee statement of compliance: *The committee is satisfied that it has effectively fulfilled its roles and duties during the year under review and has complied with the provisions of its charter, which was approved by the Board.*

Corporate governance

Remuneration policy

Introduction

This document sets out the Aveng Group's remuneration policy for all its employees. As closer focus is placed on senior management, due to remuneration governance standards, the bulk of this policy addresses the remuneration of senior management. The Group's remuneration policy is summarised in its remuneration report and where the Remuneration and Nomination Committee's discretion is exercised in implementing this policy, this is highlighted in the Remuneration Report.

Remuneration philosophy statement

The Aveng Group is a multidisciplinary construction and engineering group, anchored in South Africa, with expertise in a number of market sectors, namely power, mining, infrastructure, commercial, industrial and oil and gas. The Group has a broad footprint in all these market sectors and one of the core principles of its business strategy is diversification to ensure sustained growth in a typically cyclical industry. The industry is known to be a tough and volatile one with many challenges in delivering value to shareholders. A key component of success within the industry lies in aligning the Group's business strategy with its people strategy. Aveng recognises the importance in investing in its people and strives to ensure that the Group remains competitive in the market, and retains and incentivises the key people required to deliver its business strategy. Therefore, the Group is committed to developing and implementing effective remuneration strategies and practices to attract, retain and reward employees commensurate to performance deliverables. The strategic outcomes sought to be achieved through the remuneration philosophy and remuneration policy include rewarding superior performance and penalising poor performance as well as aligning management's total remuneration with increased shareholder and other stakeholder value. In this regard, the Aveng Group remuneration offering is designed to:

» provide an appropriate mix of guaranteed pay and short-, medium- and long-term incentives to attract, retain and reward employees
» ensure that the pay mix supports the Group's business strategy of outperformance and that on-target earning potentials are strongly linked to performance and designed to promote the development of a high performance culture
» be consistent with and aligned to the vision, mission, values and business objectives (both short-term and long-term) of the Group
» pursue the best interests of the Group, its shareholders, and its broad internal and external stakeholder base
» achieve the motivational impact required to deliver the Group's business strategy and growth targets and promote the desired behaviour, without encouraging excessive risk taking by management
» be fair, equitable, market related and affordable
» recognise and reward exceptional performance while penalising mediocre or poor performance
» articulate an attractive and compelling value proposition for current and prospective employees.

Remuneration strategy

The Aveng Group's pay strategy is based on the following core principles:

» A reputable, robust and universal job grading system, which renders accurate job grading results for benchmarking purposes
» Regular remuneration benchmarking for all grades against the general market and the construction and engineering industry using independent salary surveys. Development of market related pay scales by grade
» The existence of a comprehensive performance management system and a coaching for performance culture, including performance contracts and regular performance assessments
» Compliance with all remuneration governance regulations and applicable legislation
» A clear remuneration structure, covering guaranteed pay, short-, medium- and long-term incentive plans
» Incentive pools shaped by Group and operational cluster profitability with no excessive risk taking and an approach of sustainable future profitability.
» Transparency to enable shareholders and other stakeholders to make reasonable assessments of remuneration practices of the Group and underlying governance processes.

Remuneration Practices

Remuneration Governance

The Group's Remuneration and Nomination Committee (the committee) has been established by the Board of directors of Aveng in accordance with the company's memorandum of incorporation.

The committee is governed by a formal charter which is aligned to the principles of King III and the Companies Act 71 of 2008 and provides for the following:

- Ensures that the remuneration policy promotes the achievement of the Group's strategic objectives and encourages individual performance
- Assists the Board to ensure that the executive directors and senior executives of the Group are remunerated on a fair, responsible and competitive basis and in line with approved performance targets
- Approves senior executive appointments and commensurate remuneration
- Ensures that an adequate performance management system is operational throughout the Group, which aligns with the objectives of the short-, medium- and long-term incentive schemes based on the Group's approved strategy
- Ensures that all forms of remuneration and incentivisation across the Group are performance related. This includes review and approval of the remuneration policy which is applicable to the operating groups
- Ensures that an adequate, formal succession plan exists throughout the Group
- Reviews the structure, size and composition of the Board annually to ensure that the Board can execute its duties effectively and conduct an evaluation of the performance of the Board, chairman and committees.

Committee composition

The committee is chaired by an independent non-executive director and all the members are non-executive directors, the majority of whom are independent non-executive directors. Executives attending committee meetings do so in an *ex officio* capacity.

Details of the number of committee meetings and attendance are disclosed in the corporate governance report on page 108 and the remuneration report on page 124 of the integrated report.

Discretion

Aveng's approach to remuneration is primarily geared towards ensuring continuous and consistent alignment of employee behaviour with stakeholder value creation. It therefore provides the committee with a reasonable degree of flexibility to review the Group's remuneration policy in light of changes in the Group's business strategy, trading conditions and economic climate to ensure that such policy achieves value creation for shareholders and other stakeholders.

Therefore, the Group's remuneration policy and incentive schemes are subject to review by the committee. The committee will monitor the governance of all incentive schemes. Any variance or deviation of this policy is at the sole discretion of the committee.

Aligning risk and reward

The variable remuneration schemes align with Aveng's risk appetite. The committee pays specific attention to the Group's risk framework and reviews its incentive schemes in line with any current and potential future risks identified.

Remuneration Structure

Aveng's remuneration structure provides for guaranteed and variable remuneration components. The guaranteed component comprises employees' total cost of employment (TCOE) or guaranteed pay. The variable pay portion is driven by both company and individual performance and the quantum varies year to year. The different components are summarised below (as well as their link to business objectives):

	Component	Business objective	Policy
Guaranteed remuneration	Cash	Designed to attract and retain human resources in line with the scope, nature and skills requirements of the role.	In most cases benchmarked to the 50th percentile relative to skill, experience and performance.
	Retirement Contribution	Ensure that employees have appropriate savings resources for their retirement.	Between 6-12% company contribution in terms of provident fund rules funded from permanent employees' Total Guaranteed Package (TGP). For the pension fund, employees contribute 6% of TGP as an employee contribution.
	Medical aid	Provide medical insurance to employees and their families.	Permanent employees are required to be members of company nominated medical scheme. Contributions are funded from permanent employees TGP.
	Group life and insured benefits	Provide insurance for employees and their dependants in the event of disability, death, critical illness etc.	Benefits are funded from permanent employees' TGP.
Variable remuneration ("at risk")	Short-term incentive (bonus)	Rewards and incentivises achievement of individual, operating group and group outperformance.	Measured against specific performance metrics and subject to threshold profit achievement.
	Medium-term incentive (bonus)	Rewards and incentivises achievement of individual, operating group and group outperformance. Used as a deferred cash retention instrument.	Measured against specific performance metrics and subject to threshold profit achievement.
	Long-term incentive	Aligns employee interests with those of shareholders and other stakeholders in the longer term.	SARs and FSPs are subject to performance conditions set for, and measured over, a 3 year performance period. Where specific retention requirements exists an *ad hoc* award of retention shares may be made, subject to due discretion being exercised by the committee in this regard.

Guaranteed pay

The Group's guaranteed pay philosophy is to pay at the median of the market for full competency and expected performance, while allowing for performance based differentiation, but to also reward superior performance through short- and long-term incentives schemes at a higher percentile than the median.

Setting of guaranteed pay

When setting and reviewing the guaranteed pay policy the following are taken into account:

- The market pay trends and how similar or different they are from the current actual Aveng Group pay trends
- Inflation and salary movements within the market
- Market increase projections
- Movement in cost of particular benefits
- Company performance and affordability
- Benchmarking against the specific industries within which the Group operates using reputable independent salary surveys.

Annual salary review process

Guaranteed pay is reviewed annually in January. A pay increase mandate is approved by the committee, supported by salary surveys, projected salary movements, inflation, company performance and affordability, and recommended to the Board. The decision of the committee is communicated by management.

Individual performance against employees' performance contracts is assessed and rated, and this, together with employees' *compa ratio* within their salary scale informs a salary increase recommendation. This process ensures internal and external parity.

Following the implementation of the annual salary review, the committee reviews the implementation to establish:

- Whether the overall increases implemented remained within the approved mandate

- The overall increase in the cost of labour as a result of this adjustment
- That there was a sufficient link to performance in the manner in which the increases have been implemented.

Performance link to pay

The Group's annual business plan is based upon and informed by the Group's business and growth strategy. This plan informs the budget from which the key performance indicators (financial and non-financial) are derived. These key performance indicators (KPIs) are incorporated into the annual performance contract of the chief executive officer, who in turn cascades these KPIs into the performance contracts of the individual executive directors and managing directors. Performance against performance contracts is assessed at least annually, but in most cases bi-annually, and the internal management reporting system is designed to clearly identify progress and achievement.

The Group's performance management measurement system determines the rating for both businesses and individuals. This rating is used in determining both annual salary increases and the level of short-term incentives earned and long-term incentives awarded. Capable and skilled employees who demonstrate performance at a competent level are remunerated around the market median for their role. Poor performers do not receive any incentives or an annual increase.

KPI assessment ratings

Definition	Performance rating
Exceeded expectations	5
Above average – met all and exceeded some	4
Met expectations	3
Below average – met some expectations	2
Poor performance – did not meet expectations	1

Variable pay schemes

The Group currently has the following incentive schemes which are applicable to eligible employees in the Aveng corporate office and the operating groups i.e. Aveng Construction (Africa), Aveng Engineering, Aveng Steel, Aveng Manufacturing, Aveng Mining and McConnell Dowell:

- Short-term incentives/bonus (STI)
- Medium-term incentive (MTI)
- Long-term incentive (LTI)

Employees participate in these various incentive schemes based on their grade in the Group. All salaried employees not participating in a site, production or project based bonus scheme, are eligible to participate in the STI. The MTI is aimed at senior and executive management, whilst the LTI is aimed to incentivise only executives and top management who have line of sight with regard to group financial performance. The extent of participation is determined by grade and is universal across the Group. All awards are made at the sole discretion of the Remuneration and Nomination Committee.

Short-term incentive (STI) scheme

Design

The STI is an annual cash bonus which is intended to reward individuals for their contribution to the Aveng Group/operating group/business unit performance, against agreed financial and KPI targets. 70% of the bonus is dependent on the achievement of financial targets and 30% on individual KPI targets. All salaried, permanent employees (who are not participants in specific site, production or project based incentive schemes), are eligible for participation.

Financial targets are set annually at the beginning of the financial year, based on the budget agreed by the Board. The key measures are net operating earnings, operating free cash flow before capital expenditure (capex) and return on invested capital. An individual will be partly measured on their individual strategic performance (as agreed in terms of their balanced scorecard at the beginning of the financial year) and partly on the financial performance of the team they work in. Individual KPI targets are set in accordance with group key priorities, e.g. safety, health and environment, transformation, achievement of key human resource targets etc. The total bonus quantum and the STI payable to individual Aveng executives (top three reporting levels) are approved by the committee. Similarly, any exceptions to the bonus scheme rules are also approved by the committee, for example specific sign-on, retention or termination payments.

The financial component of the bonus (70%) is self-funded and the bonus pool only starts accruing where 80% of the set target is met. Other than the individual KPI portion of the STI, no bonuses will be payable in the event where a business entity does not achieve at least 80% of their financial target. In addition, the net operating earnings target, which acts as the gatekeeper, must be achieved prior to being eligible for any STI payment.

In the event that the Group or particular operating group has suffered a financial loss, payment of the 30% attributable to individual KPI's shall remain at the sole discretion of the committee.

Earning potentials

The maximum potential bonus award for STI is capped at the stretch level. The threshold, on-target and stretch targets for the financial measures are as follows:

Financial measures	Threshold %	On-target %	Stretch %
Headline earnings	80	100	125
Operating free cash flow	80	100	125
Return on average equity	80	100	125

Weighting of STI measures

The financial measures and weightings used for the chief executive officer and executive directors are:

2013/2014 Aveng STI measures

Financial measure	Weightings %
Aveng headline earnings	24
Return on average equity	23
Operating free cash flow	23
Total financial	**70**
Individual KPI For example – » Safety performance » Achieving transformation targets » Attraction and retention of key talent » Turnaround of poor performance projects.	**30%**

Glossary of financial terms used

Headline earnings

As defined by the relevant SAICA circular and JSE Listings Requirements.

Return on average equity

Headline earnings, as defined above, as a percentage of average equity attributable to equity-holders of the parent.

Operating free cash flow (OFCF)

OFCF is defined as the sum of cash generated or utilised from operating activities, and cash generated or utilised from investing activities.

Termination of employment

At termination of employment, the following will apply with regard to eligibility for STI payments:

- **Involuntary termination** (death, retirement, retrenchment, company initiated terminations and incapacity) – *Pro-rata* bonus paid based on length of service in the relevant financial year
- **Resignation** – No bonus will be payable to employees who are not in service on date of payment (end October). Bonus payments (if any) to employees who have resigned after the end of the financial year is at the sole discretion of the committee
- **Dismissal** – No bonus will be payable.

Medium-term incentive (MTI) scheme

The purpose of the MTI is to provide a medium-term incentive, based on performance against objectives, which provides a form of retention as well as accumulates value over time. The MTI is also used as a mechanism for bonus deferral.

For total reward benchmarking against best practice in the market the medium and long-term incentive schemes are combined. The combined quantum equates to the equivalent level of market related LTI for the particular grade. The MTI is a deferred cash bonus scheme with deferred payments over a three-year period, based on the achievement of financial and non-financial targets. The MTI is intended to reward employees for contribution to the Aveng Group/operating group/business unit financial and non-financial performance over the medium term, and to serve as a medium-term retention mechanism for key management talent. Targets and measurements operate in the same manner as for the STI (see above).

Senior and executive management are eligible to participate in the MTI scheme. Eligibility and participation in the MTI is, however not automatic for any position or grade, and participation is dependent on achieving a minimum performance rating of 3 (Met Expectations). This incentive is not awarded to an employee who is due to reach normal retirement age within a year from the award date. Poor performers are not eligible to receive this award.

Similar to the STI, the maximum potential bonus award for MTI is capped at the stretch level.

Externally audited MTI bonus provisions are approved by the Audit Committee once the annual financial statements have been audited.

Participants receive payment of these awards in three equal tranches over three years, the first payment being made in March following the award date and the second and third payments in March of the two subsequent years. The value of the deferred, unpaid portion of each award is increased annually by the same percentage as the actual annual individual salary increase percentage. The bonus paid to participants is based on the actual guaranteed earnings for the financial year.

At termination of employment, the following provisions will apply:

- **Involuntary termination** (death, retirement, retrenchment, company initiated terminations and incapacity) – Accrued balance of any MTI at date of termination paid in full
- **Resignation** - All accrued unpaid MTI balances are forfeited
- **Dismissal** - All accrued unpaid MTI balances are forfeited.

Long-term incentives (LTI)

The Aveng Group operates two long-term incentive plans namely –

» the Aveng Share Appreciation Right Scheme (SARs)
» the Aveng Forfeitable Share Plan (FSP).

These incentive plans are designed to align Aveng senior executives' performance with the interests of shareholders and other stakeholders, to enable them to share in the long-term growth of the business, and to retain critical leadership talent required to carry out the Group's business strategy.

Share Appreciation Rights Scheme (SARs)

Design and purpose

This LTI mimics the performance of the Aveng share price, but is payable as a cash award, subject to the achievement of performance conditions.

The purpose of this plan is to provide senior executives and other nominated key individuals with the opportunity of receiving a reward based on the increase in the value of the share price between grant date and exercise date. This right is called a share appreciation right (SAR). The granting of SARs as well as the number of SARs granted is at the sole discretion of the committee.

The annual award of SARs is made in September/October. Provision has also been made for SARs to be awarded in March/April to cater for recent executive appointments.

Allocation policy

The policy for determining the annual SARs award is -

Actual total package earned in a particular financial year multiplied by the applicable percentage set per grade.

In determining the quantum of the annual SARs award, the value of the unvested SARs is taken into account. In addition the applicable multiple of guaranteed pay for each grade is also considered.

Pertinent rules applicable to the award of SARs are –

» No award of SARs will be made in a closed period
» No annual award is made to a participant who is within 36 months of normal retirement age
» Performance conditions, which must be met in order for the SAR to vest, are approved by the Board. Performance conditions are reviewed on an annual basis
» Eligible participants must have achieved a minimum performance rating of 3 (Met Expectations) as a minimum in order to qualify for an annual award.

Dilution

A *quasi* (internal company) dilution limit has been imposed and the total number of unvested SARs issued will not exceed 10% of issued share capital of the Group. No one individual may be awarded more than 1% of issued share capital.

Sign on awards

Sign on awards to newly appointed executives, within the rules set out above, may be made at the discretion of the committee. Such awards are often required to attract talent.

SARs vesting

The SARs will vest in equal tranches over three years, with the first tranche vesting at the end of year three, provided that the performance condition as set by the committee has been met. Vesting will occur on a proportionate (linear sliding scale) basis in accordance with the predetermined formula between threshold and target performance.

Once the SARs vest and the performance condition has been met, the participants will be able to exercise the portion of SARs which have vested before the expiry of the SARs, which is seven years after the award date, and realise the gain from the appreciation in the share price. Following the exercise of the SARs, the benefit will be paid to the participant in cash. The participant has no right to receive any shares upon the exercise of the SARs or otherwise by virtue of participation in this plan.

The plan allows for regular and consistent granting of awards on an annual basis. The granting of SARs under the plan must occur within the prescribed time frames and the plan does not provide for issue of SARS at a discount, re-pricing or re-granting.

SARs lapse at the end of seven years, or when the performance condition is not met. The scheme has been designed to avoid a situation of 'all or nothing' vesting profile by providing for annual grants and linear vesting and thus avoiding the granting of large up-front awards.

SARs performance conditions

The current performance conditions are measured over a three year performance period and require that the Group meets or exceeds a combination of return on invested capital (ROIC), operating free cash flow and headline earnings growth, compared to the weighted average of a peer group of comparator companies. The weighting of the performance conditions is as follows:

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

Other criteria relating to the performance conditions are:

» Headline earnings will be compared to the construction industry peer group
» There will be threshold, target and stretch performance levels set for each performance measure
» Vesting shall occur on a linear basis between threshold and target performance
» The construction industry index will be based upon the following comparator group of companies:
  – Murray & Roberts
  – Group Five
  – WBHO
  – Basil Read
  – Stefanutti Stocks
  – Raubex.

The above measures are defined as follows

Criteria	Formula
ROIC	$\frac{\text{Net operating earnings – adjusted taxes}}{\text{Property, plant and equipment + Current Assets – Current Liabilities}}$
OFCF per share	$\frac{\text{(Operating cash flow – Capex + Proceeds on disposal of PPE*)}}{\text{Weighted average number of shares in issue}}$
Headline earnings growth (relative to industry index)	Aveng headline earnings ≥ construction industry index performance

**Property, plant and equipment*

Termination

At termination of employment, the following will apply:

Event	Effect
Involuntary termination (Death, retirement, retrenchment, other terminations and exceptional circumstances and incapacity)	» All vested, unexercised SARs can be exercised within a 12-month period of termination » All unvested SARs shall vest *pro-rata* on time served between grant date and vesting date to the extent that the performance condition has been met » If termination occurs any time before the performance conditions are tested, unvested SARs are forfeited » Vested SARs not exercised after 12 months of termination will lapse.
Resignation	» All unvested SARs will lapse » All unexercised vested SARs must be exercised within two months from termination date subject to the performance condition being met.
Dismissal	» All unvested SARs will lapse » All unexercised vested SARs will be forfeited.

Forfeitable Share Plan (FSP)

The purpose of this incentive plan is to enable the company to award forfeitable shares to a small number of critical senior executives and/or key talent. The rules provide for the award of performance shares or retention shares. In accordance with best practice, the performance shares are subject to the meeting of financial performance conditions for vesting as well as continued employment for the duration of the vesting period. The forward looking award policy for FSP is that the majority of awards should be subject to performance conditions for vesting, in line with the Group's approach of performance related incentives. However, in specific *ad hoc* instances where the committee recognises key talent instrumental in delivering the Group's business strategy forfeitable shares only subject to continued employment may also be awarded.

Any critical senior executive and/or key talent, including executive directors, but excluding non-executive directors, within the Group may become a participant of the FSP. Participants will be nominated by the committee at its sole discretion and be allocated Aveng Limited shares (subject to forfeiture as explained above). All the rights accruing to the shares, including dividends, will be for the benefit of the participant. An employee who accepts or is deemed to have accepted an award of a specified number of shares made to him or her in terms of the FSP becomes a participant as defined in the plan rules.

After the award is made, the shares shall be held in escrow by an escrow agent for the benefit of the participant. The shares may not be disposed of or otherwise encumbered except in the event of death of the participant in which instance the shares may be transferred to the executor of such participant's estate.

The rules of the FSP stipulate the procedure applicable for the vesting or lapse of forfeitable shares in the event of early termination of employment by participants. The rules also state that participation in the FSP is not an entitlement, but is at the sole discretion of the committee, and that the design and rules can be amended at the discretion of the Board, subject to the required shareholder and JSE approvals (where applicable).

Unless the committee decides otherwise, should the participant's employment terminate, prior to vesting, the following will apply:

Event	Effect
Involuntary termination (Death, retirement, retrenchment, other terminations and exceptional circumstances, incapacity or if the employer company is no longer part of the Group)	A portion of the award shall vest on the date of termination of employment. The formula for calculation of the portion of the award that shall vest in favour of the participant is set out in the FSP rules. The portion that does not vest in favour in the participant will lapse on the date of termination of employment.
Resignation	All unvested forfeitable shares will lapse
Dismissal	All unvested forfeitable shares will lapse

FSP performance condition

As with the SARs the performance shares awarded in terms of the FSP are subject to performance conditions for vesting. The performance condition is reviewed annually, taking into account the operating environment and strategic business drivers. The performance condition currently applicable to the FSP is return on equity. The performance condition target, which must be met in order for the FS to vest, is approved by the Board.

Dilution

A quasi (internal company) dilution limit exists and the amount of shares that may be allocated in terms of the FSP is limited to 1% of issued share capital in total, or 0,2% of issued share capital for any individual participant.

The awarding of forfeitable shares will have no dilutionary effect on the Group's issued share capital as the shares will be purchased in the market.

Terms of service

Executives and prescribed officers

Executives are employed in terms of Aveng's standard employment contract.

The services of executives and prescribed officers are subject to three month's notice and no protection is provided in the event of an unsolicited takeover. The rules of the LTI therefore do no provide for automatic vesting of unvested LTI awards in the event of change of control. Deferred remuneration is forfeited in the event of termination where employees are terminated based on fault termination (i.e. resignation, misconduct, underperformance etc). For early termination of employment the vesting profile is determined by the approved SAR and FSP rules.

Non-executive directors

Non-executive directors are appointed by the shareholders at the AGM.

Non-executive directors are not expected to hold office for more than nine years.

The committee shall consider the continuation (or not) in service of any non-executive director who has reached the age of 65. Non-executive directors retire at the AGM following their 70th birthday. Notwithstanding this provision, executive directors will also be subject to the retirement of rotation process as provided for in the memorandum of incorporation.

Non-executive director fees

On an annual basis management submits to the committee a proposal for the review of non-executive director fees. This proposal includes benchmarks from a minimum of two non-executive director remuneration surveys as well as extracts and benchmarking data from annual reports of at least three similar sized businesses (based on market capitalisation). 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.

This recommended fee, upon review by the Board, is submitted to the AGM for approval by shareholders in terms of the Companies Act.

Remuneration report

Key points: (What happened in 2012/2013 financial year)

1. The remuneration of executive directors, senior executives and prescribed officers as well as the fees of non-executive directors were not adjusted last year in light of the tough trading environment and in response to the President's call for salary increase sacrifices by senior executives.
2. Implemented Reward Framework for McConnell Dowell aligned to the Group's Reward Framework.
3. Road-show with some major shareholders undertaken to obtain their views and input on the Group's remuneration policy design principles.

Outlook: (Going forward in 2013)

1. The Group's remuneration policy has been reviewed and updated in line with best practice.
2. SAP Human Capital Management project initiated.

Introduction

This report focuses on remuneration related activities undertaken during the 2012/2013 financial year and describes the Aveng Group's remuneration policy for executive directors, prescribed officers and permanent salaried employees and the application thereof. Aveng is committed to comply with sound remuneration governance and applicable legislation, stock exchange listing requirements and the Code of Good Governance for South Africa 2009 (King III). In order to aid transparent and concise disclosure this report is presented in two parts namely Part 1 as the Group's remuneration philosophy and policy and Part 2 illustrating how this policy was implemented with regard to remuneration.

REMUNERATION PHILOSOPHY AND POLICY

Aveng Remuneration and Nomination Committee

Role, membership and activities

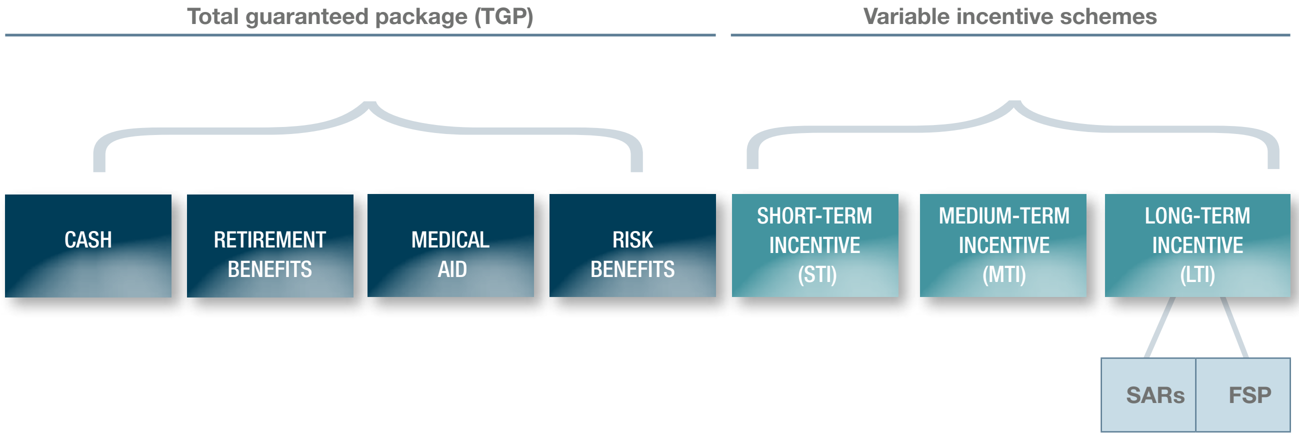
Members	RL Hogben (chairman) independent non-executive AWB Band (member) independent non-executive NL Sowazi (member) non-executive TM Mokgosi-Mwantembe (member) independent non-executive
Remit	Assist the Board to adopt remuneration policies and practices which are aligned to the Group's business strategy to create sustainable value and growth over the long term for shareholders and other stakeholders.
Terms of reference	The committee is governed by a formal charter which is aligned to the principles of King III and the Companies Act 71 of 2008, as amended and provides for the following: » Ensures that the remuneration policy promotes the achievement of the Group's strategic objectives and encourages individual performance » Assists the Board to ensure that the executive directors, senior executives and prescribed officers of the Group are remunerated on a fair, responsible and competitive basis and in line with approved performance targets » Ensures that an adequate performance management system is operational throughout the Group, which aligns with the objectives of the short-, medium- and long-term incentive schemes based on the Group's approved business strategy » Ensures that all forms of remuneration and incentivisation across the Group are performance related » Ensures that an adequate, formal succession plan exists throughout the Group » Approves senior executive appointments and commensurate remuneration » Reviews the structure, size and composition of the Board annually to ensure that the Board is able to execute its duties effectively and conduct an evaluation of the performance of the Board, chairman and various board committees.

Guiding principles	The committee has determined that the following core principles underlie the Group's remuneration philosophy and are essential in order for the Group to deliver its business strategy – » The existence of a reputable, robust job grading system, with appropriate governance principles » A market-related reward strategy and principles supporting this cascaded down to operational cluster level » The provision of an appropriate total cost to company package for employees which includes fringe benefits, retirement plans, medical and risk benefits » Appropriate incentive schemes, which are now standardised across the Group, which encourages value creation for shareholders, but does not encourage excessive risk taking by executives and prescribed officers » The existence of a performance culture and a performance management process across the Group, where individual goals congruent with the company strategy are established, and performance is evaluated and linked to annual pay increase and incentive bonus awards. A common performance management process is in place and the outcomes are consistently applied across the Group » A rigorous group-wide succession review process on all critical positions in the top three levels of the organisation takes place each year.
Number of meetings	Normally 4 meetings are required to be held in a year however 5 meetings were held during the 2012/2013 financial year.
External advisers	During the 2012/2013 financial year the following external advisers were used: » PwC assisted the committee in reviewing and proposing changes to the incentive scheme design principles as well as with executive and non-executive director remuneration benchmarking against the market. » PE Corporate Services provided benchmarking on executive pay and assistance with the development of a Reward Framework for McConnell Dowell. » Marsh & McLennan (formerly Mercer) provided executive benchmarking data for the Australian market.
Internal input	» The meetings of the committee are attended by the chief executive officer and the group human resources director on an ex-officio basis. Executives are not present when their remuneration is considered by the committee. The chairman of the committee provides the Board with a verbal report of the committee's activities at each board meeting

Summary of remuneration activities / decisions undertaken by the committee during the 2012/2013 financial year:

1. Based on feedback from shareholders and the outcome of the previous year's non-binding advisory vote on the Group's remuneration policy the remuneration policy was reviewed and revised in terms of best practice principles.
2. Composition of the Board, tenure of executive and non-executive directors and how this impacted succession planning for the Group was reviewed and approved.
3. Appointment/termination of senior executives.
4. Approval of financial performance targets and measures for short- and medium-term incentive purposes.
5. Executive and non-executive total pay benchmarking against the market and review and approval of executives' remuneration.
6. Annual remuneration review for the Group.
7. Awarding of incentive awards, namely short-term incentives (STI), medium-term incentives (MTI) and long-term incentives (LTI) based on market benchmarks.
8. Monitoring performance management roll-out and ensuring that all remuneration elements are linked to performance.
9. Confirmation of performance conditions and targets for Share Appreciation Rights (SAR) scheme.
10. Undertaking the annual succession planning review.
11. Monitoring of senior management changes and labour turnover throughout the Group.
12. Reviewing labour relations developments and the impact thereof on the Group as well as management's response and action to mitigate this impact.

Elements of Aveng total remuneration



Reward strategy and principles

Summary of Aveng 2012/2013 remuneration policy

Component	Policy	Business objective
Total guaranteed pay The Group's guaranteed pay philosophy is to pay at the median of the market for full competency and expected performance, while allowing for performance based differentiation.	**Setting of guaranteed pay policy** When setting and reviewing the guaranteed pay policy, various factors, including the following, are taken into account: » Market pay trends, including benchmarking against the specific industries within which the Group operates » Macro-economic factors such as inflation, market increase projections and salary movement within the market » Movement in costs of particular benefits » Company performance and affordability » The need to ensure that executive pay is performance-based and is aligned to company financial performance.	Designed to attract and retain human capital in line with the scope, nature and skills requirements of the role.
Retirement plans and other benefits 4 071 salaried employees are members of the Group's retirement scheme. 3 991 salaried employees are members of the Group's medical scheme (Discovery medical aid).	As part of their employment conditions, all permanent salaried employees, including senior executives, prescribed officers and executive directors are either members of the Aveng pension fund or the Aveng provident fund. Employees contribute 6% of their total guaranteed pay (TGP) towards the pension fund and the company contributes between 6% and 12% towards the provident fund (or the pension fund), which forms part of the employees' TGP. The company provides a medical benefit to all salaried employees, including senior executives, prescribed officers and executive directors in the form of a group medical aid scheme, as part of employees' TGP. The company also offers group life assurance, permanent health insurance (disability) and group personal accident cover to executive directors, prescribed officers, senior executives and all permanent salaried employees as part of employees' TGP.	Ensure that employees have appropriate savings resources for their retirement. Provide medical insurance to employees and their dependants. Provide insurance for employees and their dependants in the event of disability, death, critical illness etc.

Component	Policy	Business objective
Variable pay schemes	The remuneration policy provides for short-, medium- and long-term incentive schemes. All value derived from these incentives is linked and based upon the outcomes of the Group's performance management process. Eligibility is based on grade, performance and talent mapping. The incentive schemes are designed to reward individual performance and the achievement of business financial targets. The financial and individual strategic targets are split on a 70/30 basis. Short-term incentive bonuses awarded are calculated as a percentage of total actual guaranteed remuneration and percentages awarded are grade specific and aligned to relevant best practice market benchmarks. The bonus pool is self-funding and only accrues once threshold financial performance has been met. Threshold performance comprises 80% of the financial performance target. The bonus quantum is calculated on a linear accrual basis and capped at stretch earning potential, which equates to 125% of the financial target. The group currently has the following incentive schemes which are applicable to eligible salaried employees: » Short-term incentive (STI) » Medium-term incentive (MTI) and » Long-term incentive (LTI)	The STI rewards and incentivises achievement of individual, operational cluster and group outperformance for the financial year (i.e. 12 month period). The MTI is a deferred bonus and provides retention of key talent in the medium-term. The LTI (comprising two types of instruments namely share appreciation rights and forfeitable shares) aligns employee interests with those of shareholders and other stakeholders in the long-term.

Performance underpins all elements of remuneration

The Group's annual business plan is based upon and informed by the Group's business and growth strategy. This plan informs the budget from which the key performance indicators (financial and non-financial) are derived. These key performance indicators (KPI) are incorporated into the annual performance contract of the Chief Executive Officer, who in turn cascades these KPIs into the performance contracts of the individual executive directors and managing directors. The Group's expectation and standard is that performance evaluations should be conducted on an on-going basis and at least twice on a formal basis during the financial year. This process enables managers to identify achievements and performance constraints early and to assist employees with their performance gaps.

The Group's performance management process determines the relative level of performance of both businesses and individuals. One of the key considerations to be taken into account when an employee's salary is being reviewed is their performance rating. This rating is used in determining both annual salary increases and incentive awards. Capable and skilled employees who demonstrate performance at a competent level are remunerated at the market median for their role.

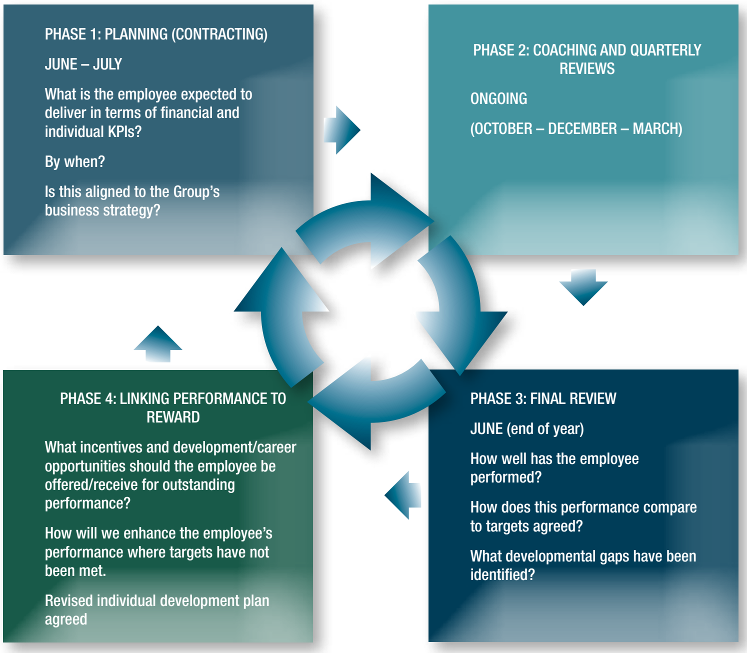
The Group's performance management process was established to ensure a high performance culture where individuals and teams take responsibility for the continuous improvement of the business' performance whilst also developing their own skills and competencies to deliver superior results.

Embedding performance management

The process of embedding the performance management process and culture continued in the year under review as highlighted below:

- The quality assurance of performance contracts has been revived and all performance contracts of senior management were quality assured to ensure alignment to business objectives;
- Formal performance reviews were undertaken, followed by formal feedback sessions to address performance gaps and individual development plans; and
- Calibration of performance evaluations took place to align individual performance with the overall business performance.

The Aveng performance management cycle that was followed is outlined below –



Succession review

The Group conducts a thorough group wide succession review in February/March each year. This review includes:

- Reviewing the top three management levels of the group support functions
- Identifying succession risks and the necessary mitigating plans
- Reviewing identified emergency, short, medium and longer successors to all critical senior roles
- Ensuring that the succession plans address the company's transformation objectives
- Reviewing identified emerging talent and ensuring that the necessary personal development plans are implemented.

In the year under review 148 potential successors with a 0 – 4 year readiness profile were identified for critical roles. Furthermore, it is worth noting that all senior management vacancies which arose from the restructuring of the Group into the five business clusters were filled from internal candidates.

Total remuneration design for executives

Aveng aims to reward executive directors and management with performance-based variable pay that has both a short-term cash component, a deferred remuneration component (medium-term incentive) and a long-term incentive plan. The variable pay will, depending on the role, function and responsibility of the executive director, prescribed officer or manager, constitute between 40% and 60% of the total remuneration of that executive director, prescribed officer or manager. The Group ensures that its pay mix reflects its culture of high performance by placing a large component of remuneration "at risk" in the form of variable pay. The pay mix has been designed to place the Group in a competitive position to attract and retain key talent, whilst being aligned to remuneration best practices.

Employees participating in incentive schemes

The number of employees who participated in the various group incentive schemes for the 2012/13 financial year is depicted in the table below:

Scheme	Number of participants	Percentage of total staff complement
STI	5 463	91,3%
MTI	273	4,7%
SARs	241	4,0%
FSP	4	0,0%
TOTAL STAFF	5 981	100%

Short-Term Incentive (STI) and Medium-Term Incentive (MTI) Schemes

The incentive pool is fully flexible and decreases to reflect financial performance levels below pre-determined targets set. In light of the Aveng Group and the majority of its operating clusters not meeting the predetermined financial targets, the incentive pool available for the year under review was reduced. Where a portion of the incentive pool did accrue the individual awards were made subject to a stringent review and calibration process. Based on the Group's remuneration policy, bonuses to the top three management levels are individually approved by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee has further discretion to moderate incentive payments to avoid unintended consequences where it deems this appropriate.

Long-term incentives (LTIs) 2012

The Group currently operates the Aveng Limited share appreciation rights scheme (SAR) and the Aveng Limited forfeitable share plan (FSP). Both long-term incentives are designed to align Aveng senior executives' performance with the interests of shareholders by enabling them to share in the long-term growth of the business and to enable the Group to retain critical leadership talent required to deliver the Group's business strategy. The Aveng Board and Aveng Remuneration and Nomination Committee have reviewed and amended the remuneration policy for the 2013/2014 financial year to align with remuneration best practices.

The remuneration policy can be viewed on pages 116 to 123 of this report.

Share appreciation rights scheme (SARs)

The purpose of the SARs is to reward senior executives and high potential individuals for sustainable long-term performance, measured against robust performance targets and to align executives' interests with those of shareholders and other stakeholders. The grant of SARs is at the discretion of the Remuneration and Nomination Committee. Only participants who are regarded as high performing individuals (based on the Group's performance management system) will qualify for SAR awards. In terms of the SAR scheme participants receive a right to the benefit from growth in share price between the grant date and the exercise date provided the performance condition has been met. The gain to participants is settled in cash.

Employees that have received SARs awards since inception of the scheme

The numbers of employees that have been awarded SARs since the inception of this scheme are outlined below:

Financial Year	Appointment Awards	Annual Awards	Total Awards
2011/12	10	241	252
2012/13	11	230	241

Performance condition

Vesting of SARs is subject to the meeting of a performance condition. This performance condition is reviewed and set by the Remuneration and Nomination Committee annually prior to SAR grants being made to participants.

The performance condition applicable to the SAR during this year was:
Growth in HEPS ≥ CPI + 1, 5 GDP

Forfeitable Share Plan (FSP)

The purpose of the FSP is to provide a small number of critical senior executives and key/critical talent with the opportunity to receive shares in the company, either as an incentive or as a retention mechanism. The Group awarded forfeitable shares to four executives for retention purposes during the year under review and as such there was no performance condition applicable to these awards.

The FSP rules make provision for a quasi (internal company) limit to be placed on the maximum number of shares which may be allocated for purposes of the scheme. This has currently been set at 1% of the issued share capital.

The maximum number of shares allocated to each participant in respect of all unvested awards is limited to a maximum of 20% of the overall limit (1%) referred to above. The shares to be awarded to each participant will be acquired on behalf of the employer company on the open market and the company will not issue any new shares in settlement of any award made in terms of the FSP. The awarding of forfeitable shares has no dilutionary effect on the company's issued share capital as the shares are purchased on the market.

The number of employees that were awarded forfeitable shares since the inception of the FSP is outlined below:

Aveng Forfeitable Share Plan	Annual Awards
Total employees awarded FSP in 2011/12	8
Total employees awarded FSP in 2012/13	4

Shareholder engagement

During the roadshow with some major shareholders, the Group was made aware of a concern with the fact that the FSP had no performance condition attached to forfeitable share awards, other than that the participant had to remain in the employ of the company until a pre-determined future (vesting) date. The purpose of the roadshow was to dialogue with shareholders on their key concerns as well as to share and solicit their input on the planned changes to the remuneration policy and remuneration report. The Group has, through the investor roadshow engaged with some major shareholders and investors to explain the rationale for the previous awards and to obtain their input on the remuneration policy going forward.

However, going forward in line with market best practice the policy has been changed to provide for the vesting of forfeitable shares to be subject to a robust performance condition.

The remuneration policy can be viewed on pages 116 to 123 of this report.

Some of the incentive design principles discussed during the investor roadshow included:

- Addressing concerns around perceived re-testing of SARS performance conditions
- Incorporating of a peer comparison measure to address the cyclicality of the sector and how this impacts the SARs.
- Addressing concerns that the FSP had no performance conditions
- Setting of more than one financial measure as a performance condition for the vesting of long term incentive instruments
- Introducing linear sliding scale vesting for the SARs and FSP.

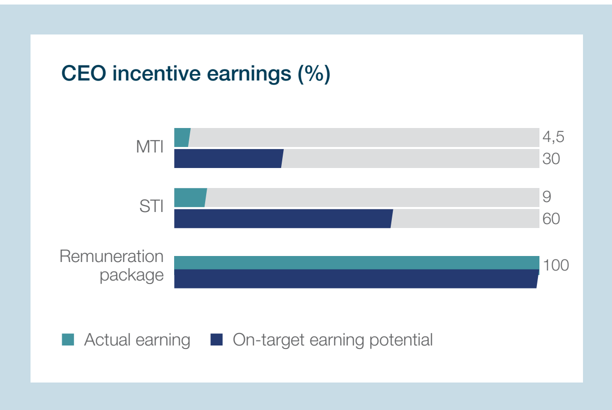
Policy on employment contracts and severance arrangements

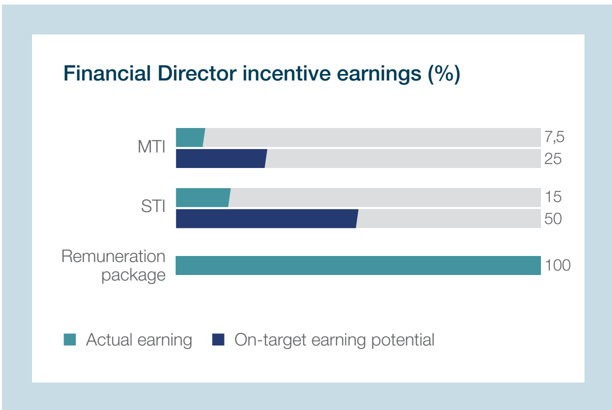
Executive directors

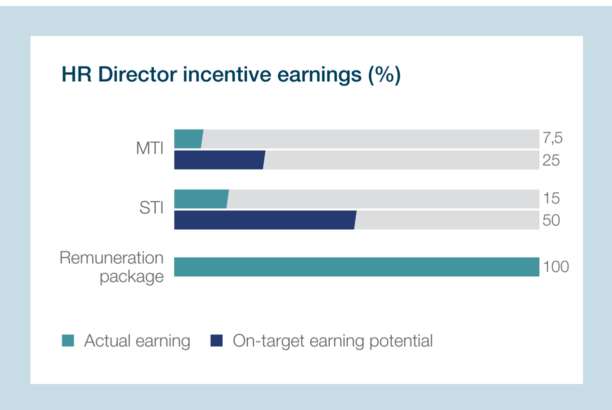
A three-month notice period applies to all executives. During the year under review, a pre-employment personal declaration confirming that the prospective employee has not been involved or been implicated in any violations of the Competition Act was introduced.

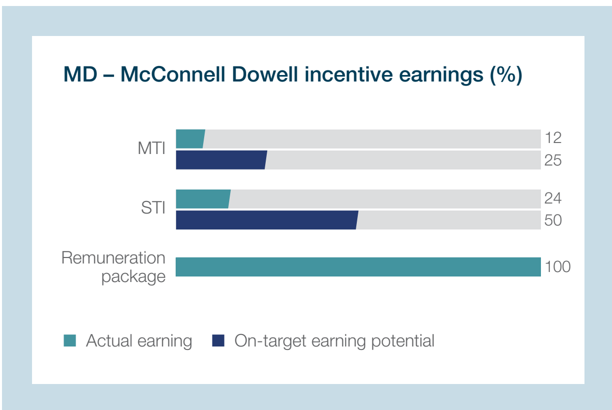
The company's normal retirement age is 60 years. However the group has a policy in place to extend employment of selected individuals with critical or scarce skills beyond the normal retirement age on the same terms and conditions. Such extension is at the sole discretion of the company. Whilst a few senior executives' retirement date has been extended beyond 60, no such extension was made for any of the executive directors. Despite this not yet being common practice in South Africa and not being a requirement of King III, Aveng executive directors have historically retired by rotation every three years and presented themselves for re-election at the company's

Actual earnings relative to on-target earning potential of the executive directors









AGM. This practice continued during the year under review. While no specific provision is made for termination bonuses the Remuneration and Nomination Committee is given some discretion by the various incentive scheme rules to consider in the case of other terminations and exceptional circumstances.

IMPLEMENTATION OF REMUNERATION POLICY

Remuneration paid to executive directors

The Group views its operating cluster/subsidiary managing directors as prescribed officers as defined in terms of the Companies Act.

Guaranteed pay

Annual Remuneration review – January 2013

All eligible employees, with the exception of executive directors, senior executives and non-executive directors received a salary increase, which was linked to the application of sound performance management principles. Executive directors, senior executives and non-executive directors did not receive an increase in light of the tough trading environment and in response to the President's call for salary increase sacrifices by senior executives. The overall increase in labour cost for the rest of the employees fell within the mandate approved by the Remuneration and Nomination committee.

A summary of the Group's total employment costs in the year under review can be found in note 11 of the financial statements.

Short-term incentive payout

The graphs on the previous page depict the actual earnings of the executive directors relative to their guaranteed package and on-target earning potential. Given the adverse performance of the Aveng Group in the year under review, the executive directors and senior executives did not qualify for the financial portion of the short-term and medium-term incentives. This constitutes 70% of their bonus earnings potential.

The remaining 30% of the STI attributable to individual, KPIs were adjudicated based on executives' performance relative to these KPIs which included:

» Safety performance
» Achieving transformation targets
» Attraction and retention of key talent
» Turn around of poor performing projects.

Disclosure of the value of long-term incentives earned

Details of long-term incentives vesting and/or settled and the outstanding value of any long term incentives granted to executive directors at 30 June 2013 are disclosed in note 39 of the financial statements.

Non-executive directors' fees paid

Aveng responded in support of the Presidency's request for a senior executive salary freeze in both public and private sectors for 2013. In keeping with the spirit of this request by government, the Board also agreed that fees for non-executive directors would be frozen for the year. In light of the 2013 financial results of the Group, the Board have agreed not to increase the non-executive directors' fees, however the increase that was proposed and approved at the 2012 annual general meeting will be implemented following the 2013 AGM. Accordingly no resolution for a fee increase will be presented for approval at this year's AGM.

The fees to be paid are as per table below:

Entity	Position	Approved fees (R)
Main Board	Chairman Director *Ad hoc* meetings**	815 700 268 500 23 600
Subsidiary Boards	Director McConnell Dowell travel allowances	142 700 65 200
Remuneration and Nomination Committee	Chairman Member	180 900 71 900
Safety, Health and Environment Commitee	Chairman Member	156 200 59 600
Tender Risk Committee	Member*	6 200
Social, Ethics and Transformation Committee	Chairman Member	156 200 59 600
Risk Committee	Chairman Member	180 900 71 900
Audit Committee	Chairman Member Subsidiaries	239 300 134 800 73 000
Investment Committee	Chairman* Member*	9 600 7 200
Ad hoc committee meetings	Member***	15 300

* *Per meeting attended*
** *Per meeting attended in excess of the five scheduled meetings per year*
****Directors who are not members of a Board committee are also requested on an ad hoc basis to attend meetings of certain committees. The 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 chairman.*

Note: Where additional formal meetings of the Board or committee are required, a meeting fee pro-rated to the annual fee for the Board or committee is paid. Where a non-executive director is required to attend meeting of a committee of which he is not a member, a similar rules applies. A governance protocol to monitor non-executive director attendance in these circumstances is in place

Financial statements

Contents

The reports and statements set out below comprise the consolidated and separate annual financial statements presented to the shareholders:

Adelaide Desalination Plant, Australia

Definitions

Average capital employed	Average of total equity and short and long-term borrowings and other liabilities.
Average equity attributable to equity-holders of the parent	Average of total equity less non-controlling interests.
Cash flow per share	Operating free cash flow divided by weighted average number of shares in issue.
Cash and cash equivalents	Cash and bank balances and bank overdrafts.
Current ratio	Current assets divided by current liabilities.
Diluted headline earnings and diluted earnings per share	Headline earnings and earnings for the period attributable to equity-holders of the parent divided by the diluted weighted average number of shares in issue.
Dividend cover	Headline earnings per share divided by dividend per share.
Dividend yield	Historic dividend per share expressed as a percentage of the closing share price.
Earnings yield	Headline earnings per share expressed as a percentage of the closing share price.
Operating earnings	Operating earnings before other gains and losses.
EBIT (net operating earnings)	Net operating earnings before finance earnings and finance and transaction expenses.
EBITDA	Operating earnings before other gains and losses, adding back depreciation, impairment and amortisation.
Effective tax rate	Taxation divided by earnings before taxation, expressed as a percentage.
EVA	NOPLAT less invested capital times the weighted average cost of capital.
Headline earnings	Earnings for the period, adjusted for other gains and losses (net of taxation).
Headline earnings and earnings per share	Headline earnings and earnings for the period attributable to equity-holders of the parent divided by the weighted average number of shares in issue.
Net finance earnings	Finance earnings less finance and transaction expenses.
Interest-bearing debt	Interest-bearing borrowings including the short-term portion of long-term borrowings.
Interest Cover	Net operating earnings divided by net finance earnings.
Invested capital	The sum of property, plant and equipment, goodwill and intangibles, investments, current assets (excluding inter-group current accounts) less current liabilities (excluding overdrafts and short-term borrowings).
Liquidity	Number of shares traded, divided by the number of shares in issue.

Net asset value per ordinary share	Total equity divided by the total number of ordinary shares in issue.
Net cash position	Cash and cash equivalents less borrowings.
Net cash generated by operations	Cash generated by operations plus or minus decreases or increases in working capital movements.
Net cash position to equity	Net cash divided by total equity.
NOPLAT	EBIT plus the change in non-current and current provisions, less national taxes.
Percentage of market capitalisation traded	Value of shares traded divided by closing market capitalisation.
Return on average capital employed	Operating earnings plus earnings from available for sale investments, share of (loss) / earnings from equity-accounted investments and finance earnings as a percentage of average capital employed.
Return on average equity	Headline earnings as a percentage of average equity attributable to equity-holders of the parent.
Revenue per employee	Revenue divided by the total number of employees.
ROIC	NOPLAT divided by invested capital.
Segment liabilities	Trade and other payables, provisions and amounts due to contract customers.
Segment assets	Property, plant and equipment, inventories, trade and other receivables and amounts due from contract customers.

General information

Country of incorporation and domicile	South Africa
Auditors	Ernst & Young Incorporated
Secretary	M Nana
Company registration number	1944/018119/06
Level of assurance	The Consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the South African Companies Act 71 of 2008, as amended.
Supervised by	The Consolidated and separate annual financial statements were prepared under the supervision of: HJ Verster Acting Chief Executive Officer, and Group Financial Director
Published	30 September 2013

Audit Committee report

The Audit Committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of the Group. Five (four scheduled and one special) Audit Committee meetings were held during the year, at which the members fulfilled their functions as prescribed by the South African Companies Act 71 of 2008, as amended. The Audit Committee confirms that it is satisfied with the independence of its External Auditor, Ernst & Young Incorporated. For a full report on the functions of the Audit Committee, please refer to page 111 of this integrated report.

In accordance with the Listings Requirements of the JSE Limited, the Audit Committee is required to consider the appropriateness of the expertise and experience of the Financial Director of the Group and Company. In respect of this requirement and for the year under review, the committee is satisfied that Mr HJ Verster, the Financial Director of the Group and Company, possesses the appropriate expertise and experience to fulfil his responsibilities in that position.

STATEMENT ON INTERNAL FINANCIAL CONTROLS

Based on information from, and discussions with management and the Group internal audit function, the Audit Committee acknowledges that during the course of the year there were breakdowns in certain key controls at Aveng Grinaker-LTA and Aveng Steeledale which have now been largely addressed and confirms that it has no reason to believe that there were any other material breakdowns in the design and operating effectiveness of internal financial controls during this financial year which have not been addressed or are in the process of being addressed by management. The financial records can thus be relied on for preparing Consolidated and separate annual financial statements.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

The Group risk management and internal audit functions monitor the effectiveness of internal control systems and make recommendations to management and the Audit- and Risk Committees. Based on this information and from information and discussions with management, the Audit Committee, on behalf of the Board, confirms that it has no reason to believe that there were any material internal control or risk management shortcomings during this financial year which have not been addressed or are in the process of being addressed. The Board has thus concluded based on recommendation of the Audit Committee and its own understanding that there is no reason to believe that there were any material internal control or risk management shortcomings during this financial year that have not been addressed or are in the process of being addressed (for further information, please refer to the Risk management report on page 113).

PK Ward
Chairman
Audit Committee

6 September 2013

Certificate of the company secretary

I, the undersigned, Michelle Nana, in my capacity as Company Secretary, certify that:

» The Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the South African Companies Act 71 of 2008, as amended.

» All such returns are true, correct and up to date.

M Nana
Company Secretary

6 September 2013

The directors submit their report for the year ended 30 June 2013.

1. REVIEW OF ACTIVITIES

Nature of business

Aveng Limited is a South African registered and listed company, included in the Construction and Materials – Heavy Construction sector of the JSE Limited, with interests in construction, contract mining and steel beneficiation. Primary subsidiaries include Aveng (Africa) Limited, Aveng Trident Steel Holdings (Proprietary) Limited and Aveng Australia Holdings (Proprietary) Limited. An organisational chart of the operating groups may be found at the front of this integrated report.

Group financial results

At 30 June 2013, the Group recorded earnings for the period of R459 million (2012: R523 million), representing earnings per share of 124,6 cents (2012: earnings per share of 134,9 cents), and headline earnings for the period of R466 million (2012: R495 million), representing headline earnings per share of 124,6 cents (2012: headline earnings per share of 128,1 cents).

Full details of the financial performance position and changes therein of the Group and Company are set out in the consolidated and separate annual financial statements on pages 142 to 213.

The consolidated and separate annual financial statements are prepared on the underlying assumptions of going concern and accrual accounting as laid down in the Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board (IASB).

The Group and Company's accounting policies is subject to an annual review to ensure continuing compliance with International Financial Reporting Standards (IFRS).

2. MAJOR ACQUISITIONS, DISPOSALS AND IMPAIRMENT OF ASSETS

Acquisition of investment property

The Group acquired a 15% undivided share in the Goldfields Mall Shopping Centre for R71 million in June 2013. This property is being held to earn rentals and as such has been classified as an investment property. Information regarding the investment property is detailed in note 4 to the consolidated annual financial statements.

Acquisition of subsidiary

The Group acquired 51% of the equity (and voting rights) of EESTech Africa (Proprietary) Limited (EESTech) for AUD1 million (R9 million) in February 2013. EESTech will be accounted for as a subsidiary of the Group and will be consolidated into the Group's results. Full details of the acquisition are contained in note 36 to the consolidated annual financial statements.

Disposal of available-for-sale investment

The Group disposed of its 15% shareholding in Goldfields Mall (Proprietary) Limited, which was held as an available-for-sale investment, and was sold for its carrying amount of R80 million in June 2013.

Disposals and impairments

There have been no other major disposals in the Group during the current year. Assets with a net carrying amount of R2 million has been fully impaired in the current year.

3. EVENTS AFTER THE REPORTING PERIOD

Mr Roger Jardine resigned as Group Chief Executive Officer (CEO) and director of the Company effective 31 August 2013. Mr Kobus Verster, the Group Financial Director, will be acting CEO from 1 September 2013 until a replacement for Mr Jardine is appointed.

The directors are not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the consolidated and separate annual financial statements which significantly affects the financial position of the Group and the Company as at 30 June 2013 or the results of its operations or cash flows for the year then ended.

4. INVESTMENTS

Information regarding the Company's interest in subsidiaries is detailed in note 1 to the separate annual financial statements. Information regarding the Group's interest in equity-accounted investments and available-for-sale investments is detailed in notes 8 and 9 to the consolidated annual financial statements.

5. SHARE CAPITAL

Consistent with prior years, the Aveng Limited Share Purchase Trust is consolidated into the Group's results for reporting purposes, with the shares it holds treated as treasury shares. There has been no change to the Company's authorised share capital during the year under review.

In terms of a general authority received at the Annual General Meeting of shareholders held on 8 November 2012, the Company and its subsidiaries were authorised to acquire ordinary shares up to a maximum of 20% in aggregate of the number of issued ordinary shares of the Company. The number of shares purchased by subsidiaries of the Company may not exceed 10% in the aggregate of the number of issued shares of the Company.

No shares were acquired in terms of this authority during the financial year.

Full details of the authorised and issued share capital of the Company at 30 June 2013 are contained in note 7 to the separate annual financial statements.

6. DIVIDENDS

The following dividends were declared in respect of the years ended 30 June:
2012: Dividend number 14 of 60 cents per share.
2013: No dividend was declared.

Consistent with the decision not to declare a dividend, general authority to repurchase any ordinary shares for the coming 12 months from the date of the 2013 Annual General Meeting, will not be sought.

7. DIRECTORATE

In terms of the Company's memorandum of incorporation, the directors listed below will retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election:

- Mr Angus Band
- Mr Rick Hogben
- Ms Thoko Mokgosi-Mwantembe
- Mr Nkululeko Sowazi
- Mr Kobus Verster

The following directorate changes have taken place during the financial year, and subsequent to year-end:

Name	Changes
Mr Mike Kilbride	Appointed 4 July 2012
Mr Mahomed Seedat	Appointed 4 July 2012
Mr Stephen Pell	Resigned 8 February 2013
Mr Roger Jardine	Resigned 31 August 2013

Refer to full list of the board of directors on page 33 for more information.

8. COMPANY SECRETARY

Ms Michelle Nana was appointed Company Secretary effective 1 August 2012. Aveng's business and postal addresses are on the inside back cover, which are also the addresses of the Company Secretary.

9. AUDITORS

Ernst & Young Incorporated continued in office as external auditors. At the Annual General Meeting shareholders will be requested to appoint Ernst & Young Incorporated as the Group's auditors for the 2014 reporting period and it is noted that Mr WK Kinnear will be the individual registered auditor who will undertake the audit.

10. DIRECTORS' REMUNERATION AND INTERESTS

Details of the directors' remuneration and interests are set out in note 40 to the consolidated annual financial statements.

The fees payable to executive directors are waived.

11. SHAREHOLDERS

The shareholders' diary appears on page 216.

An analysis of shareholders, including shares held by directors, appears on page 217.

The notice of Annual General Meeting appears on pages 218 to 220.

12. DIRECTORS' RESPONSIBILITY RELATING TO CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The directors of the Group and the Company are responsible for maintaining adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act 71 of 2008, as amended, and the Listings Requirements of the JSE Limited.

The directors acknowledge that they are responsible for the system of internal financial control established by the Group and Company and place considerable importance on maintaining a strong control environment. This is designed to provide reasonable, but not absolute assurance, as to the reliability of financial records and the consolidated and separate annual financial statements, to adequately safeguard, verify, and maintain accountability of assets and to prevent and detect material misstatements and loss. To enable the directors to meet these responsibilities, the Board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework. Effective accounting procedures and adequate segregation of duties are required to maintain the highest ethical standards in ensuring the Group and Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group and Company is on identifying, assessing, managing and monitoring all known forms of risk across the Group and Company. While operating risk cannot be fully eliminated, the Group and Company endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The consolidated and separate annual financial statements have been compiled under the supervision of HJ Verster, Group Financial Director and have been audited in terms of the South African Companies Act 71 of 2008, as amended.

The directors have reviewed the Group and Company's cash flow forecast for the year ended 30 June 2014 and, in light of this review and the current financial position, they are satisfied that the Group and Company have access to adequate resources to continue in operational existence for the foreseeable future and accordingly the consolidated and separate annual financial statements are prepared on a going concern basis.

The external auditors are responsible for independently reviewing and reporting on the consolidated and separate annual financial statements. Their unmodified report to the shareholders of the Group and Company is set out on page 141.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of the Group and the Company for the year ended 30 June 2013 set out on pages 142 to 213, which have been prepared on the going concern basis, were approved by the Board on 6 September 2013 and were signed on its behalf by:

AWB Band
Chairman

HJ Verster
Acting Chief Executive Officer / Financial Director

Report of the independent auditors

TO THE SHAREHOLDERS OF AVENG LIMITED

Report on the Consolidated Financial Statements

We have audited the consolidated and separate financial statements of Aveng Limited set out on pages 142 to 213 which comprise the statements of financial position as at 30 June 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Aveng Limited as at 30 June 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Warren Kenneth Kinnear
Registered Auditor
Chartered Accountant (SA)

52 Corlett Drive
Illovo
2196

6 September 2013

Consolidated statement of financial position

as at 30 June 2013

2012 USDm	2013 USDm		Note	2013 Rm	2012* Rm
		ASSETS			
		Non-current assets			
–	**7**	Investment property	4	**71**	–
812	**687**	Property, plant and equipment	5	**6 789**	6 666
169	**144**	Goodwill arising on consolidation	6	**1 425**	1 384
20	**19**	Intangible assets	7	**184**	165
13	**15**	Equity-accounted investments	8	**144**	105
18	**7**	Available-for-sale investments	9	**70**	146
122	**136**	Deferred tax assets	10	**1 347**	998
1 154	**1 015**			**10 030**	9 464
		Current assets			
300	**281**	Inventories	13	**2 780**	2 467
327	**269**	Trade and other receivables	14	**2 655**	2 683
882	**1 052**	Amounts due from contract customers	12	**10 397**	7 242
634	**461**	Cash and bank balances	15	**4 551**	5 203
2 143	**2 063**			**20 383**	17 595
3 297	**3 078**	**TOTAL ASSETS**		**30 413**	27 059
		EQUITY AND LIABILITIES			
		Equity			
175	**140**	Share capital and share premium	16	**1 388**	1 435
74	**81**	Other reserves		**802**	602
1 323	**1 124**	Retained earnings		**11 103**	10 864
1 572	**1 345**	Equity attributable to equity-holders of the parent		**13 293**	12 901
1	**1**	Non-controlling interests		**12**	10
1 573	**1 346**			**13 305**	12 911
		Liabilities			
		Non-current liabilities			
91	**133**	Borrowings and other liabilities	20	**1 312**	748
36	**32**	Deferred tax liabilities	10	**319**	299
112	**112**	Provisions	21	**1 105**	918
239	**277**			**2 736**	1 965
		Current liabilities			
22	**22**	Borrowings and other liabilities	20	**219**	180
29	**21**	Taxation payable		**210**	242
962	**916**	Trade and other payables	23	**9 052**	7 894
153	**195**	Provisions	21	**1 924**	1 253
277	**240**	Amounts due to contract customers	12	**2 367**	2 271
42	**61**	Bank overdrafts	22	**600**	343
1 485	**1 455**			**14 372**	12 183
1 724	**1 732**	**TOTAL LIABILITIES**		**17 108**	14 148
3 297	**3 078**	**TOTAL EQUITY AND LIABILITIES**		**30 413**	27 059

**Comparatives have been amended, as detailed in the Change in disclosure note, refer to note 1.*

Consolidated statement of comprehensive earnings

for the year ended 30 June 2013

2012 USDm	2013 USDm		Note	2013 Rm	2012* Rm
5 303	5 847	*Revenue*	24	51 704	40 886
(4 850)	(5 454)	Cost of sales[1]		(48 233)	(37 396)
453	393	*Gross earnings*		3 471	3 490
(387)	(322)	Operating expenses[2]		(2 844)	(2 986)
66	71	*Operating earnings before other gains and losses*		627	504
4	–	Other gains and losses	29	–	31
70	71	*Operating earnings after other gains and losses*	25	627	535
5	5	Earnings from available-for-sale investments	27	41	37
5	(1)	Share of (loss) / earnings from equity-accounted investments	8	(12)	41
80	75	*Net operating earnings*		656	613
25	15	Finance earnings	26	132	189
(10)	(18)	Finance and transaction expenses	28	(162)	(76)
95	72	*Earnings before taxation*		626	726
(26)	(19)	Taxation	30	(167)	(203)
69	53	**EARNINGS FOR THE PERIOD**		459	523
		Other comprehensive earnings for the period:			
		Items that may be subsequently recycled to earnings:			
63	22	Exchange differences on translating foreign operations		196	485
(2)	–	Movement in insurance and other reserves		(2)	(12)
61	22			194	473
130	75	*Total comprehensive earnings for the period*		653	996
		Total comprehensive earnings for the period attributable to:			
130	76	Equity-holders of the parent		659	993
–	(1)	Non-controlling interests		(6)	3
130	75			653	996
		Earnings for the period attributable to:			
69	54	Equity-holders of the parent		466	521
–	(1)	Non-controlling interests		(7)	2
69	53			459	523
		Other comprehensive earnings for the period attributable to:			
61	22	Equity-holders of the parent		193	472
–	–	Non-controlling interests		1	1
61	22			194	473
		Determination of headline earnings for the period:			
69	54	Earnings for the period attributable to equity-holders of the parent		466	521
(3)	–	Other gains and losses – net of taxation		–	(26)
66	54		44	466	495
		RESULTS PER SHARE (cents)			
17,5	14,1	Earnings	44	124,6	134,9
16,6	14,1	Headline earnings	44	124,6	128,1
16,4	13,1	Diluted earnings	44	115,9	126,1
15,5	13,1	Diluted headline earnings	44	115,9	119,8
7,8	–	Dividend	44	–	60,0
		NUMBER OF SHARES (millions)			
389,8	389,8	In issue	16	389,8	389,8
386,0	373,9	Weighted average	44	373,9	386,0
412,9	402,1	Diluted weighted average	44	402,1	412,9

**Comparatives have been amended, as detailed in the Change in disclosure note, refer to note 1.*
[1]Cost of sales includes depreciation of R1 090 million (2012: R1 343 million). Refer to note 25.
[2]Operating expenses includes depreciation of R89 million (2012: R136 million), amortisation of R50 million (2012: R37 million) and impairment of R2 million (2012: Rnil). Refer to note 25.
The total depreciation and impairment expense included in the Statement of comprehensive earnings amounts to R1 181 million (2012: R1 479 million).

Consolidated statement of changes in equity

for the year ended 30 June 2013

	Share capital Rm	Share premium Rm	Total issued capital Rm	Foreign currency trans-lation reserve Rm	Equity-settled share-based payment reserve Rm	Insurance reserves Rm	Total other reserves Rm	Retained earnings Rm	Total attri-butable to equity-holders of the parent Rm	Non-contro-lling interests Rm	Total equity Rm
Balance at 1 July 2011	19	1 864	**1 883**	62	–	72	**134**	10 900	**12 917**	(3)	**12 914**
Earnings for the period	–	–	**–**	–	–	–	**–**	521	**521**	2	**523**
Other comprehensive earnings for the period	–	–	**–**	484	–	(12)	**472**	–	**472**	1	**473**
Total comprehensive earnings for the period	–	–	**–**	484	–	(12)	**472**	521	**993**	3	**996**
Shares issued	–	327	**327**	–	–	–	**–**	–	**327**	10	**337**
Share repurchase programme	–	(448)	**(448)**	–	–	–	**–**	–	**(448)**	–	**(448)**
Movement in treasury shares	–	(327)	**(327)**	–	–	–	**–**	–	**(327)**	–	**(327)**
Transfer between reserves	–	–	**–**	–	–	(4)	**(4)**	4	**–**	–	**–**
Dividends	–	–	**–**	–	–	–	**–**	(561)	**(561)**	–	**(561)**
Total contributions and distributions recognised directly in equity	–	(448)	**(448)**	–	–	(4)	**(4)**	(557)	**(1 009)**	10	**(999)**
Balance at 1 July 2012	19	1 416	**1 435**	546	–	56	**602**	10 864	**12 901**	10	**12 911**
Earnings for the period	–	–	**–**	–	–	–	**–**	466	**466**	(7)	**459**
Other comprehensive earnings for the period	–	–	**–**	195	–	(2)	**193**	–	**193**	1	**194**
Total comprehensive earnings for the period	–	–	**–**	195	–	(2)	**193**	466	**659**	(6)	**653**
Movement in treasury shares	–	(47)	**(47)**	–	–	–	**–**	–	**(47)**	–	**(47)**
Equity-settled share-based payment expense	–	–	**–**	–	21	–	**21**	–	**21**	–	**21**
Transfer between reserves	–	–	**–**	(14)	–	–	**(14)**	14	**–**	–	**–**
Business combination – acquisition of subsidiary	–	–	**–**	–	–	–	**–**	–	**–**	9	**9**
Dividends	–	–	**–**	–	–	–	**–**	(241)	**(241)**	(1)	**(242)**
Total contributions and distributions recognised directly in equity	–	(47)	**(47)**	(14)	21	–	**7**	(227)	**(267)**	8	**(259)**
Balance at 30 June 2013	**19**	**1 369**	**1 388**	**727**	**21**	**54**	**802**	**11 103**	**13 293**	**12**	**13 305**
Note	16	16	**16**		18	19					

Consolidated statement of cash flows

for the year ended 30 June 2013

2012 USDm	2013 USDm		Note	2013 Rm	2012 Rm
		Cash retained from operating activities			
70	**71**	Cash retained from operations	32.1	**627**	535
192	**134**	Depreciation and impairment	5	**1 181**	1 479
5	**6**	Amortisation	7	**50**	37
(76)	**(54)**	Non-cash and other movements	32.2	**540**	173
191	**157**	***Cash generated by operations***		**2 398**	2 224
		Changes in working capital			
4	**19**	Increase in inventories		**(313)**	(398)
(11)	**(112)**	(Increase) / decrease in trade and other receivables and amounts due from contract customers		**(3 127)**	1 769
(20)	**(83)**	Increase / (decrease) in trade and other payables and amounts due to contract customers		**1 256**	(2 170)
164	**(19)**	***Cash generated by operating activities***		**214**	1 425
25	**14**	Finance earnings		**126**	189
(10)	**(18)**	Finance and transaction expenses paid	32.3	**(164)**	(76)
(74)	**(59)**	Taxation paid	33	**(464)**	(567)
105	**(82)**	***Cash (outflow) / inflow from operating activities***		**(288)**	971
		Investing activities			
(158)	**(52)**	Property, plant and equipment purchased – expansion		**(459)**	(1 220)
(112)	**(105)**	– replacement		**(925)**	(867)
–	**(8)**	Acquisition of investment property		**(71)**	–
–	**(3)**	Acquisition of intangible assets		**(29)**	–
4	**(4)**	Changes in equity-accounted and available-for-sale investments		**(38)**	30
19	**19**	Proceeds from sale of property, plant and equipment		**165**	149
–	**–**	Proceeds from sale of intangible assets		**2**	–
–	**(1)**	Cash outflow on acquisition of subsidiary	36	**(9)**	–
–	**9**	Proceeds from sale of available-for-sale investment		**80**	–
5	**5**	Dividend earnings	27	**41**	37
(242)	**(140)**	***Cash outflow from investing activities***		**(1 243)**	(1 871)
(137)	**(222)**	***Operating free cash outflow***		**(1 531)**	(900)
		Financing activities with equity-holders			
(58)	**(5)**	Shares repurchased	16	**(47)**	(448)
1	**–**	Increase in shares by non-controlling interests of subsidiary company		**–**	10
(73)	**(27)**	Dividends paid	35	**(242)**	(561)
		Financing activities with debt holders			
113	**42**	Proceeds from borrowings		**603**	845
(154)	**(212)**	***Net decrease in cash and cash equivalents before foreign exchange movements on cash***		**(1 217)**	(1 054)
46	**20**	Foreign exchange movements on cash		**308**	514
700	**592**	Cash and cash equivalents at beginning of the year		**4 860**	5 400
592	**400**	***Cash and cash equivalents at end of the year***	34	**3 951**	4 860
113	**155**	Borrowings and other liabilities excluding bank overdrafts	20	**1 531**	928
479	**245**	Net cash position		**2 420**	3 932

Accounting policies

at 30 June 2013

1. PRESENTATION OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Basis of preparation

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

These consolidated and separate annual financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest million (Rm) except when otherwise indicated.

Statement of compliance

The Separate financial statements of Aveng Limited and all its subsidiaries (referred to as the "Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the South African Companies Act 71 of 2008, as amended.

Change in disclosure

Background

As part of the Group's financial reporting improvement initiatives, the structure, format and presentation of disclosures in the consolidated and separate annual financial statements were reviewed. This resulted in the reallocation of certain comparative amounts as well as the introduction of certain changes in terminology.

The improvement initiative used disclosure guidance from the IASB and the JSE Limited, while benchmarking relevant presentation and disclosure aspects of other listed entities, both peers and others. Qualitative and quantitative reporting disclosures have been improved to assist users in analysing and comparing information.

The Group is committed to providing stakeholders with fair and accurate financial disclosure and considers its financial reporting improvement initiatives to be a key part in achieving that objective.

The initiative is an ongoing programme targeting the most appropriate disclosure and presentation practices, to best serve the interests of the Group's stakeholders.

The resulting reallocations had no earnings or loss impact on the consolidated and separate annual financial statements, and as such the reallocations are not regarded as having had a qualitatively material effect on the information presented.

Reallocations affecting the 2012 comparatives

The reallocations for the 2012 comparative amounts are as follows:

Consolidated statement of financial position

An amount of R30 million gross carrying amount and R10 million accumulated depreciation (net carrying amount of R20 million), relating to leased plant, equipment and vehicles were reallocated to owned plant, equipment and vehicles. No reallocation was required in 2011. Refer to note 5.

Goodwill amounting to R1 384 million in 2012 was reallocated from "Goodwill and other intangible assets" to a separately disclosed line item, "Goodwill arising on consolidation". Refer to notes 6 and 7.

The amount of goodwill allocated to each cash-generating unit has been disclosed, along with information relating to the identification of cash-generating units in the Group. Refer to note 6.

An amount of R3 million, relating to the Goldfields Mall (Proprietary) Limited was classified in 2012 as an equity-accounted investment and was reallocated in 2012 to "Available-for-sale investments". The investment in Goldfields Mall (Proprietary) Limited was sold during the 2013 reporting period. No reallocation was required in 2011. Refer to notes 4 and 9.

An amount of R375 million has been set-off against deferred tax liabilities in 2012 to reflect the deferred tax asset and deferred tax liability positions of the Group on a net basis, where the necessary criteria for set-off have been met. Refer to note 10.

Amounts due from contract customers of R7 242 million in 2012 was reallocated from "Trade and other receivables" to a separately disclosed line item, "Amounts due from contract customers". Furthermore, an amount of R514 million in 2012 was reallocated from "Trade and other receivables" to "Amounts due to contract customers", to better reflect the economic substance of the underlying transactions. Amounts due to contract customers amounting to R2 785 million in 2012 was reallocated from "Trade and other payables" to a separately disclosed line item, "Amounts due to contract customers". An amount of R652 million in 2012 was reallocated from "Accrued expenses" to "Trade payables" to improve the disclosure of Accrued expenses. Refer to notes 12, 14 and 23.

Provisions amounting to R1 511 million in 2012 were reallocated from "Trade and other payables" to a separately disclosed line item, "Provisions". Refer to notes 21 and 23.

Other provisions of R660 million in 2012 were reallocated from "Accruals", (part of Trade and other payables) to the separately disclosed Provisions line item. Refer to notes 21 and 23. No reallocation was required in 2011. Refer to note 21.

Bank overdrafts amounting to R343 million in 2012 were reallocated from "Borrowings" to a separately disclosed line item, "Bank overdrafts". Refer to notes 20 and 22.

Consolidated statement of comprehensive earnings
Depreciation of R1 343 million directly attributable to cost of sales was previously disclosed as part of the "Depreciation" line item in the consolidated statement of comprehensive earnings for 2012. This was reallocated to "Cost of sales".

Manufacturing costs of R2 million directly attributable to cost of sales was previously disclosed as part of "Operating expenses" in the consolidated statement of comprehensive earnings for 2012. This was reallocated to "Cost of Sales".

Dividends of R37 million were previously disclosed as part of "Finance earnings" in the consolidated statement of comprehensive earnings for 2012. This was reallocated to a separate line item, "Earnings from available-for-sale investments".

Notes to the consolidated annual financial statements
The disclosure in the segment report, note 3, has been extensively expanded, including the disclosure of total revenue (being internal and external revenue) per operating segment and the separate disclosure of the elimination of internal revenue, resulting in total external revenue for the Group. Refer to note 3.

The amounts disclosed in the Inventories note as written-off and impaired during the year were disclosed as Rand thousands in the Rand million column of the Inventories note for 2012. The 2012 amounts are now disclosed correctly in the Inventories note as R10 million as the correct comparative amount for Inventories written-off and impaired during the year. Inventories utilised in cost of sales during the year was disclosed as R9 943 million for 2012. This has been amended to R10 726 million to include the cost of consumables utilised. Refer to note 13.

The total amount previously disclosed as "Auditor's remuneration" was reported as being R31 million, this was amended to R39 million. The amendment was as a result of certain audit-related costs having been incorrectly included in other categories within operating expenses in the prior period. Refer to note 31.

The disclosure of actuarial aspects relating to the Defined benefit plan in the Retirement benefits note, note 11, for the current and prior year have been expanded. The impact on the consolidated statement of financial position and the consolidated statement of comprehensive earnings remains nil as detailed in note 11.

Separate statement of comprehensive earnings
- Other earnings amounting to R6 million for 2012 were reallocated from "Operating expenses" to a separately disclosed line item, "Other earnings".
- Dividends from subsidiaries of R727 million for 2012 were reallocated from "Revenue" to a separately disclosed line item, "Dividend earnings from subsidiaries".
- Finance earnings to the amount of R281 million for 2012 were reallocated from "Revenue" to a separately disclosed line item, "Finance earnings".

Reallocations affecting 2011 comparatives
IAS 1 requires that an entity present a third Statement of financial position at the beginning of the preceding period if amendments of information has a material effect on the information in the Statement of financial position at the beginning of the preceding period, i.e. 2011. The reallocations made to the 2012 comparative information presented had no earnings impact on the consolidated and separate annual financial statements, and as such the reallocations are not regarded as having a qualitatively material effect within the consolidated and separate statements of financial position at 30 June 2011 and therefore a third Statement of financial position as at 30 June 2011 was not presented.

If a third Statement of financial position as at 30 June 2011 was presented and the amounts reallocated, the nature of the adjustments that would have been made are as follows:

Consolidated statement of financial position
- Goodwill amounting to R1 316 million in 2011 would have been reallocated from "Goodwill and other intangible assets" to a separately disclosed line item, "Goodwill arising on consolidation".
- The 2011 comparative information relating to the reallocation from "Deferred tax assets" to "Deferred tax liabilities" to reflect the positions on a net basis, amounted to R509 million.
- Amounts due from contract customers of R3 453 million in 2011 would have been reallocated from "Trade and other receivables" to a separately disclosed line item, "Amounts due from contract customers". Amounts due to contract customers amounting to R2 440 million in 2011 would have been reallocated from "Trade and other payables" to a separately disclosed line item, "Amounts due to contract customers". The 2011 comparative information presented was not recorded to the same granular level as was recorded in the current and prior period and therefore may not be in a manner consistent with management's current categorisation practice, which in turn is based upon judgemental interpretations on a contract-by-contract and case-by-case basis. The majority of the affected items at 30 June 2011 would have cycled through the receivables process by the current reporting date.
- Provisions of R1 182 million in 2011 would have been reallocated from "Trade and other payables" to a separately disclosed line item, namely "Provisions".
- Bank overdrafts to the amount of R211 million in 2011 would have been reallocated from "Borrowings" to a separately disclosed line item, namely "Bank overdrafts".

Terminology changes

The changes in terminology are as follows:

Statement of financial position

New terminology used	Previously used terminology
Equity-accounted investments	Investment in associates and joint ventures
Cash and bank balances	Cash and cash equivalents
Other reserves	Non-distributable reserves
Retained earnings	Distributable reserves
Borrowings and other liabilities	Borrowings

Statement of comprehensive earnings

New terminology used	Previously used terminology
Earnings	Profit / Income
Other gains and losses	Non-trading items
Share of (loss) / earnings from equity-accounted investments	Share of income / (loss) from associates and joint ventures
Finance earnings	Income from investments
Earnings from available-for-sale investments	Income from investments
Finance and transaction expenses	Finance cost

Statement of changes in equity

New terminology used	Previously used terminology
Insurance and other reserves	Other non-distributable reserves
Retained earnings	Distributable reserves
Earnings	Profit / Income

Statement of cash flows

New terminology used	Previously used terminology
Finance earnings	Income from investments
Earnings from available-for-sale investments	Income from investments
Finance and transaction expenses	Finance cost
Changes in equity-accounted investments	Investments in associate companies

Adoption of new and revised standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards, interpretations and amendments during the year. Adoption of these standards, interpretations and amendments did not have any material effect on the consolidated and separate annual financial statements other than giving rise to additional disclosures where necessary.

IAS 1 *Presentation of Financial Statements – Presentation of Other Comprehensive Earnings (Amendment)*

The amendment to IAS 1 requires that items presented within Other comprehensive earnings be grouped separately into those items that will be recycled into earnings or loss at a future point in time, and those items that will never be recycled. The amendment in additional disclosures is disclosed in the current year.

IAS 1 *Presentation of Financial Statements – Clarification of the requirements for comparative information (Amendment)*

Refer to Change in disclosure note for certain amendments of comparative information, adhering to the amended requirements and clarification of IAS 1. This amendment was early adopted.

IAS 12 *Income Taxes – Deferred Taxes: Recovery of Underlying Assets (Amendment)*

The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis.

The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use basis must be adopted.

The amendment did not have any impact in the current year.

Supplementary information

The Group's presentation currency is South African Rand (ZAR). The supplementary information provided in United States Dollar (USD) is translated at the closing rate for the consolidated statement of financial position, at the average rate for the consolidated statement of comprehensive earnings and at historical rates for the consolidated statement of changes in equity. The consolidated statement of cash flows is derived accordingly.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements include the results and financial position of Aveng Limited and its subsidiaries as at 30 June 2013.

The results of any subsidiaries acquired or disposed of during the year are included from the effective dates of acquisition and up to the effective dates of disposal, being the dates on which the Group obtains or ceases to have control.

Subsidiaries or special purpose entities classified as such in accordance with SIC 12 *Consolidation – Special Purpose Entities*, are those companies in which the Group has an interest of 50% or more of the voting rights or otherwise has the power to exercise control over the operations and derive the benefits there from.

When the end of the reporting period of the parent company is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial statements as at 30 June. When it is impractical for the subsidiary to prepare additional financial statements as at 30 June, adjustments are made for the effects of significant transactions that occur between the subsidiary and the parent's reporting dates.

Should a subsidiary apply accounting policies that are materially different to those adopted by the Group, adjustments are made to the financial statements of the subsidiary, prior to consolidation.

All inter-group transactions and balances are eliminated on consolidation. Unrealised earnings or losses are also eliminated, unless they reflect impairment in the assets so disposed.

Non-controlling interests represent the portion of earnings or loss and net assets not held by the Group and presented separately in the earnings or loss and within equity in the consolidated statement of financial position, separately from the equity attributable to the equity-holders of the parent.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill arising on consolidation) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in earnings or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive earnings to earnings or loss or retained earnings, as appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through earnings or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in earnings or loss or as a change to other comprehensive earnings. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate applicable standard.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the consideration transferred and the amount recognised for non-controlling interest over the attributable fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the gain is recognised in earnings or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

A cash-generating unit shall not be larger than an operating segment based on the entity's secondary reporting format determined in accordance with IFRS 8 *Operating Segments*.

Equity-accounted investments
Equity-accounted investments consist of investments in associates and joint ventures.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' post-acquisition earnings or losses is recognised in earnings or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The total carrying amount of associates is evaluated when there is an indication of impairment.

Unrealised margins and losses resulting from transactions between the Group and the associated companies are eliminated to the extent of the interest in the associated companies.

If an associated company applies accounting policies that are materially different to those adopted by the Group, adjustments are made to the financial statements of the associated company, prior to equity-accounting the investment.

The most recent available financial statements of the associates are used by the parent company in applying the equity method.

When the end of the reporting period of the parent company is different from that of an associate, the associate company prepares, for consolidation purposes, additional financial statements as at 30 June. When it is impractical of the associate to prepare additional financial statements as at 30 June, adjustments are made for the effects of significant transactions that occur between the associate and the parent's reporting dates.

Joint ventures
A joint venture is an enterprise in which the Group has joint control over the financial and operating policy decisions.

The Group accounts for its share of jointly controlled assets and operations. Jointly controlled entities are equity-accounted in the consolidated annual financial statements.

Where a joint venture applies accounting policies that are recognised as being materially different to those adopted by the Group, adjustments are made to the financial statements of the joint venture prior to inclusion in the consolidated annual financial statements.

Certain joint ventures do not have the same reporting date as the parent company. In those cases, the management accounts at 30 June are used.

Upon loss of joint control, the Group measures and recognises its remaining investments at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in earnings or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Investments in Group companies
Investments in Group companies, which consist of subsidiaries, joint ventures and associates in the separate annual financial statements, are stated at cost

less amounts written off where there has been an impairment.

1.2 *Significant accounting judgements and estimates*

The preparation of the consolidated and separate annual 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated and separate annual financial statements:

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Consolidation of Qakazana Investment Holdings (Proprietary) Limited (Qakazana) as a special purpose entity

Qakazana is a company incorporated for the purpose of facilitating the Aveng Limited's Black Economic Empowerment (BEE) deal and is consolidated into the Group in accordance with SIC-12 *Consolidation – Special Purpose Entity*.

The Group has majority representation on the entity's Board of directors and the Group's approval is required for all major operational decisions.

In substance, the activities of Qakazana are being conducted on behalf of Aveng according to its specific business needs so that Aveng obtains benefits from Qakazana's operations.

In addition, Aveng retains the majority of the residual or ownership risks related to Qakazana or its assets in order to obtain benefits from its activities in the form of BEE credentials.

Based on these facts and circumstances, management concluded that the Group controls this entity, and therefore consolidates the entity in its consolidated annual financial statements.

Estimation assumptions

The key assumptions concerning the future and other key sources of estimation and 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 year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated and separate annual 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.

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the Group to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgements are required when recognising and measuring any variations and/or claims on each contract.

Allowance for obsolete inventory and doubtful debts

The Group estimates the level of allowance required for obsolete inventory and doubtful debts on an ongoing basis based on historical experience as well as other specific relevant factors. Refer to notes 13 and 14.

Impairment of non-financial assets

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 units (CGU) of the Group.

Impairment exists when the carrying amount of a CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell 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. The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivities, are disclosed and further explained in notes 6 and 7.

Estimated value of employee benefit plans

An actuarial valuation is carried out at the end of each reporting period for the Group's defined benefit plan. The key assumptions used for the valuation include the discount rate, expected return on assets, general inflation and pension increase allowance. The discount rate assumption is set with reference to the yields on medium-term zero coupon bonds. The expected return on assets is based on the real discount rate. Consumer Price Inflation index is the rate used for general inflation. The pension increase allowance is based on 100% of Consumer Price Inflation, in line with the fund's pension increase policy. Details of these are set out in note 11.

Discounting of provisions

In determining the fair value of the provisions, assumptions and estimates are made in relation to the discount rate and expected costs to settle. The hypothetical incremental borrowing rate for the Group was used as the discount rate. The rate was determined as follows:

Risk-free rate

The risk-free rate was determined by obtaining a zero coupon swap curve over 20 years, as the bond market in South Africa is not sufficiently liquid and deep to use the bond rate as a proxy for the risk-free rate. The five-year zero coupon risk-free rate is 6,2% per annum.

Hypothetical credit spread

The Aveng Group specific hypothetical credit spread was determined based on market risk indicators specific to the Aveng Group. The five-year credit spread was determined as 190 basis points.

The five-year hypothetical incremental borrowing rate was determined as 8,1% per annum.

Equity-settled share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The benefit payable to an employee on exercise date under both the Share Appreciation Right and Option plans is calculated as the higher of the difference between the spot share price at the time of exercise and the strike (or grant) price, and zero. The Group's share option methodology utilises the bi-nomial tree/lattice (based on risk-neutral principles). Sub-optimal exercise multiples are incorporated so as to include the possibility of early exercise. In addition, the following factors are taken into account as inputs in the option-pricing methodology:

» Term or the lifetime of the option.
» Exercise or strike price.
» Expected volatility of the share price.
» Expected dividend on the share during the life of the option.
» Risk-free interest rate for the option lifetime.
» Vesting period.
» Market-related vesting conditions.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 17.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors determined that the useful lives of certain items of equipment should be extended based on past experience and industry norms.

The change in useful lives was regarded as a change in an accounting estimate as per IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and is therefore accounted for prospectively.

The financial effect of this reassessment, assuming the property, plant and equipment are held until the end of their estimated useful lives, was a decrease to the consolidated depreciation expense of property, plant and equipment in the current reporting period and an increase in the expense for future reporting periods by R50 million.

1.3 Investment property

Investment properties are land, buildings or part thereof that are either owned or leased by the Group under a finance lease for the purpose of earning rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business.

Initially, investment properties are measured at cost including all transaction expenses. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal.

Any gain or loss on the derecognition of the investment properties is recognised in earnings or loss in the reporting period of derecognition.

Investment properties are depreciated on a straight-line basis over its useful life.

Item	Depreciation %
Building	2,5%

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Land is not depreciated. Buildings and other items of property, plant and equipment are depreciated on a straight-line basis over their useful lives to an estimated residual value.

Where significant components of an item have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to earnings or loss during the reporting period in which they are incurred.

If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to be realised from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in earnings or loss in the year in which the item is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The carrying amount of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives

Item	Depreciation %/period
Buildings	2%
Leasehold property	Lease period
Plant and machinery	10 – 25%
Furniture and fixtures	15 – 20%
Motor vehicles	10 – 25%
Office equipment	10 – 33%

1.5 Intangible assets

Indefinite useful life trademarks and brandnames

The cost of trademarks acquired is capitalised and amortised on a straight-line basis over its estimated useful life. Following initial recognition at cost, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Trademarks are tested for impairment and written down as required when indicators of impairment exist. Internally developed trademark expenses are written off as and when incurred.

Trademarks with indefinite useful lives are not amortised and are carried at cost less accumulated impairment losses. Such intangible assets and brand names are tested for impairment annually or when indicators of potential impairment are identified either individually or at the allocated CGU level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made prospectively as a change in accounting estimate.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in earnings or loss when the asset is derecognised.

Computer software

The cost of computer software acquired is capitalised and amortised on a straight-line basis over its estimated useful life. Following initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment. Computer software is tested for impairment and written down as required.

Internally developed computer software expenses are only capitalised when such costs are clearly associated with the development and production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding one year.

Intangible assets

Brand names, customer lists and know-how include intangible assets acquired through business combinations. The cost of such intangible assets are amortised on a straight-line basis over their estimated useful lives. Following initial recognition, such assets are carried at cost less accumulated amortisation and accumulated impairment.

Brand names, customer lists and know-how are tested for impairment and written down as required.

Intangible assets are amortised on a straight-line basis over their useful lives.

Item	Amortisation rate
Brand names – with definite useful life	10%
Know-how	4%
Customer lists	20%
Computer software	20 – 33%

1.6 Financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction expenses.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

The Group does not apply hedge accounting.

Financial assets – initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through earnings or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through earnings or loss, directly attributable transaction expenses.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets are classified as loans and receivables, trade and other receivables, contract and retention receivables, available-for-sale investments and cash and bank balances.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance earnings in earnings or loss. The losses arising from impairment are recognised in finance and transaction expenses in earnings or loss.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently classified as loans and receivables.

The allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of recoverability based on analyses and other events that exist at the reporting date.

Contract and retention receivables

Contract receivables are initially recognised at fair value, and subsequently classified as loans and receivables.

Contract receivables and retentions comprise amounts due in respect of progress billings certified by the client or consultant at the reporting date for which payment has not been received, and amounts held as retentions on certified work at the reporting date.

Available-for-sale investments

Available-for-sale investments include equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through earnings or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive earnings and accumulated in the available-for-sale reserve until the investment is derecognised or determined to be impaired. When derecognised or impaired, the cumulative gain or loss is reclassified from the available-for-sale reserve and recognised in other operating earnings when derecognised, or in finance and transaction expenses when impaired.

Where there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, such equity instruments shall be measured at cost less impairment.

The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to earnings or loss over the remaining useful life of the investment using the EIR method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired then the amount recorded in the available-for-sale reserve is removed from the available-for-sale reserve and recognised through other comprehensive earnings into earnings or loss.

Cash and bank balances

Cash and bank balances comprise cash on hand and bank balances and are measured at fair value. Bank overdrafts are not offset against positive bank balances unless a legally enforceable right of offset exists, and there is an intention to settle the overdraft and realise the net cash.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in earnings or loss. Interest earnings continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest earnings is recorded as part of finance earnings in earnings or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance and transaction expenses in earnings or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale investments
For available-for-sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in earnings or loss – is removed from other comprehensive earnings and recognised in earnings or loss. Impairment losses on equity investments are not reversed through earnings or loss; increases in their fair value after impairment are recognised directly in other comprehensive earnings.

Future interest earnings continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest earnings are recorded as part of finance earnings. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in earnings or loss, the impairment loss is reversed through earnings or loss.

Financial liabilities – initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through earnings or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction expenses. The Group's financial liabilities are classified as borrowings, bank overdrafts, trade and other payables and subcontractor liabilities.

The Group has not designated any financial liabilities upon initial recognition as at fair value through earnings or loss.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities
Financial liabilities are recognised at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance and transaction expenses in earnings or loss.

Borrowings
Borrowings are initially recognised at fair value, and are subsequently classified as non-trading liabilities and carried at amortised cost using the EIR method. Gains and losses are recognised in earnings or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Bank overdrafts
Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the EIR method.

Trade and other payables
Trade and other payables are initially recognised at fair value, and are subsequently classified as non-trading financial liabilities and carried at amortised cost using the EIR method.

Subcontractor liabilities
Subcontractor liabilities represent the actual unpaid liability owing to subcontractors for work performed including retention monies owed.

Subcontractor liabilities are initially recognised at fair value, and are subsequently classified as non-trading liabilities and carried at amortised cost using the EIR method.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or

the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in earnings or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.7 *Tax*

Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the reporting date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill arising on consolidation or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable income; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable income; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on enacted or substantively enacted tax rates at the reporting date.

Deferred tax is charged to earnings or loss except to the extent that it relates to a transaction that is recognised outside earnings or loss. In this case the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity.

The effect on deferred tax of any changes in tax rates is recognised in earnings or loss, except to the extent that it relates to items previously recognised in other comprehensive earnings or credited directly to equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction in goodwill arising on consolidation (as long as it does not exceed goodwill arising on consolidation) if it has incurred during the measurement period or in earnings or loss.

Current tax

The rate of the current tax charge is determined using enacted or substantively enacted rates at the reporting date.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current or prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax is charged to earnings or loss except to the extent that it relates to a transaction that is recognised outside earnings or loss. In this case the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity.

Withholding tax
A dividend withholding tax of 15% is withheld on behalf of the taxation authority on dividend distributions. The net amount payable to the taxation authority is included as part of trade and other payables at the time a dividend is declared.

Value Added Tax
Revenues, expenses and assets are recognised net of Value Added Tax except for:
» where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
» receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated and separate statements of financial position.

1.8 Leases

Group as a lessee
Leases or arrangements which constitute leases in terms of IFRIC 4 *Determining whether an Arrangement contains a Lease* whereby the lessor provides finance to the Group with the asset as security and where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the shorter of the estimated useful life or the lease term of the asset, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease. The capital element of future obligations and other leases is included as a liability in the consolidated statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against earnings or loss over the lease period.

An operating lease or an arrangement which constitutes an operating lease in terms of IFRIC 4, is one in which all the risks and benefits of ownership are effectively retained by the lessor. Payments made under operating leases are charged against earnings on the straight-line basis over the period of the lease or on a systematic basis when the straight-line basis does not reflect the physical usage of the asset.

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date and as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement coveys a right to use the asset.

If IFRIC 4 applies to an arrangement, the lease classification and accounting is in accordance with IAS 17 *Leases*.

Group as a lessor
Leases whereby the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rental income is recognised as revenue during the period in which it is earned.

1.9 Inventories

Inventories comprise raw materials, consumable stores, work-in-progress, finished goods, and properties held for development and resale. Inventories are valued at the lower of cost and net realisable value generally determined on the first-in-first-out (FIFO) basis and weighted average in respect of certain stock categories. The cost of manufactured goods and work-in-progress, in addition to direct materials and labour, includes a proportion of production overheads based on normal operating capacity and the appropriate stage of completion. Borrowing costs are excluded in determining the cost of manufactured goods.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

1.10 Amounts due from / (to) contract customers

Amounts due from / (to) contract customers are carried at cost plus margin recognised, less billings and recognised losses at the reporting date in accordance with the revenue recognition policy detailed in 1.19.

Contract costs include costs that are attributable directly to the contract as a result of contract activity, and related costs that can be allocated to the contract together with any other costs which are specifically chargeable to the customer in terms of the contract.

Progress billings not settled are included in contract debtors. Where progress billings exceed the aggregate of costs plus margin, less losses, the net amounts are reflected as a liability.

1.11 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such an indication exists or when annual impairment testing for an asset is required, the recoverable amount is estimated as the higher of the fair value less the cost to sell and the value-in-use.

In determining fair value less costs to sell, an appropriate valuation model is used. In assessing value-in-use, the expected future cash flows are discounted to the present value utilising a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses and reversal of impairment losses are separately disclosed in the earnings or loss.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the CGU exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

Goodwill impairment losses are not reversed.

1.12 Treasury shares

Shares in Aveng Limited held by the Aveng Limited Share Purchase Trust and by Investec Private Bank Limited in terms of the forfeitable share plan are treated as treasury shares. The shares are treated as a deduction from the issued and weighted average number of shares. The cost price of the shares is deducted from share capital and share premium in the consolidated and separate statement of financial position. Dividends received on treasury shares are eliminated on consolidation. No earnings or loss is recognised in the earnings or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

1.13 Share-based payments

The Group operates a share incentive plan for the granting of shares and/or share options to executives and senior employees as consideration for services rendered.

Shares and/or share options are offered to executives and senior employees at market price, upon recommendation by the Remuneration Committee.

Shares and/or share options awarded to executives and senior employees at a rate of 25% per annum for the following four years over a period of five years. Shares or share options not exercised within ten years are forfeited.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted. The fair value is determined by an external valuator using an adjusted bi-nomial option-pricing model. In valuing equity-settled transactions, no account is taken of performance conditions, other than conditions linked to the market value of the Company's shares.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate as to the number of equity instruments that will ultimately vest. The earnings or loss charge or credit for a period represents the movement in cumulative expense recognised at the beginning and at the end of each reporting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Provided that all other performance conditions are satisfied, these awards are treated as vesting irrespective of whether or not the market condition is satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the consolidated total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation. Any expense not yet recognised for the award is immediately recognised. In the event that a new award is substituted for the cancelled award, and designated as a replacement award, the cancelled and new awards are treated as if they were a modification to the original award.

The dilutive effect of outstanding options are included in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date by means of an adjusted bi-nomial option-pricing model which takes into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the vesting period with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings or loss.

1.14 BEE: Equity-settled share options

No expense is recognised in earnings or loss for awards made in terms of the BEE transaction, as these equity options were granted and had vested before the date that IFRS 2 was first applicable.

As IFRS 2 was not applicable at that time, the Group considered the number of shares to be issued to the BEE partners as contingently issuable shares.

The number of shares that are considered to be contingently issuable for the reporting period is based on the November 2011 shareholders' resolution as to the agreed valuation of the BEE partners' interest in the subsidiaries, Aveng (Africa) Limited and Aveng Trident Steel Holdings (Proprietary) Limited.

The valuation method used to determine the value of the BEE partners' shareholding in Aveng (Africa) Limited and Aveng Trident Steel Holdings (Proprietary) Limited at each reporting period, and subsequently the number of contingently issuable shares, was governed by the shareholders' agreement between the Group and the BEE partners.

The value determined using the valuation method detailed in the shareholders' agreement or by means of negotiation between the Group and the BEE partners, of their interest in Aveng (Africa) Limited and Aveng Trident Steel Holdings (Proprietary) Limited, was divided by the Group's closing share price at each reporting period to derive the number of contingently issuable shares. These contingently issuable shares were added to the weighted average number of shares in issue at the end of each reporting period to calculate diluted earnings per share and diluted headline earnings per share.

Qakazana Investment Holdings (Proprietary) Limited, the special purpose entity that was created to facilitate the BEE transaction, has been consolidated in the Group results.

The substance of the relationship between the Group and this entity has been assessed, and the decision made that it is deemed to be a controlled entity for the duration of the BEE transaction.

1.15 Employee benefits

Short-term employee benefits

All short-term benefits are fully provided in the period in which the related service is rendered by employees.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense in the reporting period to which they relate.

Defined benefit plans

The current service cost in respect of defined benefit plans is recognised as an expense in the reporting period in which the employee renders the service.

The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains or losses are recognised as earnings or losses when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

Interest cost is recognised on a time proportional basis. Past service costs, experience adjustments, effects of changes in actuarial assumptions and the effects of plan amendments in respect of existing employees are charged to the earnings or loss on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less actuarial losses or plus actuarial gains not yet recognised, less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost and unrecognised net actuarial losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In respect of the Grinaker Group Pension Fund, pensioner liabilities are fully outsourced to Momentum Group Limited. The surplus member account is fully funded and no further funding is required from the employer.

1.16 Provisions

A provision is recognised when the Group has a present, legal or constructive obligation as a result of past events for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.17 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

1.18 Contracting margin or loss recognition

Margin is recognised on an individual contract basis utilising the percentage of completion method, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract, and management's judgement of the outstanding risks. Where a loss is anticipated on any particular contract, provision is made in full for such loss.

1.19 Revenue

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received, excluding discounts, rebates, and Value Added Taxation.

Sale of goods

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

Rendering of services

Revenue from the rendering of services is recognised on a percentage of completion basis over the period for which the services are rendered.

Interest and dividend earnings

Dividends on equity instruments are recognised when the right to receive payment is established.

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset. An appropriate accrual is made at each reporting date.

Rental revenue

Revenue arising from operating leases is recognised on a straight-line basis over the lease term.

Construction contracts

When the outcome of a long-term construction contract can be reliably measured, revenue and costs are recognised by reference to the stage of completion of the contract at the reporting date, as measured by the proportion that contract costs incurred for work to date, bear to the estimated total contract costs, and management's judgement of the outstanding risks. Anticipated losses to completion are immediately recognised as an expense in contract costs.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

Where contract costs incurred to date plus recognised profits, less recognised losses exceed progress billings, the surplus is reflected as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits, less recognised losses, the surplus is reflected as amounts due to customers for contract work. Amounts received before the related work is performed are included as a liability in the consolidated statement of financial position, as amounts received in advance. Amounts billed for work performed but not collected from customers are included as contract receivables.

Variations in contract work, claims and incentive payments are included as part of contract revenue to the extent that the amounts can be reliably measured and collection is probable.

» **Claims:** An additional amount that the contractor seeks to collect from the customer or another party in respect of a reimbursement of costs not included in the contract price or in agreed variations thereto.

Revenue is only taken to account when negotiations have reached an advanced stage, can be reliably measured and it is probable that the claim will be accepted by the customer.

- **Variations:** Amounts due in respect of changes to the scope of the contract on instruction by the client or his authorised representative, where inclusion of such amount is awaited in the certification process. Revenue is only recognised when it can be reliably measured and it is probable that the variation will be approved by the customer.
- **Incentive payments:** An additional amount paid to the contractor if specified performance standards are met or exceeded. Revenue is taken into account when the contract is sufficiently advanced, can be reliably measured and it is probable that the specified performance standard will be met or exceeded.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design; and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely inter-related or inter-dependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- The separate proposals have been submitted for each asset.
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset.
- The costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- The group of contracts is negotiated as a single package; the contracts are so closely inter-related that they are, in effect, part of a single project with an overall positive margin.
- The contracts are performed concurrently or in a continuous sequence.

1.20 Research and development costs

Research costs are written off as incurred. Development costs are written off as incurred unless there is evidence of the requirements of IAS 38 *Intangible Assets*, where costs are considered recoverable from probable future cost savings and sales revenues. Where development costs are deferred, they are written off on the straight-line basis over the life of the product or process, subject to a maximum of five years. The amortisation begins from the commencement of the commercial production of the product to which they relate. (Also refer to 1.5 above.)

1.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.22 Foreign currency transactions and balances

Items included in the consolidated annual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated and separate annual financial statements are presented in South African Rand (ZAR) which is the Company functional and presentation currency.

Transactions denominated in foreign currencies are initially translated at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the South African Rand (ZAR) rate of exchange ruling at the reporting date. All differences are taken to earnings or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognised in other comprehensive earnings and accumulated as a separate component in equity until disposal of the net investment, at which time they are recognised through other comprehensive earnings into earnings or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive earnings.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the South African Rand (ZAR) rate of exchange ruling, on the later of the acquisition or revaluation dates. Earnings or losses on translation are credited or charged against earnings.

Foreign entities

Foreign subsidiaries are translated into South African Rand (ZAR) (the presentation currency of Aveng Limited) at the ruling rate of exchange at the reporting date and their earnings or loss is translated at the average exchange rates for the reporting period. Equity is stated at historical rates. The exchange differences arising on the translation are recognised in other comprehensive earnings and accumulated as a separate component of equity.

Any goodwill arising on the acquisition of a foreign operation and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised through other comprehensive earnings in earnings or loss.

1.23 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, identified as the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating earnings or loss and is measured consistently with operating earnings or loss in the consolidated annual financial statements.

However, net finance earnings (finance earnings less finance and transaction expenses) and income taxes are managed on a Group basis.

Revenue and expenses are attributed directly to the segments to which they relate. Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables. These assets and liabilities are all directly attributable to the operating segments.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The following standards and interpretations have not been applied by the Group as the standards and interpretations are not yet effective. The Group intends to adopt those standards when they become effective. Management is currently assessing the impact of these amendments and new interpretations.

IFRS 7 *Financial Instruments: Disclosure* (Amendment)

Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendment also requires disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar arrangements even if they are not offset under IAS 32. The amendment will be effective for the Group from 1 July 2013.

IFRS 9 *Financial Instruments: Recognition and Measurement*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and deals with the classification and measurement of financial instruments. This standard is part of the IASB's project to replace IAS 39 in its entirety. The IASB's work on the subsequent phases is ongoing and includes impairment, hedge accounting and derecognition. On adoption the Group will need to consider its financial assets in light of its business model or managing such assets, as well as the cash flow characteristics of such instruments, in determining the appropriate classification and measurement of these items. IFRS 9 will be effective for the Group from 1 July 2016.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities. The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a group. IFRS 10 will be effective for the Group from 1 July 2013.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Ventures*. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation). IFRS 11 will be effective for the Group from 1 July 2013.

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risk and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. IFRS 12 will be effective for the Group from 1 July 2013.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single framework for all fair value measurement when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The Group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Group from 1 July 2013.

IAS 19 *Employee Benefits* **(amendment)**
The amendments eliminate the option to defer the recognition of actuarial gains or losses, streamlines presentation of changes in assets and liabilities arising from defined benefit plans including the requirement that remeasurement be presented in other comprehensive earnings, and enhances the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks to which entities are exposed through participation in those plans. The amendment will be effective for the Group from 1 July 2013.

IAS 27 *Separate Financial Statements* **(as revised in 2011)**
IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. The amendment will be effective for the Group from 1 July 2013.

IAS 28 *Investments in Associates and Joint Ventures* **(as revised in 2011)**
The new IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amendment will be effective for the Group from 1 July 2013.

IAS 32 *Financial Instruments: Presentation* **(amendment)**
The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the Statement of financial position. The amendments do not change the current offsetting model in IAS 32, but clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk; and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements. The amendment will be effective for the Group from 1 July 2014.

IAS 36 *Impairment of Assets* (amendment)
Amends IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating unit is required to be disclosed, to clarify the disclosure required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendment will be effective for the Group from 1 July 2014.

IAS 39 *Financial Instruments: Recognition and Measurement* (amendment)
Confirmation that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

This amendment will be effective for the Group from 1 January 2014.

Annual improvements 2009 – 2011 cycle
IFRS 1 *First Time Adoption of IFRS* – Permitted the repeated application of IFRS 1, borrowing costs on certain qualifying assets.

IAS 16 *Property, Plant and Equipment* – Classification of servicing equipment.

IAS 32 *Financial Instruments: Presentation* – Clarify the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 *Interim Financial Reporting* – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements of IFRS 8 *Operating Segments*.

The improvements will be effective for the Group from 1 July 2013.

3. SEGMENT REPORT

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

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

Segment assets exclude Goodwill arising on consolidation, Intangible assets, Equity-accounted investments, Available-for-sale investments, Deferred tax assets and Cash and bank balances.

Segment liabilities exclude Borrowings and other liabilities, Deferred tax liabilities, Taxation payable and Bank overdrafts.

The Group's operating segments for the year are categorised as follows:

1. Construction and Engineering

1.1 Construction and Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA, Aveng Engineering and Projects Company (Aveng E^{+}PC) and Aveng Water.

Details on the type of products and services from which revenues are derived are set out on pages 84 to 90 in the integrated report.

1.2 Construction and Engineering: Australasia and Asia*

This operating segment comprises McConnell Dowell.

Details on the type of products and services from which revenues are derived are set out on pages 80 to 83 in the integrated report.

2. Mining

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

Details on the type of products and services from which revenues are derived are set out on pages 98 to 101 in the integrated report.

3. Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Trident Steel.

Details on the type of products and services from which revenues are derived are set out on pages 92 to 97 in the integrated report.

4. Administration and Eliminations

This operating segment comprises Corporate Services, corporate-held investments including properties, and consolidation eliminations.

** The Construction and Engineering: Australasia and Pacific operating segment has been renamed to Construction and Engineering: Australasia and Asia.*

Rm	Construction and Engineering: South Africa and rest of Africa*	Construction and Engineering: Australasia and Asia	Mining**	Manufacturing and Processing	Administration and Eliminations*	Total
3. SEGMENT REPORT continued						
2013						
External revenue	8 059	26 749	7 435	9 326	135	51 704
Internal revenue	235	–	–	409	(644)	–
Gross revenue	8 294	26 749	7 435	9 735	(509)	51 704
Operating earnings before other gains and losses	(916)	644	708	269	(78)	627
Other gains and losses	–	–	–	–	–	–
Operating earnings after other gains and losses	(916)	644	708	269	(78)	627
Earnings from available-for-sale investments	–	–	–	–	41	41
Share of earnings / (loss) from equity-accounted investments	2	(5)	2	–	(11)	(12)
Net operating earnings	(914)	639	710	269	(48)	656
Net finance earnings (finance earnings less finance and transaction expenses)	32	(23)	(31)	1	(9)	(30)
Earnings before taxation	(882)	616	679	270	(57)	626
Taxation	354	(157)	(276)	(82)	(6)	(167)
Earnings for the period	(528)	459	403	188	(63)	459
Investments***	6	107	3	–	98	214
Segment assets (note 1)	4 082	8 149	4 285	5 739	437	22 692
Segment liabilities (note 2)	3 043	7 087	1 580	1 788	950	14 448
Capital expenditure****	46	384	615	305	105	1 455
Depreciation and impairment	107	402	581	83	8	1 181
Amortisation	11	–	–	10	29	50
2012						
External revenue	7 931	17 122	6 680	9 148	5	40 886
Internal revenue	267	–	–	178	(445)	–
Gross revenue	8 198	17 122	6 680	9 326	(440)	40 886
Operating earnings before other gains and losses	(894)	360	579	588	(129)	504
Other gains and losses	38	–	–	(3)	(4)	31
Operating earnings after other gains and losses	(856)	360	579	585	(133)	535
Earnings from available-for-sale investments	–	–	–	–	37	37
Share of (loss) / earnings from equity-accounted investments	(5)	46	–	–	–	41
Net operating earnings	(861)	406	579	585	(96)	613
Net finance earnings (finance earnings less finance and transaction expenses)	34	42	2	1	34	113
Earnings before taxation	(827)	448	581	586	(62)	726
Taxation	270	(104)	(184)	(204)	19	(203)
Earnings for the period	(557)	344	397	382	(43)	523
Investments***	4	133	1	–	113	251
Segment assets (note 1)	3 383	5 610	4 491	5 280	294	19 058
Segment liabilities (note 2)	2 391	5 961	2 086	1 407	491	12 336
Capital expenditure****	176	611	1 087	198	15	2 087
Depreciation and impairment	119	618	586	127	29	1 479
Amortisation	7	–	–	13	17	37

**Concessions are reported under the Administration and Eliminations operating segment in the 2013 financial year, compared to the Construction and Engineering: South Africa and rest of Africa operating segment in the 2012 financial year. The comparatives have been adjusted.*

***Aveng Mining Shafts & Underground is reported under the Mining operating segment in the 2013 financial year, compared to the Construction and Engineering: South Africa and rest of Africa operating segment in the 2012 financial year. The comparatives have been adjusted.*

****Consists of equity-accounted investments and available-for-sale investments.*

*****Segment capital expenditure excludes intangible assets expenditure of R29 million (2012: Rnil).*

	2013 Rm	2012 Rm
3. SEGMENT REPORT continued		
Note 1 – Reconciliation of segment assets		
Total assets of the Group	**30 413**	27 059
Goodwill arising on consolidation	**(1 425)**	(1 384)
Intangible assets	**(184)**	(165)
Equity-accounted investments	**(144)**	(105)
Available-for-sale investments	**(70)**	(146)
Deferred tax assets	**(1 347)**	(998)
Cash and bank balances	**(4 551)**	(5 203)
Segment assets	**22 692**	19 058
Note 2 – Reconciliation of segment liabilities		
Total liabilities of the Group	**17 108**	14 148
Borrowings and other liabilities	**(1 531)**	(928)
Deferred tax liabilities	**(319)**	(299)
Taxation payable	**(210)**	(242)
Bank overdrafts	**(600)**	(343)
Segment liabilities	**14 448**	12 336

The Group operates in five principal geographical areas:

	2013 Revenue Rm	2012 Revenue Rm	2013 Segment assets Rm	2012 Segment assets Rm	2013 Capital expenditure Rm	2012 Capital expenditure Rm
South Africa	**19 164**	18 485	**11 870**	11 114	**747**	976
Rest of Africa including Mauritius	**4 984**	4 971	**2 320**	2 267	**257**	499
Australasia and the Pacific Islands*	**24 661**	14 738	**7 274**	4 748	**327**	565
Southeast Asia*	**2 544**	2 581	**989**	891	**57**	46
Middle East and other regions	**351**	111	**239**	38	**67**	1
	51 704	40 886	**22 692**	19 058	**1 455**	2 087

** Included in the Australasia and the Pacific Islands and Southeast Asia geographical segments is revenue derived by various operating segments.*

Major customers

In terms of IFRS 8 *Operating Segments* a customer is regarded as a major customer if the revenues from transactions with the customer exceeds 10% or more of the entity's revenue. The Group had no customers in the year under review that individually exceeded this threshold.

	2013 Cost Rm	2013 Accumulated depreciation Rm	2013 Carrying amount Rm	2012 Cost Rm	2012 Accumulated depreciation Rm	2012 Carrying amount Rm
4. INVESTMENT PROPERTY						
Investment property	**71**	**–**	**71**	–	–	–

Reconciliation of investment property – 2013

	Opening balance	Additions	Total
Investment property	–	71	71

In June 2013, Aveng (Africa) Limited acquired a 15% undivided share in the Goldfields Mall Shopping Centre for R71 million. Prior to this, Aveng (Africa) Limited had disposed of its 15% shareholding in Goldfields Mall (Proprietary) Limited, which was held as an available-for-sale investment, and was sold for its carrying amount of R80 million. Goldfields Mall (Proprietary) Limited then sold a 15% undivided share in the Goldfields Mall Shopping Centre to Aveng (Africa) Limited. This property is being held to earn rentals and as such has been classified as an investment property. The Goldfields Mall Shopping Centre was initially recognised at cost including transaction expenses. Subsequent to initial recognition, the property will be carried at cost less accumulated depreciation.

No rental income was earned in the current year due to the property only being registered late in June 2013.

A register containing the information required by Regulation 25(3) of the Companies Act 71 of 2008, as amended is available for inspection at the registered office of the Company.

Pledged as security

The Group has pledged the investment property, to the amount of R71 million, as security for certain interest-bearing borrowings. (Refer to note 20: Borrowings and other liabilities.)

	2013 Cost Rm	2013 Accumulated depreciation and impairment Rm	2013 Carrying amount Rm	2012 Cost Rm	2012 Accumulated depreciation and impairment Rm	2012 Carrying amount Rm
5. PROPERTY, PLANT AND EQUIPMENT						
Land and buildings	**1 222**	**(250)**	**972**	1 107	(210)	897
Leased plant, equipment and vehicles	**324**	**(120)**	**204**	82	(57)	25
Owned plant, equipment and vehicles	**11 905**	**(6 292)**	**5 613**	11 586	(5 842)	5 744
TOTAL	**13 451**	**(6 662)**	**6 789**	12 775	(6 109)	6 666

5. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment

	Opening balance Rm	Additions Rm	Disposals* Rm	Transfers** Rm	Foreign exchange movements*** Rm	Depreciation and impairment**** Rm	Total Rm
2013							
Land and buildings	**897**	**55**	**–**	**30**	**18**	**(28)**	**972**
Leased plant, equipment and vehicles	**25**	**44**	**–**	**178**	**(3)**	**(40)**	**204**
Owned plant, equipment and vehicles	**5 744**	**1 285**	**(135)**	**(223)**	**55**	**(1 113)**	**5 613**
	6 666	**1 384**	**(135)**	**(15)**	**70**	**(1 181)**	**6 789**

	Opening balance Rm	Additions Rm	Disposals* Rm	Transfers Rm	Foreign exchange movements*** Rm	Depreciation and impairment**** Rm	Total Rm
2012							
Land and buildings	861	68	(17)	–	15	(30)	897
Leased plant, equipment and vehicles	37	–	–	–	7	(19)	25
Owned plant, equipment and vehicles	5 123	2 019	(61)	–	93	(1 430)	5 744
	6 021	2 087	(78)	–	115	(1 479)	6 666

* *Disposals reflect cost of R894 million (2012: R449 million) and accumulated depreciation and impairment of R759 million (2012: R371 million).*

** *Computer software with a carrying amount of R15 million (Cost: R75 million and Accumulated depreciation: R60 million) was transferred to Intangible Assets, refer to note 7: Intangible Assets.*

*** *Foreign exchange movements reflect cost of R261 million (2012: R331 million) and accumulated depreciation and impairment of R191 million (2012: R216 million).*

**** *Depreciation and impairment included in cost of sales amounted to R1 090 million (2012: R1 343 million) and amounts included in operating expenses amounted to R91 million (2012: R136 million).*

A register containing the information required by Regulation 25(3) of the South African Companies Act 71 of 2008, as amended is available for inspection at the registered office of the Company.

Pledged as security

The Group has pledged certain plant and machinery as security for certain interest-bearing borrowings. (Refer to note 20: Borrowings and other liabilities.)

Impairment

Equipment at Aveng Manufacturing – Duraset with a net carrying amount of R2 million has been fully impaired in the current year.

	2013 Cost Rm	2013 Accumulated impairment Rm	2013 Carrying amount Rm	2012 Cost Rm	2012 Accumulated impairment Rm	2012 Carrying amount Rm
6. GOODWILL ARISING ON CONSOLIDATION						
Goodwill	**1 425**	**–**	**1 425**	1 384	–	1 384

	Opening balance Rm	Foreign exchange movements Rm	Adjustment to goodwill on prior period acquisition Rm	Total Rm
Reconciliation of goodwill arising on consolidation – 2013				
Goodwill	**1 384**	**41**	**–**	**1 425**
Reconciliation of goodwill arising on consolidation – 2012				
Goodwill	1 316	66	2	1 384

A cash-generating unit is defined as the smallest group of identifiable assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The following have been identified as the significant cash-generating units of the Group:

- Aveng Manufacturing – Dynamic Fluid Control
- Aveng Manufacturing – Infraset
- Aveng Manufacturing – Steeledale
- Aveng Manufacturing – Duraset
- Aveng Manufacturing – Lennings Rail Services
- Aveng Engineering
- Aveng Trident Steel
- Aveng Mining – Moolmans
- Aveng Mining – Shafts & Underground
- Aveng Grinaker-LTA
- McConnell Dowell

Allocation of goodwill to cash-generating units

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

	2013 Rm	2012 Rm
Aveng Grinaker-LTA	**741**	741
Aveng Engineering	**75**	75
Aveng Manufacturing – Dynamic Fluid Control	**232**	232
McConnell Dowell	**377**	336
	1 425	1 384
Aggregation of goodwill to operating segments		
Goodwill identified within the various cash-generating units aggregates to the operating segments set out below:		
Construction and Engineering: South Africa and rest of Africa	**816**	816
Manufacturing and Processing	**232**	232
Construction and Engineering: Australasia and Asia	**377**	336
	1 425	1 384

6. GOODWILL ARISING ON CONSOLIDATION continued

Impairment testing

The Group annually assesses impairment, or more frequently if there are indications thereof. The Group performed its annual impairment test at 30 June 2013. The Group considers the relationship between its market capitalisation and its carrying amount, amongst other factors, when reviewing for indicators of impairment. As at 30 June 2013, the market capitalisation of the Group was below the carrying amount of its equity, resulting in the identification of a potential indicator of impairment of goodwill and other assets of the Group. Furthermore, the overall decline in construction and development activities as well as the ongoing economic uncertainty, has led to a decreased demand for cash-generating units in the Construction and Engineering: South Africa and rest of Africa operating segment.

Qualitative assessment

An assessment of qualitative factors for each cash-generating unit was undertaken to identify if any indications of impairment were present. Mainly due to weak financial performance (losses and cash outflows), the following cash-generating units contained indications of impairment:

Manufacturing and Processing operating segment

» Aveng Manufacturing – Steeledale

Construction and Engineering: South Africa and rest of Africa operating segment

» Aveng Grinaker-LTA
» Aveng Engineering

Quantitative assessment

The recoverable amount of a cash-generating unit is determined on a value-in-use calculation.

The value-in-use was determined based on management's past experience. The cash flows have been based on the approved budget for the 2014 financial year as well as a forecast until 2018 utilising the assumptions set out below:

Discount rate applied – The Group has calculated a weighted average cost of capital (WACC) of 8,9%. This is utilised as a basis for performing the value-in-use calculation. In instances where the cash-generating unit is deemed by management to be of greater risk than the Group, a risk premium has been included in the discount rate. The discount rates utilised for the purposes of the impairment testing range between 8,9% and 15,0%.

Growth rate applied – In determining the growth rate to be applied to the cash-generating unit management has considered the growth potential of the Group. As part of this assessment, management has considered a prudent outlook that mirrors an inflationary increase in line with the consumer price index as well as considerations of real growth expected within the market. Based on these factors, management has determined a range of growth rates that should be applied across the Group. The nominal growth rate applied for the purposes of the impairment testing ranges between 3% and 5% per annum.

Period of projection – The period of projection is influenced by the ability of management to forecast cash flows in the future. In instances of high uncertainty the model is limited to the 2014 budget as approved by management. For the remaining cash-generating units, forecasting has been performed for a period of five years with a growth rate applied as set out above.

Contract revenue and margin – Revenue and margins are based on management's best estimates of known contracts (both awarded and anticipated to be awarded).

Management initiatives – The management initiatives implemented to stabilise and improve operating performance at Aveng Grinaker-LTA and Aveng Manufacturing – Steeledale have an influence on cash flow projections.

Sensitivity to change in assumptions and conclusion

With regard to the assessment of value-in-use of goodwill, management believes that no reasonable probable change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

No goodwill impairment loss has been recognised for the current or the prior year.

	2013			2012		
	Cost Rm	**Accumulated amortisation Rm**	**Carrying amount Rm**	Cost Rm	Accumulated amortisation Rm	Carrying amount Rm
7. INTANGIBLE ASSETS						
Indefinite useful life brand name	**32**	**–**	**32**	23	–	23
Indefinite useful life trademark	**15**	**–**	**15**	15	–	15
Brand names	**31**	**(9)**	**22**	31	(7)	24
Customer lists	**108**	**(68)**	**40**	108	(51)	57
Know-how	**62**	**(40)**	**22**	48	(31)	17
Computer software	**140**	**(87)**	**53**	36	(7)	29
TOTAL	**388**	**(204)**	**184**	261	(96)	165

7. INTANGIBLE ASSETS continued

Reconciliation of intangible assets – 2013

	Opening balance	Capitalised	On acquisition of subsidiary	Disposals	Transfers from property, plant and equipment	Foreign exchange movements	Amortisation	Total
Indefinite useful life brand name	**23**	**–**	**–**	**–**	**–**	**9**	**–**	**32**
Indefinite useful life trademark	**15**	**–**	**–**	**–**	**–**	**–**	**–**	**15**
Brand names	**24**	**–**	**–**	**–**	**–**	**–**	**(2)**	**22**
Customer lists	**57**	**–**	**–**	**–**	**–**	**–**	**(17)**	**40**
Know-how*	**17**	**–**	**18**	**(2)***	**–**	**–**	**(11)**	**22**
Computer software**	**29**	**29**	**–**	**–**	**15****	**–**	**(20)**	**53**
	165	**29**	**18**	**(2)**	**15**	**9**	**(50)**	**184**

**Know-how with a net carrying amount of R2 million (Cost: R4 million and Accumulated depreciation: R2 million) was disposed of during the year.*

***Computer software with a net carrying amount of R15 million (Cost: R75 million and Accumulated depreciation: R60 million) was transferred from property, plant and equipment. Refer to note 5: Property, plant and equipment.*

Reconciliation of intangible assets – 2012

	Opening balance	Capitalised	On acquisition of subsidiary	Disposals	Transfers from property, plant and equipment	Foreign exchange movements	Amortisation	Total
Indefinite useful life brand name	23	–	–	–	–	–	–	23
Indefinite useful life trademark	15	–	–	–	–	–	–	15
Brand names	27	–	–	–	–	–	(3)	24
Customer lists	74	–	–	–	–	–	(17)	57
Know-how	27	–	–	–	–	–	(10)	17
Computer software	–	36	–	–	–	–	(7)	29
	166	36	–	–	–	–	(37)	165

Details of intangible assets

Indefinite useful life trademarks and brand names have been acquired through business combinations and are carried at cost less accumulated impairment losses.

The trademark relates to the acquisition of LTA Limited in 2000 when Grinaker Construction Limited merged with LTA Limited forming Grinaker-LTA Limited. The value of the trademark was determined at R15 million.

The brand name relates to the acquisition of Built Environs (Proprietary) Limited in 2009 by McConnell Dowell Corporation Limited.

Due to the acquisition of EESTech Africa (Proprietary) Limited in 2013, the value of the know-how increased by R18 million. The useful life of the acquired know-how is 25 years.

The remaining brand names have useful lives of 10 years. The customer lists and the remaining know-how have useful lives of five years. Computer software capitalised relates to certain Enterprise Resource Planning (ERP) systems implemented in the current period. In addition, software has been transferred from property, plant and equipment to intangible assets in the current year. Software is amortised over a period of between three and five years.

Impairment testing

The indefinite useful life trademark and brand name are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Both the LTA trademark and the Built Environs brand name are considered to have indefinite useful lives given the strength and durability of the brands and the time in which they have been in existence.

The value-in-use was determined based on management's past experience. The cash flows have been based on the approved budget for the 2014 financial year as well as a forecast until 2018 utilising the assumptions set out in note 6: Goodwill arising on consolidation.

Sensitivity to change in assumptions and conclusion

With regard to the assessment of value-in-use of the indefinite useful life trademark and brand name, management believes that no reasonable probable change in any of the key assumptions set out in note 6: Goodwill arising on consolidation would cause the carrying amount of the intangible assets to materially exceed its recoverable amount.

No impairment loss has been recognised for intangible assets for the current or the prior year.

		2013 Rm	2012 Rm
8.	**EQUITY-ACCOUNTED INVESTMENTS**		
	Opening balance	**105**	92
	Acquisitions	**2**	3
	Recapitalisation of existing investments	**14**	–
	Loans advanced	**65**	–
	Share of (loss) / earnings before taxation and dividends	**(11)**	43
	Share of taxation	**(1)**	(2)
	Dividends received*	**(43)**	(34)
	Foreign currency translation movement	**13**	(1)
	Reallocation and other	**–**	4
		144	105

Primarily includes dividends received from Dutco McConnell Dowell Middle East Limited Liability Company R38 million (2012: R33 million) and RPP JV Properties (Proprietary) Limited R5 million (2012: Rnil).

Loans to equity-accounted investments

Loans to equity-accounted investments are unsecured and have no fixed repayment dates.

Loans to equity-accounted investments are interest free, other than loans advanced to Windfall 59 Properties (Proprietary) Limited, which bear interest at Prime less 0,5% per annum.

Valuation

Directors' valuation of unlisted associate and joint venture companies is equal to the carrying amount.

The Group's share of aggregate assets and liabilities of equity-accounted investments are summarised below:

	2013 Rm	2012 Rm
Current assets	**291**	217
Non-current assets	**276**	93
Total assets	**567**	310
Current liabilities	**311**	140
Non-current liabilities	**238**	70
Non-interest bearing debt	**549**	210
Net assets	**18**	100

The Group's share of results of operations of equity-accounted investments are summarised below:

	2013 Rm	2012 Rm
Revenue	**514**	487
Net operating (loss) / earnings	**(8)**	46
Net finance earnings (finance earnings less finance and transaction expenses)	**(3)**	(3)
(Loss) / earnings before taxation	**(11)**	43
Taxation	**(1)**	(2)
(Loss) / earnings for the period	**(12)**	41

8. EQUITY-ACCOUNTED INVESTMENTS continued

Details on equity-accounted investments

Name of company	Activity	Holding 2013 %	Holding 2012 %	Carrying amount 2013 Rm	Carrying amount 2012 Rm
AEF Mining Services (Proprietary) Limited	Repair of mining equipment and related mining activities	**30,00**	30,00	**3**	1
Allied Grinaker Properties (Proprietary) Limited*	Property developer	**39,00**	39,00	**–**	–
Blue Falcon 140 Trading (Proprietary) Limited	Renewable energy concession	**29,00**	29,00	**33**	1
Dutco McConnell Dowell Middle East Limited Liability Company	Construction	**49,00**	49,00	**49**	80
Ensimbini Reinforcing (Proprietary) Limited*	Supply and fabrication of steel reinforcing	**20,00**	20,00	**(1)**	–
Firefly Investments 222 (Proprietary) Limited	Renewable energy concession	**49,00**	49,00	**1**	1
Firefly Investments 238 (Proprietary) Limited*	Renewable energy	**45,00**	–	**–**	–
Grinaker-LTA Fair Construction Société à Responsabilité Limitée*	Construction	**50,00**	50,00	**–**	–
Imvelo Concession Company (Proprietary) Limited*	Property concession	**30,00**	–	**–**	–
JSG Developments (Proprietary) Limited*	Property developer	**33,30**	33,30	**(1)**	–
Lesedi Tracks (Proprietary) Limited	Rail construction and maintenance	**25,00**	25,00	**1**	1
Midstream Way Investments (Proprietary) Limited*	Property developer	**40,00**	40,00	**–**	–
Oakleaf Investment Holdings 65 (Proprietary) Limited*	Renewable energy concession	**49,00**	49,00	**1**	–
Oakleaf Investment Holdings 86 (Proprietary) Limited*	Renewable energy	**50,00**	–	**–**	–
REHM Grinaker Construction Company Limited	Construction and general contractor	**43,00**	43,00	**(4)**	6
REHM Grinaker Properties Company Limited*	Property developer	**43,00**	43,00	**6**	–
Reinforcing and Fixing Services KZN (Proprietary) Limited*	Steel reinforcing services	**33,00**	33,00	**–**	–
RPP Developments (Proprietary) Limited	Property developer	**10,00**	10,00	**7**	4
RPP JV Properties (Proprietary) Limited	Property developer	**40,00**	40,00	**8**	9
Salestalk 406 (Proprietary) Limited	Property developer	**33,30**	33,30	**2**	1
San Solar Facility (Proprietary) Limited	Renewable energy concession	**36,25**	–	**4**	–
Sivukele Contractors (Proprietary) Limited*	Construction and general contractors	**29,00**	29,00	**–**	–
Specialised Road Technologies (Proprietary) Limited*	Construction services	**15,00**	15,00	**3**	–
Wedelin Investments 46 (Proprietary) Limited**	Deregistered	**–**	30,00	**–**	–
Windfall 59 Properties (Proprietary) Limited	Renewable energy concession	**29,00**	29,00	**32**	1
				144	105

**Balances are less than R1 million.*
***Wedelin Investments 46 (Proprietary) Limited was deregistered during the year.*

Summary of equity-accounted investments by relevant activity

	Carrying amount 2013 Rm	Carrying amount 2012 Rm
Activity		
Concessions*	**71**	3
Construction	**49**	87
Mining	**3**	1
Property development	**22**	14
Renewable energy	**–**	–
Steel	**(1)**	–
	144	105

** Includes renewable energy and property concessions.*

		2013 Rm	2012 Rm
9.	**AVAILABLE-FOR-SALE INVESTMENTS**		
	Non-current assets		
	Available-for-sale	**70**	146
	Movement during the year		
	Opening balance	**146**	131
	Foreign currency translation movement	**4**	12
	Disposal	**(80)**	–
	Reallocation from equity-accounted investments*	**–**	3
		70	146
	Balance at the end of the year comprises:		
	N3 Toll Concession Company (Proprietary) Limited**	**12**	12
	Goldfields Mall (Proprietary) Limited***	**–**	80
	GoldlinQ Holdings (Proprietary) Limited****	**58**	54
		70	146

* *An amount of R3 million, relating to the Goldfields Mall (Proprietary) Limited, was incorrectly classified in 2012 as an equity-accounted investment and was reallocated in the current year to Available-for-sale investments. The investment in Goldfields Mall (Proprietary) Limited was sold during the current period.*

** *Due to the limited marketability and limited reliable valuation methodologies for investments of this nature, the directors estimate that the carrying amount of the investments approximate their fair value.*

*** *In June 2013, Aveng (Africa) Limited disposed of its 15% shareholding in Goldfields Mall (Proprietary) Limited. This available-for-sale investment was sold for its carrying amount of R80 million, with no profit or loss recognised on the sale. Aveng (Africa) Limited then purchased a 15% undivided share in the Goldfields Mall Shopping Centre for R71 million. Details of the investment property acquired are disclosed in note 4.*

**** *The directors estimate that the carrying amount, which is the cost of the investment, approximates its fair value. The movement in South African Rand terms is due to the foreign currency translation from Australian Dollar.*

For Available-for-sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments may be impaired. In the case of equity investments classified as Available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below cost. In the current year there were no impairment losses recognised.

	2013 Rm	2012 Rm
10. DEFERRED TAX		
Reconciliation of deferred tax asset		
Opening balance	**998**	510
Transfer from Statement of comprehensive earnings – current year[1]	**209**	374
Transfer from Statement of comprehensive earnings – prior year[1]	**71**	32
Effect of change in foreign tax rate	**(1)**	(9)
Foreign currency translation movement	**66**	91
Reallocation from deferred tax liability[2]	**4**	–
	1 347	998
Reconciliation of deferred tax liability		
Opening balance	**(299)**	(323)
Transfer to Statement of comprehensive earnings – current year[1]	**(33)**	(10)
Transfer from Statement of comprehensive earnings – prior year[1]	**19**	37
Foreign currency translation movement	**(2)**	(3)
Reallocation from deferred tax asset[2]	**(4)**	–
	(319)	(299)
Deferred tax asset balance at year-end comprises:		
Accelerated capital allowances	**(338)**	(263)
Provisions	**498**	394
Contracts	**404**	238
Other	**174**	318
Assessed losses carried forward	**609**	311
	1 347	998
Deferred tax liability balance at year-end comprises:		
Accelerated capital allowances	**(384)**	(254)
Provisions	**16**	12
Contracts	**35**	47
Other	**11**	(104)
Assessed losses carried forward	**3**	–
	(319)	(299)

Unused tax losses

As at June 2013 the Group had unused tax losses of R2 211 million (2012: R904 million) available for offset against future profits. A deferred tax asset of R612 million has been recognised in respect of R1 938 million (2012: R884 million) of such losses. No deferred tax asset has been recognised in respect of the remaining R273 million (2012: R20 million) due to the uncertainty of future taxable profits. The Group performed a five-year forecast for the financial years 2014 to 2018 which supports the recognition of the deferred tax asset.

[1] *Comparatives have been amended as detailed in the Change in disclosure note. Refer to note 1.*
[2] *The deferred tax position in certain jurisdictions changed from a deferred tax asset at the beginning of the year to a deferred tax liability position at the end of the year and in other instances from a deferred tax liability at the beginning of the year to a deferred tax asset position at the end of the year.*

11. RETIREMENT BENEFITS

Post-retirement benefits

The Group has a number of retirement benefit plans for its eligible employees. These plans comprise both defined contribution plans and a closed defined benefit plan. South African funds are governed by the Pension Funds Act 24 of 1956, as amended.

Other funds are governed by the respective legislation of the country concerned.

Pension fund plans are evaluated by independent actuaries at intervals not exceeding three years. The latest actuarial valuations (effective date 1 January 2011) indicated that the plans were adequately funded in terms of the requirements of the Registrar of Pension Funds, and no changes to any rates were recommended.

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

	2013	2012
11.1 Defined contribution plans		
Number of members:		
Aveng Group and industry retirement plans	**10 464**	11 139
McConnell Dowell Corporation Limited Plan	**7 575**	8 593
	18 039	19 732
Total number of employees	**28 296**	33 221
Cover ratio (%)	**64**	59
The Group's retirement expense (Rm)	**101**	93

11.2 Defined benefit plan

There are no remaining active contributing members on the Grinaker Group Pension Fund (the Fund). Membership currently comprises 527 annuitants.

The Fund is a closed defined benefit plan, in terms of which an Annuity Purchase Agreement was entered into in 2001, whereby the liabilities were fully outsourced to and guaranteed by Momentum Group Limited. In the event that Momentum Group Limited is no longer able to perform in terms of an Annuity Purchase Agreement, the obligation to fund the pensioner liabilities may revert to the Group. The member surplus account is defined contribution in nature, fully funded and accordingly has no foreseen future funding obligation by the Aveng Group. The Group has no recourse to any of the assets of the Fund. The surplus apportionment is nil in the current year due to this having been allocated to former members during the reporting period. There is a corresponding reduction in assets with amounts having been allocated as benefits payable to former members.

	2013 Rm	2012 Rm
Defined benefit plan		
Present value of obligation		
Opening balance	**235**	223
Interest cost on opening balance	**23**	18
Actuarial (gain) / loss	**(4)**	11
Benefits paid	**(18)**	(17)
Closing balance at 30 June	**236**	235
Surplus apportionment	**–**	60
Total liabilities	**236**	295

	2013 Rm	2012 Rm
11. RETIREMENT BENEFITS continued		
11.2 Defined benefit plan *continued*		
Fair value of plan assets		
Opening balance	**295**	286
Expected return on fund assets	**23**	23
Actuarial gain / (loss)	**(2)**	(1)
Benefits paid	**(18)**	(24)
Surplus allocated to members	**(62)**	11
Closing balance	**236**	295
Actual return on plan assets	**21**	22
Net benefit income not recognised		
Interest cost on opening balance	**(23)**	(18)
Actuarial gain / (loss)	**2**	(12)
Expected return on fund assets	**23**	23
Net income not recognised	**2**	(7)
Funded status	**–**	61
Actuarial loss	**–**	(1)
Surplus apportionment	**–**	60

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2013 %	2012 %
Money market	**–**	20,5
Insured policy (Momentum Group Limited)	**100,0**	79,5
Principal assumptions		
Discount rates used	**8,01**	7,85
Expected rate of return on assets	**8,01**	7,85
General inflation	**6,10**	5,95
Pension increase allowance	**6,10**	5,95
Real discount rate	**1,80**	1,79

Valuation method

The projected unit credit method was used for the valuation.

Amounts for current and previous four periods are as follows:

	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm
Fair value of assets	**236**	295	286	283	338
Employer's accrued liability*	**(236)**	(235)	(223)	(218)	(235)
Funded status	**–**	60	63	65	103

** The employer's accrued liability excludes the surplus apportionment balance.*

		2013 Rm	2012 Rm
12.	**AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS**		
	Uncertified claims and variations (Underclaims)[1]	**4 181**	2 267
	Progress billings received (Overclaims)[2]	**(1 690)**	(1 925)
	Uncertified claims and variations less progress billings received	**2 491**	342
	Contract receivables[3]	**6 042**	4 907
	Retentions receivables[4]	**174**	68
		8 707	5 317
	Amounts received in advance[5]	**(677)**	(346)
	Net amounts due from customers	**8 030**	4 971
	Disclosed on the statement of financial position as follows:		
	Uncertified claims and variations	**4 181**	2 267
	Contract and retention receivables	**6 216**	4 975
	Amounts due from customers (current assets)	**10 397**	7 242
	Progress billings received	**(1 690)**	(1 925)
	Amounts received in advance	**(677)**	(346)
	Amounts due to customers (current liability)	**(2 367)**	(2 271)
		8 030	4 971

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

		2013 Rm	2012 Rm
13.	**INVENTORIES**		
	Raw materials	**1 181**	1 114
	Work-in-progress	**112**	88
	Finished goods	**1 231**	1 155
	Consumables	**288**	138
		2 812	2 495
	Allowance for obsolete inventory	**(32)**	(28)
		2 780	2 467
	Inventories utilised in cost of sales during the year	**14 231**	10 726
	Inventories written-off and impaired during the year	**40**	10

The value of inventory carried at net realisable value amounts to R9 million (2012: R11 million), with the balance carried at cost.

		2013 Rm	2012 Rm
14.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**1 834**	1 662
	Amounts received in advance	**(157)**	(362)
	Allowance for doubtful debts	**(144)**	(67)
	Prepayments	**160**	161
	Other receivables	**962**	1 289
		2 655	2 683

Credit terms

Trade and other receivables comprise amounts owing to the Group in the normal course of business.

Terms vary in accordance with contracts of supply and service and across business units, but are generally on 30 to 60 day terms from date of invoice.

Indebtedness is generally interest free while within the terms of the original contract.

No customers had sales larger than 10% of total revenue.

	2013 Rm	2012 Rm
14. TRADE AND OTHER RECEIVABLES continued		
Ageing analysis of trade receivables		
The ageing at 30 June is as follows:		
<30 days	**1 183**	977
30 to 60 days	**1 103**	1 380
>60 days	**369**	326
Impaired	**144**	67
Total	**2 799**	2 750

Trade and other receivables impaired

As at 30 June, trade receivables and contract receivables with a nominal value of R144 million (2012: R67 million) were provided for in an allowance account.

	2013 Rm	2012 Rm
Credit risk		
The maximum exposure to credit risk in relation to trade and other receivables:		
Trade and other receivables	**2 799**	2 750
Allowance for impairment of trade and other receivables	**(144)**	(67)
	2 655	2 683
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	**67**	98
Current year allowance for impairment of trade and other receivables	**125**	28
Utilised	**(48)**	(59)
	144	67
15. CASH AND BANK BALANCES		
Cash and bank balances consist of:		
Bank balances	**3 409**	3 437
Cash on hand	**4**	4*
Deposits	**163**	577
Restricted cash	**975**	1 185
	4 551	5 203
Restricted cash		
Cash and bank balances at the end of the year include the following bank balances and cash that are restricted from immediate use:		
Group share of cash held by joint ventures	**935**	1 156
Guardrisk Life Fund	**40**	29
	975	1 185

** R26 million has been reallocated from cash on hand to bank balances for 2012 comparatives.*

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	2013 Rm	2012 Rm
16. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
882 034 263 ordinary shares of 5 cents each	**44**	44
Issued		
Share capital (373 890 810 ordinary shares of 5 cents each)	**19**	19
Share premium	**1 369**	1 416
	1 388	1 435
Share premium		
Opening balance	**1 416**	1 864
Repurchase of 11 750 000 shares of 5 cents each	**–**	(448)
Issue of 8 586 862 shares of 5 cents each	**–**	327
Movement of 8 586 593 treasury shares	**–**	(327)
Purchase of 1 342 308 (2012: Nil) treasury shares in terms of the equity-settled share-based payment plan	**(47)**	–
	1 369	1 416
Treasury shares		
Shares held by Aveng Limited Share Purchase Trust		
– Market value	**180**	216
– Number of shares	**6 018 386**	6 018 386
Shares held by the Aveng Management Company (Proprietary) Limited		
– Market value	**257**	307
– Number of shares	**8 586 593**	8 586 593
Shares held in terms of the equity-settled share-based payment plan		
– Market value (Rm)	**40**	–
– Number of shares	**1 342 308**	–

	2013 Number of shares	2012 Number of shares
Reconciliation of number of shares issued		
Opening balance shares of 5 cents each	**389 838 097**	393 001 235
Repurchase – shares of 5 cents each*	**–**	(11 750 000)
Issue of shares of 5 cents each	**–**	269
Issue of shares of 5 cents each (Aveng Management Company (Proprietary) Limited)	**–**	8 586 593
Closing balance – shares of 5 cents each	**389 838 097**	389 838 097
Less: Treasury shares		
Aveng Limited Share Purchase Trust	**(6 018 386)**	(6 018 386)
Aveng Management Company (Proprietary) Limited	**(8 586 593)**	(8 586 593)
Equity-settled share-based payment plan	**(1 342 308)**	–
Number of shares in issue less treasury shares	**373 890 810**	375 233 118

**Repurchased shares were cancelled in the prior year.*

16. SHARE CAPITAL AND SHARE PREMIUM continued

Amendments to the BEE transaction

During the prior year, Aveng shareholders approved amendments to the terms of the original BEE transaction which has served to extend the current BEE structure agreement. In terms of the extended agreement, the BEE shareholder is required to serve not less than 90 days notice of its intention to convert its current investment in Aveng (Africa) Limited and Aveng Trident Steel Holdings (Proprietary) Limited to ordinary shares in Aveng Limited. In terms of the extended agreement, notice of such intention may not be served prior to 30 June 2014. At present, 26 833 103 ordinary shares are regarded as contingently issuable in terms of the BEE transaction. These are incorporated in the calculation of the diluted weighted average number of shares in issue. At such time when notice is given by the BEE shareholder to convert its investment in Aveng (Africa) Limited and Aveng Trident Steel Holdings (Proprietary) Limited into Aveng Limited ordinary shares, these shares will be issued to the BEE shareholder (increasing the number of shares in issue) and form part of the issued share capital of the Group. The ownership of the aforementioned entities will revert back to Aveng Limited.

As a consequence of the extension to the BEE transaction, a scrip lending agreement was entered into between Investec Private Bank Limited (Investec) and Aveng Management Company (Proprietary) Limited, whereby Aveng Management Company (Proprietary) Limited has lent 8 586 593 Aveng ordinary shares to Investec to facilitate a loan to the Empowerment Trust by Investec. These shares are regarded as treasury shares for accounting purposes, which are eliminated within the consolidated financial statements. The shares currently subject to the script lending agreement will be returned by Investec and cancelled at the end of the loan period and close out of the BEE transaction, and thus will no longer be held as treasury shares.

17. SHARE-BASED PAYMENTS

17.1 Cash-settled share-based payment plans

17.1.1 Share Option Plan

In terms of the Aveng Limited Share Option Plan, certain full-time employees of the Company and any of its subsidiaries, including directors holding full-time salaried employment or office, are entitled under the plan to hold a limit of 5% of the issued share capital. No one participant may acquire shares in excess of 2% of the issued share capital of the Company.

	Weighted average exercise price 2013 R	**Number of options 2013**	Weighted average exercise price 2012 R	Number of options 2012
The movements during the year were as follows:				
Opening balances	**39,99**	**7 636 820**	39,56	8 452 082
Options exercised	**31,97**	**(162 375)**	37,28	(134 454)
Options forfeited / cancelled	**41,11**	**(1 817 097)**	39,63	(680 808)
	40,55	**5 657 348**	39,99	7 636 820
Options exercisable at year-end	**43,44**	**2 843 054**	43,68	2 399 734

	2013 R	2012 R
Price metrics for options exercised during the year:		
Average subscription price	**7,79**	14,94
Lowest market price	**26,00**	33,10
Highest market price	**35,89**	41,50
Weighted average market price	**31,97**	37,28

17. SHARE-BASED PAYMENTS continued

***17.1* Cash-settled share-based payment plans** continued

17.1.1 Share Option Plan continued

The options outstanding at 30 June 2013 become unconditional between the following dates:

The right to exercise the option vests in tranches two years from the grant date at the rate of 25% each year for four years. Participants can defer exercising the options subject to the rules of the plan but must exercise within 10 years of the grant date.

Grant date		Expiry date	Subscription price R	**Number of options 2013**	Number of options 2012
30 November 2000	29 November 2002 to 29 November 2005	October 2010	5,80	**12 000**	58 300
24 March 2003	23 March 2005 to 23 March 2008	February 2013	8,61	**13 250**	172 250
2 October 2003	1 October 2005 to 1 October 2008	September 2013	7,20	**–**	95 000
2 October 2005	1 October 2007 to 1 October 2010	September 2015	53,16	**232 430**	872 264
31 November 2005	2 November 2007 to 2 November 2010	October 2015	54,84	**155 000**	155 000
7 December 2005	6 December 2007 to 6 December 2010	November 2015	61,80	**73 367**	73 367
7 December 2007	6 December 2009 to 6 December 2012	November 2017	62,50	**53 797**	53 797
11 March 2008	10 March 2010 to 10 March 2013	February 2018	52,00	**204 460**	204 460
8 July 2008	7 July 2010 to 7 July 2013	June 2018	53,65	**279 590**	279 590
25 October 2008	24 October 2010 to 24 October 2013	September 2018	42,80	**624 023**	840 661
3 January 2009	2 January 2011 to 2 January 2014	December 2018	30,52	**19 659**	19 659
1 February 2009	30 January 2011 to 30 January 2014	December 2018	26,40	**20 455**	20 455
10 September 2009	9 September 2011 to 9 September 2014	August 2019	40,30	**487 768**	537 867
9 September 2010	8 September 2012 to 8 September 2015	August 2020	37,70	**2 469 885**	3 039 931
14 May 2011	13 May 2013 to 13 May 2016	April 2021	33,85	**1 011 664**	1 214 219
				5 657 348	7 636 820

**Claims in process of being finalised.*

Should the option holder resign from a Group company prior to the vesting dates as indicated above, the right to the shares or options will be forfeited.

The Aveng Limited Share Purchase Trust (the Trust) will be funded out of its own resources, and/or loans to be made by employers of participants in accordance with the provisions of section 44 of the South African Companies Act 71 of 2008, as amended. The plan held 6 018 386 ordinary shares at 30 June 2013 (2012: 6 018 386 ordinary shares).

The Trust's financial results are consolidated with those of the Group.

The fair value of the options granted under the plan are estimated at the date of the grant using the adjusted bi-nomial option-pricing model.

	2013 %	2012 %
The following assumptions were used in valuing the various options at year-end:		
Expected volatility	**33,1**	22,7
Expected dividend yield	**2,6**	2,9

The risk-free rates were interpolated from a term structure of interest rates. These rates were obtained with reference to the following market rates:

- Three to twelve month forward agreement rates
- One to ten year swap rates

17. **SHARE-BASED PAYMENTS** continued

17.1 **Cash-settled share-based payment plans** continued

17.1.2 Share Appreciation Right Plans (SARs)

In terms of the Aveng Limited Share Appreciation Rights Plan which came into effect during the 2012 financial year, certain full-time employees of the Company and any of its subsidiaries, including directors holding full-time salaried employment or office, are entitled under the plan to hold a limit of 10% of the issued share capital. No one participant may acquire shares in excess of 2,5% of the issued share capital of the Company.

	Weighted average exercise price 2013 R	Number of SARs 2013	Weighted average exercise price 2012 R	Number of SARs 2012
The movements during the year were as follows:				
Opening balance	**32,79**	**6 123 875**	32,79	6 360 875
Options forfeited / cancelled	**33,17**	**(909 750)**	(32,79)	(237 000)
Options granted	**31,07**	**6 055 062**	–	
	32,53	**11 269 187**	32,79	6 123 875

The right to exercise vests in tranches three years from the date of allocation at the rate of 33,3% each year for three years. Participants may defer exercising the right subject to the rules of the plan and vesting criteria, but must exercise within seven years of the allocation date.

Grant date	Vesting period	Expiry date	Subscription price R	Number of SARs 2013	Number of SARs 2012
14 December 2011	13 December 2014 and 13 December 2016	14 December 2018	33,75	**4 988 527**	5 653 277
15 March 2012	14 March 2015 and 14 March 2017	15 March 2019	37,95	**416 500**	416 500
23 May 2012	22 May 2015 and 22 May 2017	23 May 2019	36,97	**54 098**	54 098
17 October 2012	16 October 2015 and 16 October 2017	17 October 2019	30,90	**5 640 062**	–
19 March 2013	18 March 2016 and 18 March 2018	19 March 2020	35,80	**170 000**	–
				11 269 187	6 123 875
Approved limit				**39 300 124**	39 300 124
% issued to date				**29%**	16%
Available for future allocation				**28 030 937**	33 176 249

Should the holder resign from a Group company prior to the vesting date, all unvested rights will be forfeited.

For details of provisions raised with regards to the cash-settled share-based payment plans, refer to note 21: Provisions.

17.2 ***Equity-settled share-based payment plan***

17.2.1 Forfeitable Share Plan

In terms of the Aveng Limited Forfeitable Share Plan, senior executives of the Group, including executive directors, are granted shares in the Company for no consideration. The provision of shares will initially serve as a retention mechanism but can in future be used as an incentive mechanism with retention awards only made on an *ad-hoc* basis as and when required. As such, there are no other performance conditions attaching to awards made to date. Vesting of the awards will be subject to the satisfaction of performance conditions measured over the performance period. These shares participate in dividends and shareholder rights from grant date. The shares are subject to forfeit if the employee leaves the employ of the Group prior to the third anniversary of the award date.

On resignation, the employee will forfeit all unvested shares. On death, retrenchment, sale of employer company, disability or retirement, only a portion of the shares will vest, calculated based on the number of months worked over the total vesting period, subject to the satisfaction of performance conditions, if any are applicable at that stage. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been cash-settled.

		2013 Rm	2012 Rm
17.	**SHARE-BASED PAYMENTS** continued		
17.2	***Equity-settled share-based payment plan*** continued		
17.2.1	**Forfeitable Share Plan** continued		
	The movements during the year were as follows:		
	Opening balance (number of shares)	**990 108**	–
	Shares issued (number of shares)	**352 200**	990 108
		1 342 308	990 108
	Average purchase price of shares (R)	**30,90**	35,36
	Total value of forfeitable shares issued during the year to employees (Rm)	**12**	35
	Approved limit (number of shares)	**3 930 012**	3 930 012
	% issued to date	**34%**	25%
	Available for future allocation (number of shares)	**2 587 704**	2 939 904
18.	**EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE**		
	The Group has a forfeitable share plan in place under which certain senior executives have been granted shares in the Company. A description of the plan as well as the terms and conditions relating to awards made are disclosed in the remuneration report. Details of awards made are disclosed in note 40.		
	Opening balance	–	–
	Equity-settled share-based payment expense	21	–
	Closing balance	21	–
19.	**INSURANCE RESERVES**		
	Balance at the end of the year comprises:		
	Insurance reserve – Guardrisk Life Fund	**54**	56
	Other reserve*	**–**	–
		54	56

**Balances are less than R1 million.*

Guardrisk Life Fund

The performance of the cell captive is determined by the premium income earned within it, less any reinsurance, management and claims costs. The cell captive requires that the owner of the cell injects capital into the cell captive in order to meet its solvency requirements. Earnings from the activities in the cell captive can either be retained in the cell captive or paid out to the owners of the cell captive via dividends. In terms of the shareholder agreement, all surplus can be paid out as dividends subject to meeting statutory reserving and capital requirements.

An amount of excess assets equal to 1,5 times the capital adequacy requirement is retained in the cell to cover unforeseen fluctuations in experience based on the policy requirements. As at 30 June 2013 the distributable amount was R14 million (2012: R27 million) after considering the capital adequacy of the cell.

		2013 Rm	2012 Rm
20.	**BORROWINGS AND OTHER LIABILITIES**		
	Borrowings	**1 472**	873
	Other liabilities	**59**	55
		1 531	928
	Comprising:		
	Non-current liabilities	**1 312**	748
	Current liabilities	**219**	180
		1 531	928
20.1	***Borrowings***		
	Borrowings at amortised cost		
	Non-current liabilities	**1 253**	693
	Current liabilities	**219**	180
		1 472	873

There were no unsecured borrowings in the current or prior period.

Interest-bearing borrowings comprise

	Financial year	2013 Rm	2012 Rm
Secured loans – Payment profile	2013*	**–**	180
	2014*	**219**	167
	2015*	**666**	171
	2016*	**333**	255
	2017*	**145**	100
	2018*	**43**	–
	2021	**66**	–
		1 472	873
Interest rate structure			
Fixed and variable (interest rates)			
Fixed – non-current		**498**	516
Fixed – current		**154**	112
Variable – non-current		**755**	178
Variable – current		**65**	67
		1 472	873

Interest rate sensitivity

The following table illustrates the effect on the Group's earnings before taxation, all other factors remaining equal, of changes in the variable interest borrowings at 30 June:

	2013 Rm	2012 Rm
Total variable borrowings	**820**	245
Effect on earnings before taxation – plus 50 basis points increase	**(4)**	(1)
Effect on earnings before taxation – minus 50 basis points decrease	**4**	1

**Included in the secured loans is the present value of the future minimum lease payments under non-cancellable finance leases.*

20. BORROWINGS AND OTHER LIABILITIES continued

	2013 Rm	2012 Rm
Information relating to interest-bearing borrowings		
1. A company in the Australasia and Asia operating segment entered into a finance sale and leaseback arrangement in the 2012 financial year. This arrangement was extended to the sale and leaseback of additional assets during the 2013 financial year. The arrangement amounting to AUD28 million (2012: AUD26 million) has been secured by plant and equipment of the subsidiary with a net carrying amount of R247 million. The arrangement is repayable in monthly instalments with the final instalment payable in June 2018 and bears interest at fixed rates, ranging from 5,5% to 7,6%.	**256**	215
2. Secured loans include a short-term facility of AUD50 million which bears interest at the Bank Bill Swap Rate plus 1,35% per annum. This facility is secured by plant and equipment of the subsidiary with a net carrying amount of R451 million and is repayable in September 2014.	**452**	–
3. A company in the Mining operating segment is party to a finance lease agreement. The lease is repayable in monthly instalments, with the final instalment payable on 15 February 2016, and bears interest at a fixed rate of 6,3% per annum. Financed assets comprising motor vehicles with a net carrying amount of R1 million are held as security for this arrangement.	**1**	1
4. Secured loans in the Mining operating segment include individual loans amounting to USD30 million, USD6 million and USD14 million advanced in 2012. The loans are repayable quarterly with the final payment being due in June 2017 and bears interest at fixed rates ranging from 4,58% to 4,65% per annum. Equipment with a net carrying amount of R419 million has been pledged as security for the loan.	**394**	411
5. A company in the Mining operating segment is party to a hire purchase agreement. Financed assets, with a net carrying amount of R125 million, are held as security for this arrangement which bears interest at Prime less 2% per annum. The arrangement is payable in monthly instalments with the final instalment payable in November 2017.	**124**	–
6. A company in the Mining operating segment is party to a hire purchase agreement. Financed assets, with a net carrying amount of R198 million, are held as security for this arrangement which bears interest at Prime less 1,7% per annum. The arrangement is payable in monthly instalments with the final instalment payable in March 2017.	**179**	246
7. Aveng (Africa) Limited entered into a loan agreement in the 2013 financial year. The interest on the loan is repayable monthly with the final instalment payable in June 2021. The loan bears interest at the Prime rate less 0,5% per annum. Investment property with a net carrying amount of R71 million has been pledged as security for this loan. The loan is reported within the Administration and elimination operating segment's liabilities.	**66**	–
	1 472	873

		2013 Rm	2012 Rm
20.2	***Other liabilities***		
	Non-interest-bearing liability at amortised cost	**59**	55
	Disclosed as:		
	Non-current liabilities	**59**	55

The non-interest-bearing liability comprises a deferred equity commitment to acquire 10% of the shares in the Gold Coast Rapid Transit Private Partnership ("GCRT PPP") once the project is completed in September 2014. Aveng Australia Holdings (Proprietary) Limited has agreed to participate in 10% of the private sector equity capital required to fund the project through their investment in GoldlinQ Holdings (Proprietary) Limited.

	Opening balance Rm	Reallocated/ Recognised Rm	Utilised Rm	Currency adjustment Rm	Total Rm
21. PROVISIONS					
Reconciliation of provisions					
2013					
IFRS 2 Share-based payment	**34**	**21**	**–**	**–**	**55**
Leave pay benefits	**499**	**517**	**(357)**	**(10)**	**649**
Employee entitlements	**978**	**250**	**(314)**	**52**	**966**
Other provisions	**660**	**699**	**–**	**–**	**1 359**
	2 171	**1 487**	**(671)**	**42**	**3 029**
2012					
IFRS 2 Share-based payment	19	15*	–	–	34
Leave pay benefits	212	272	(26)	41	499
Employee entitlements	951	179*	(179)	27	978
Other provisions	–	660	–	–	660
	1 182	1 126	(205)	68	2 171

Disclosed as:	**2013 Rm**	2012 Rm
Non-current provisions	1 105	918
Current provisions	1 924	1 253
	3 029	2 171

IFRS 2 Share-based payment obligation

Share-based payment obligations comprise cash options for executives and senior employees. The cost of cash-settled transactions is measured initially at fair value at the grant date using an adjusted bi-nomial option-pricing model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings or loss. Refer to note 17.

Employee entitlements

Employee entitlements are provisions raised for the various employee incentive plans in operation within the Group. Included in employee entitlements are short- and medium-term incentive plan obligations, along with retrenchment obligations legally required to be held. The impact of discounting amounts to R27 million (2012: Rnil).

Leave pay benefits

Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at the reporting date given the human resource policies relating to these benefits. The impact of discounting amounts to R15 million (2012: Rnil).

Other provisions

Other provisions are provisions raised for specific risk exposures identified by the Group. Included in Other provisions is an amount relating to the settlement reached by the Group in the Fast-Track Settlement Process with the competition authorities. Aveng has proactively engaged and cooperated with the Competition Commission in its investigation into historic anti-competitive practices in the South African construction industry. In June 2013, the Group entered into a settlement agreement with the Competition Commission with respect to the abovementioned investigations, in which an administrative penalty against the Group of R307 million was levied. This represents a full and final settlement of all alleged collusive conduct as defined in the Consent Agreement, confirmed by the Competition Tribunal in July 2013. This levy has been provided for in full at year-end. Discounting amounted to R23 million (2012: Rnil).

**R12 million was reallocated between Employee entitlements and IFRS 2 Share-based payment provision.*

		2013 Rm	2012 Rm
22.	**BANK OVERDRAFTS**		
	Bank overdrafts	**600**	343
	Bank overdrafts available to the Group are unsecured at prevailing market rates in the respective geographical areas of the Group's operations (5 to 9% per annum).		
23.	**TRADE AND OTHER PAYABLES**		
	Trade payables	**3 969**	3 709
	Subcontractors	**412**	347*
	Accrued expenses*	**4 671**	3 838
		9 052	7 894
	**R215 million has been reallocated from trade payables to subcontractors within the 2012 comparatives.*		
	***Included in accrued expenses are certain non-committal construction contract advances.*		
	Trade and other payables comprise amounts owing to suppliers for goods and services in the normal course of business.		
	Accrued expenses includes promissory notes issued to the Group for R330 million (2012: Rnil). The notes bear interest at 7,1% per annum. Terms vary in accordance with contracts of supply and service, but are generally settled on 30 to 60 day terms.		
24.	**REVENUE**		
	Construction contract revenue	**42 559**	31 851
	Sale of goods	**8 958**	8 813
	Rendering of services	**51**	32
	Operating leases and other revenue*	**–**	–
	Sundry revenue	**4**	37
	Transport revenue	**132**	153
		51 704	40 886
	**Amounts are less than R1 million.*		
25.	**OPERATING EARNINGS AFTER OTHER GAINS AND LOSSES**		
	Operating earnings after other gains and losses for the year are stated after accounting for the following:		
	Operating lease charges		
	Contractual amounts		
	– Premises as part of cost of sales	**48**	42
	– Premises as part of overheads	**97**	27
	– Plant, equipment and vehicles as part of cost of sales	**159**	114
	– Plant, equipment and vehicles as part of overheads	**9**	29
		313	212
	Profit from disposal of property, plant and equipment	**2**	71
	Profit from disposal of property, plant and equipment as part of cost of sales	**28**	–
	Impairment of property, plant and equipment	**2**	–
	Amortisation of intangible assets	**50**	37
	Depreciation of property, plant and equipment	**89**	136
	Depreciation of property, plant and equipment as part of cost of sales	**1 090**	1 343
	Salaries and wages*	**14 215**	10 966
	Share-based payment expense	**21**	3
	Professional fees	**4**	5
	Foreign exchange gains	**90**	12

**Included in salaries and wages are the salaries and wages relating to the Construction and Engineering: Australasia and Asia operating segment which is denominated in Australian Dollar. The salaries and wages expense relating to this operating segment has increased by R3 160 million in relation to the 2012 period as a result of an increase in the foreign currency conversion effect of R963 million as well as increases of staff salaries and wages of R2 197 million mainly due to increased levels of staff required on the Hay Point Berth and QCLNG projects.*

		2013 Rm	2012 Rm
26.	**FINANCE EARNINGS**		
	Finance earnings	**132**	189
	Interest has been earned at prevailing market rates in the respective geographical areas of the Group's operations (5% to 9% per annum).		
27.	**EARNINGS FROM AVAILABLE-FOR-SALE INVESTMENTS**		
	Dividend earnings	**41**	37
28.	**FINANCE AND TRANSACTION EXPENSES**		
	Finance and transaction expenses on financial liabilities	**162**	76
	Finance expenses have been incurred at prevailing market rates in the respective geographical areas of the Group's operations (8% to 15% per annum).		
29.	**OTHER GAINS AND LOSSES**		
	Profit from sale of investment – change in holding of subsidiary	**–**	31
	Profit from disposal of property, plant and equipment*	**2**	–
	Impairment of property, plant and equipment	**(2)**	–
		–	31
	**The 2012 amount is less than R1 million.*		
30.	**TAXATION**		
	Major components of the tax expense		
	Current		
	Local income tax – current period	**131**	213
	Local income tax – recognised in current tax for prior periods	**(5)**	–
	Dividend Withholding Tax	**1**	57
	Capital Gains Tax	**–**	4
	Foreign income tax or withholding tax – current period	**348**	386
	Foreign income tax or withholding tax – recognised in current tax for prior periods	**(43)**	(15)
	Current tax expense	**432**	645
	Deferred		
	Deferred tax – current period	**(176)**	(382)
	Deferred tax – foreign rate change	**1**	9
	Deferred tax – arising from prior period adjustments	**(90)**	(69)
	Deferred tax movement in Statement of comprehensive earnings	**(265)**	(442)
	Total tax expense	**167**	203

	2013 %	2012 %
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	**28,0**	28,0
Disallowable expenditure	**8,1**	3,8
Exempt income	**(13,2)**	(1,9)
Foreign tax differential and other	**(9,2)**	(8,5)
Change in tax rate	**–**	(1,2)
Deferred tax asset not recognised	**13,0**	–
Secondary Tax on Companies	**–**	7,8
Average effective tax rate	**26,7**	28,0

South African Income Tax is calculated at 28% (2012: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

		2013 Rm	2012 Rm
31.	**AUDITORS' REMUNERATION**		
	Fees*	**41**	36
	Consulting	**1**	1
	Expenses	**3**	2
		45	39

**The foreign currency exchange effect included in the fees is R1,2 million for 2013. Comparatives have been amended, as detailed in the Change in disclosure note, refer to note 1.*

		2013 Rm	2012 Rm
32.	**NOTES TO THE CASH FLOW STATEMENT**		
32.1	*Cash retained from operations*		
	Earnings before taxation	**626**	726
	Adjusted for:		
	Finance earnings	**(132)**	(189)
	Finance and transaction expenses	**162**	76
	Dividends earnings	**(41)**	(37)
	Share of loss / (earnings) from equity-accounted investments	**12**	(41)
		627	535
32.2	*Non-cash and other movements*		
	Profit from disposal of property, plant and equipment	**(30)**	(71)
	Impairment of investments	**–**	(30)
	Increase in provisions[1]	**816**	–
	Non-controlling interest acquired	**(9)**	–
	Movement in equity-settled share-based payment reserve	**21**	–
	Movement in foreign currency translation reserve	**(258)**	274
		540	173

[1] Provisions were reallocated from Trade and other payables, therefore the cash flow movement pertaining to Provisions for 2012 was disclosed as part of the cash flow movement for Trade and other payables in 2012. Refer to note 1: Change in disclosure.

		2013 Rm	2012 Rm
32.3	*Finance and transaction expenses paid*		
	Amount charged to the Statement of comprehensive earnings	**(162)**	(76)
	Movement in finance and transaction expense unpaid	**(2)**	–
		(164)	(76)
33.	**NORMAL TAX PAID**		
	Amounts unpaid at beginning of period	**242**	164
	Amounts charged to the consolidated statement of comprehensive earnings	**432**	645
	Amounts unpaid at end of period	**(210)**	(242)
		464	567
34.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	**4 551**	5 203
	Bank overdrafts	**(600)**	(343)
		3 951	4 860
35.	**DIVIDENDS PAID**		
	Dividends	**(241)**	(561)
	Dividends to non-controlling interest	**(1)**	–
		(242)	(561)

36. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTEREST

Acquisition during the year ended 30 June 2013

Aveng (Africa) Limited acquired 51% of the equity (and voting rights) of EESTech Africa (Proprietary) Limited (EESTech) effective 28 February 2013. These shares were purchased from EESTech Australia (Proprietary) Limited for the purchase price of AUD1 million which represents a total purchase consideration paid of R9 million (this amount was paid in two separate payments of R2 million on 18 March 2013 and R7 million paid on 6 May 2013). The key operations of the subsidiary comprise the application of various technologies throughout member countries of the Southern Africa Development Community (SADC). EESTech is leveraging off various research initiatives undertaken by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) (Australia's national government body for scientific research) and has been supporting various research initiatives, in the process securing exclusive rights to the use of these technologies.

The non-controlling interest of 49% (held by EESTech Australia (Proprietary) Limited) recognised at the acquisition date was measured based on their proportion of net identifiable assets.

This acquisition has been assessed in terms of the appropriate accounting standards applicable to subsidiaries and investments. The description, applicable holding and value of this investment is shown in the table below. The intangible asset raised on this investment has been assessed for impairment and no impairment was considered necessary.

Entity	2013 Rm
EESTech Africa (Proprietary) Limited – acquisition value of investment	9
The aggregated fair value of the identifiable assets and liabilities as at the date of acquisition were:	
Intangible assets (Know-how)	18
Total non-current assets	**18**
Fair value of identifiable net assets	18
Amounts written off	–
Goodwill arising on consolidation	–
Total net assets of subsidiary	**18**
Allocated between:	
Investment in subsidiary	9
Non-controlling interest	9
	18
Cost of the combination	
Cash paid	9
Estimated future payment	–
	9
The cash outflow on acquisition:	
Net cash acquired with the subsidiary	–
Cash paid	(9)
	(9)

Acquisitions during the year ended 30 June 2012

There were no acquisitions in the prior year within the Group.

	2013 Rm	2012 Rm
37. COMMITMENTS		
Capital commitments		
Capital expenditure authorised		
– Contracted for expenditure	**176**	269
– Not contracted for, but committed expenditure	**50**	474
It is anticipated that this expenditure will be in respect of capital equipment which will be financed from existing cash or borrowing facilities.		
Operating leases commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
– Within one year	**191**	249
– In second to fifth year inclusive	**332**	427
– Later than five years	**–**	97
	523	773
38. CONTINGENT LIABILITIES		
Contingent liabilities at reporting date, not otherwise provided for in the Consolidated annual financial statements, arising from:		
Performance bonds and guarantees issued in:		
– South Africa and rest of Africa (ZARm)	**8 179**	6 906
– Australasia and Asia (AUDm)	**4 580**	4 574
Other contract claims (ZARm)	**3**	3

Contract performance guarantees issued by the parent company on behalf of its group companies are calculated either on the basis of all or part of the contract sum of each respective assignment, depending on the terms of the agreement, without being offset against amounts received as compensation from the customer.

39. DIRECTORS' EMOLUMENTS AND INTERESTS

Executive directors

	Year	Salary[1] R'000	Retirement fund R'000	Other payments[2] R'000	Short-term incentive (STI)[3] R'000	Medium-term incentive (MTI)[4] R'000	Total R'000
HJ Verster (SA)	**2013**	**3 171**	**196**		**491**	**569**	**4 427**
	2012	3 036	188		498	454	4 176
JJA Mashaba (SA)	**2013**	**3 112**	**192**		**481**	**461**	**4 246**
	2012	3 019	187		374	373	3 953
WR Jardine (SA)[5]	**2013**	**4 337**	**270**		**406**	**1 032**	**6 045**
(resigned 31 August 2013)	2012	4 207	263		789	842	6 101
SD Pell (SA)[6]	**2013**	**1 953**	**176**	**802**			**2 931**
	2012	251	16				267
DG Robinson (Aus)[7]	**2013**	**1 135**	**170**		**322**	**200**	**1 827**
	2012	1 093	164		326	100	1 683

[1] *Salary for South African directors is total fixed earnings inclusive of medical aid, group life, accident and vehicle benefits*
[2] *Notice pay as per employment contract*
[3] *STI awarded for 2012/2013*
[4] *MTI paid in March 2013*
[5] *Notice pay as per employment contract*
[6] *Stephen Pell's tenure was from 1 June 2012 to 28 February 2013*
[7] *D Robinson's earnings are disclosed in AUD*

39. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Executive share options exercised

No executive share options were exercised in the current year.

Executive share incentive scheme entitlement	Date from which exercisable	Date on which expires	Strike price R	Number entitled to at 1 July 2012	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2013**
WR Jardine (resigned 31 August 2013)	Oct 2010	Oct 2018	42,80	69 897	–	–	**69 897**
	Oct 2011	Oct 2018	42,80	69 897	–	–	**69 897**
	Oct 2012	Oct 2018	42,80	69 897	–	–	**69 897**
	Oct 2013	Oct 2018	42,80	69 899	–	–	**69 899**
	Sep 2011	Sep 2019	40,30	40 794	–	–	**40 794**
	Sep 2012	Sep 2019	40,30	40 794	–	–	**40 794**
	Sep 2013	Sep 2019	40,30	40 794	–	–	**40 794**
	Sep 2014	Sep 2019	40,30	40 794	–	–	**40 794**
	Sep 2012	Sep 2020	37,70	54 021	–	–	**54 021**
	Sep 2013	Sep 2020	37,70	54 021	–	–	**54 021**
	Sep 2014	Sep 2020	37,70	54 021	–	–	**54 021**
	Sep 2015	Sep 2020	37,70	54 021	–	–	**54 021**
				658 850	–	–	**658 850**
HJ Verster	Sep 2012	Sep 2020	37,70	66 246	–	–	**66 246**
	Sep 2013	Sep 2020	37,70	66 246	–	–	**66 246**
	Sep 2014	Sep 2020	37,70	66 246	–	–	**66 246**
	Sep 2015	Sep 2020	37,70	66 249	–	–	**66 249**
				264 987	–	–	**264 987**
JJA Mashaba	Sep 2009	Sep 2017	54,84	38 750	–	–	**38 750**
	Sep 2010	Sep 2017	54,84	38 750	–	–	**38 750**
	Sep 2011	Sep 2017	54,84	38 750	–	–	**38 750**
	Sep 2012	Sep 2017	54,84	38 750	–	–	**38 750**
	Oct 2010	Sep 2018	42,80	39 816	–	–	**39 816**
	Oct 2011	Sep 2018	42,80	39 816	–	–	**39 816**
	Oct 2012	Sep 2018	42,80	39 816	–	–	**39 816**
	Oct 2013	Sep 2018	42,80	39 816	–	–	**39 816**
	Sep 2011	Sep 2019	40,30	17 314	–	–	**17 314**
	Sep 2012	Sep 2019	40,30	17 314	–	–	**17 314**
	Sep 2013	Sep 2019	40,30	17 314	–	–	**17 314**
	Sep 2014	Sep 2019	40,30	17 316	–	–	**17 316**
	Sep 2012	Sep 2020	37,70	18 486	–	–	**18 486**
	Sep 2013	Sep 2020	37,70	18 486	–	–	**18 486**
	Sep 2014	Sep 2020	37,70	18 486	–	–	**18 486**
	Sep 2015	Sep 2020	37,70	18 486	–	–	**18 486**
				457 466	–	–	**457 466**
DG Robinson	Nov 2009	Nov 2017	61,80	18 341	–	–	**18 341**
	Nov 2010	Nov 2017	61,80	18 341	–	–	**18 341**
	Nov 2011	Nov 2017	61,80	18 341	–	–	**18 341**
	Nov 2012	Nov 2017	61,80	18 344	–	–	**18 344**
	Oct 2010	Oct 2018	42,80	21 593	–	–	**21 593**
	Oct 2011	Oct 2018	42,80	21 593	–	–	**21 593**
	Oct 2012	Oct 2018	42,80	21 593	–	–	**21 593**
	Oct 2013	Oct 2018	42,80	21 593	–	–	**21 593**
	Sep 2011	Sep 2019	40,30	11 029	–	–	**11 029**
	Sep 2012	Sep 2019	40,30	11 029	–	–	**11 029**
	Sep 2013	Sep 2019	40,30	11 029	–	–	**11 029**
	Sep 2014	Sep 2019	40,30	11 030	–	–	**11 030**
	Sep 2012	Sep 2020	37,70	16 649	–	–	**16 649**
	Sep 2013	Sep 2020	37,70	16 649	–	–	**16 649**
	Sep 2014	Sep 2020	37,70	16 649	–	–	**16 649**
	Sep 2015	Sep 2020	37,70	16 650	–	–	**16 650**
				270 453	–	–	**270 453**

39. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Non-executive directors

	Fees as director R'000	Chairman fees R'000	Committee fees R'000	Other fees* R'000	Total R'000
2013					
AWB Band	**253**	**516**	**1 405**	**184**	**2 358**
MA Hermanus	**253**	**91**	**57**	**–**	**401**
MJD Ruck	**253**	**–**	**199**	**–**	**452**
PK Ward	**253**	**99**	**566**	**–**	**918**
RL Hogben	**253**	**103**	**341**	**50**	**747**
PJ Erasmus	**253**	**103**	**235**	**–**	**591**
TM Mokgosi-Mwantembe	**253**	**–**	**141**	**–**	**394**
MI Seedat (appointed 4 July 2012)	**253**	**–**	**57**	**–**	**310**
MJ Kilbride (appointed 4 July 2012)	**253**	**–**	**133**	**–**	**386**
	2 277	**912**	**3 134**	**234**	**6 557**
2012					
AWB Band	253	509	1 201	182	2 145
K Rumble (resigned 1 December 2011)	60	50	77	–	187
MA Hermanus	253	91	81	61	486
MJD Ruck	253	–	140	–	393
PK Ward	253	97	560	–	910
RL Hogben	253	102	305	–	660
PJ Erasmus	253	–	250	61	564
TM Mokgosi-Mwantembe	253	–	148	–	401
	1 831	849	2 762	304	5 746

**Other fees consist of training fees, travelling fees and attendance to subsidiary board meetings.*

Annual review of non-executive directors' fees

Management submits annually to the Remuneration and Nomination Committee a proposal for the review of non-executive director fees. This proposal includes a minimum of two non-executive director remuneration surveys as well as extracts from annual reports of at least three similar-sized businesses. A comparison of the current and proposed fees against the market surveys and the three companies as well as the Company's overall performance are used to determine the appropriate fee to be recommended to the Board for further review.

The fees recommended by the Remuneration and Nomination Committee are debated by the Board and a final proposal is then submitted to the Annual General Meeting for approval by shareholders.

The Chairman of the Board and the non-executive directors, independent or otherwise, are not eligible to receive share options or incentive awards. Non-executive directors' fees are included in the notice of the Annual General Meeting for approval by way of an ordinary resolution.

39. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Interest of directors of the Company in share capital

	Ordinary shares 2013	Ordinary shares 2012
Executive directors		
WR Jardine (resigned 31 August 2013)	**63 500**	–
Non-executive directors		
RL Hogben	**16 770**	16 770
PK Ward	**2 000**	2 000
	18 770	18 770
Total	**82 270**	18 770

On the abovementioned shares there is no percentage of issued securities.

Securities are beneficially held.

Securities held by Mr RL Hogben are partially direct beneficial and partially indirect beneficial.

The Company has not been advised of any changes in the above interests during the period 1 July 2013 to the date of this report.

Share Appreciation Rights Plan

For details regarding this cash-settled share-based payment plan, refer to note 17.

Share appreciation rights	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2012	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2013
WR Jardine (resigned 31 August 2013)	Dec 2014	Nov 2018	33,75	62 999	–	–	**62 999**
	Dec 2015	Nov 2018	33,75	62 999	–	–	**62 999**
	Dec 2016	Nov 2018	33,75	63 002	–	–	**63 002**
	May 2015	Apr 2019	36,97	18 032	–	–	**18 032**
	May 2016	Apr 2019	36,97	18 032	–	–	**18 032**
	May 2017	Apr 2019	36,97	18 034	–	–	**18 034**
	Oct 2015	Sep 2019	30,90	–	70 900	–	**70 900**
	Oct 2016	Sep 2019	30,90	–	70 900	–	**70 900**
	Oct 2017	Sep 2019	30,90	–	70 900	–	**70 900**
				243 098	212 700	–	**455 798**
HJ Verster	Dec 2014	Nov 2018	33,75	36 999	–	–	**36 999**
	Dec 2015	Nov 2018	33,75	36 999	–	–	**36 999**
	Dec 2016	Nov 2018	33,75	37 002	–	–	**37 002**
	Oct 2015	Sep 2019	30,90	–	42 267	–	**42 267**
	Oct 2015	Sep 2019	30,90	–	42 267	–	**42 267**
	Oct 2015	Sep 2019	30,90	–	42 266	–	**42 266**
				111 000	126 800	–	**237 800**

39. DIRECTORS' EMOLUMENTS AND INTERESTS continued

Share appreciation rights	Date from which exercisable	Date on which expires	Strike price R	Number entitled to at 1 July 2012	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2013**
JJA Mashaba	Dec 2014	Nov 2018	33,75	29 999	–	–	**29 999**
	Dec 2015	Nov 2018	33,75	29 999	–	–	**29 999**
	Dec 2016	Nov 2018	33,75	30 002	–	–	**30 002**
	Oct 2013	Sep 2019	30,90	–	33 633	–	**33 633**
	Oct 2014	Sep 2019	30,90	–	33 633	–	**33 633**
	Oct 2015	Sep 2019	30,90	–	33 634	–	**33 634**
				90 000	100 900	–	**190 900**
DG Robinson	Dec 2014	Nov 2018	33,75	40 381	–	–	**40 381**
	Dec 2015	Nov 2018	33,75	40 381	–	–	**40 381**
	Dec 2016	Nov 2018	33,75	40 381	–	–	**40 381**
	Oct 2015	Sep 2019		–	56 798	–	**56 798**
	Oct 2016	Sep 2019		–	56 798	–	**56 798**
	Oct 2017	Sep 2019		–	56 798	–	**56 798**
				121 143	170 394	–	**291 537**

For details regarding this cash-settled share-based payment plan, refer to note 17.

Forfeitable shares	Date from which exercisable	Number entitled to at 1 July 2012	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2013**
WR Jardine	Dec 2014	220 460	–	–	**220 460**
(resigned 31 August 2013)	May 2015	81 147	–	–	**81 147**
	Oct 2015	–	73 000	–	**73 000**
		301 607	73 000	–	**374 607**
HJ Verster	Dec 2014	111 111	–	–	**111 111**
	Oct 2015	–	105 800	–	**105 800**
		111 111	105 800	–	**216 911**
JJA Mashaba	Dec 2014	89 661	–	–	**89 661**
DG Robinson	Dec 2014	149 689	–	–	**149 689**

40. PRESCRIBED OFFICERS

The South African Companies Act 71 of 2008, as amended, defines a prescribed officer as a person who exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the Company; or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the Company. It excludes directors and does not refer in any way to title held by the person, rather the functions which they perform. The Board has identified the prescribed officers of the Company.

Prescribed officers

	Year	Salary[1] R'000	Retirement fund R'000	Other payments[2] R'000	Short-term incentive (STI)[3] R'000	Medium-term incentive (MTI)[4] R'000	Total R'000
BW Wilmot[a]	**2013**	**2 544**	**152**		**271**	**1 104**	**4 071**
	2012	2 364	141		1 620	692	4 817
LS Letsoalo[b]	**2013**	**2 751**	**164**	**825**	**219**	**532**	**4 491**
	2012	2 667	159	389	577	398	4 190
HA Aucamp	**2013**	**2 292**	**146**		**639**	**169**	**3 246**
	2012	2 227	142		650	51	3 070
GI McCaig (resigned June 2013)[c]	**2013**	**3 135**	**200**	**1 235**			**4 570**
	2012	3 100	198	1 796			5 094
G Young[d+5]	**2013**	**2 585**	**165**	**375**	**330**		**3 455**
	2012	1 292	83				1 375

[1] The salary for South African directors is total fixed earnings inclusive of medical aid, group life, accident and vehicle benefits
[a] BW Wilmot was promoted during the 2012/2013 financial year
[2] Other payments
[b] Payment of final tranche of time-bound appointment award
[c] Notice pay as per employment contract
[d] Payment of first tranche of time-bound appointment award
[3] STI awarded for 2012/2013 and to be paid October 2013
[4] MTI paid in March 2013
[5] G Young commenced employment in March 2012

41. RISK MANAGEMENT

Fair value

At 30 June 2013, the carrying amounts of all financial assets and liabilities approximated their fair values.

The Group does not trade in financial instruments, however, during the normal course of operations, the Group is exposed to currency, credit, liquidity and interest rate risks. In order to manage these risks, the Group may enter into transactions which make use of financial instruments. The Group has developed a risk management process to facilitate, control, and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures. Further detail is included in the risk management section of the report.

41. RISK MANAGEMENT continued

Capital risk management

The primary objective of the Group's capital management policy is to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2012 and 30 June 2013.

The Group includes within its net cash position, cash and bank balances less borrowings and other liabilities.

Capital includes equity attributable to the equity-holders of the parent of R13,293 million (2012: R12,901 million).

Liquidity risk

As a result of the low level of borrowings, coupled with the Group's favourable cash balance, the Group currently has limited exposure to liquidity risk.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's debt obligations with variable interest rates.

The policy is to manage interest rate risk through both fixed and variable, long and short instruments.

Deposits and cash balances all carry interest at rates that vary in response to prevailing market rates in the respective geographical areas of the Group's operations.

No financial instruments are entered into to mitigate the risk of interest rates.

The sensitivity of the Group to changes in interest rates on variable rate borrowings is reflected in note 20: Borrowings and other liabilities.

Credit risk

The Group's only material exposure to credit risk is in its receivables, deposits and cash balances. The maximum exposure to credit risk is set out in the respective cash and bank balances, trade and other receivables and amounts due from contract customers notes.

Deposits and cash balances are all kept at rated financial institutions within a credit limit policy which is subject to regular review.

The Group has no significant concentration of credit risk in any one particular receivable. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to contractual terms and credit verification procedures.

Both contract and trade receivables are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

Foreign exchange risk

The Group has limited transactional currency exposures. Such exposure arises from sales or purchases by a division, subsidiary, associate or joint venture (operating unit; unit) in currencies other than the unit's functional currency. An insignificant amount of the Group's sales is denominated in currencies other than the functional currency of the operating unit making the sale, while the majority of costs are denominated in the unit's functional currency.

The Group's policy is to cover all foreign currency exposures, unless a natural hedge exists between the related payable or receivable in that operating unit. Refer to the note on foreign exchange exposure for the Group's maximum exposure and significant concentrations of currency risk.

Foreign exchange differences on inter-company loans denominated in foreign currency that meet the definition of forming part of the parent's net investment in such subsidiaries, are transferred to the foreign currency translation reserve, as required by IFRS.

The following table demonstrates the sensitivity to a reasonably probable change in the closing rate of material currencies with which the Group operates, all other variables held constant, on the Group's earnings before taxation and other comprehensive earnings (due to changes in the fair value of foreign-denominated monetary assets and liabilities at year end).

Material currencies were determined based on exposure and volume of transactions.

	Closing exchange rate at 30 June	Change in year-end rate Increase of 5%	Change in year-end rate Decrease of 5%	Effect of an increase of 5% Rm	Effect of a decrease of 5% Rm
2013					
Australian Dollar (AUD)	**9,03**	**9,48**	**8,58**	**10**	**(10)**
New Zealand Dollar (NZD)	**7,65**	**8,03**	**7,27**	**(6)**	**6**
United States Dollar (USD)	**9,88**	**10,37**	**9,39**	**20**	**(20)**
Euro (EUR)	**12,85**	**13,49**	**12,21**	**(10)**	**10**
Effect on earnings before taxation				**20**	**(20)**
Effect on other comprehensive earnings				**(6)**	**6**
2012					
Australian Dollar (AUD)	8,41	8,83	7,99	(39)	39
New Zealand Dollar (NZD)	6,59	6,92	6,26	(12)	12
United States Dollar (USD)	8,21	8,62	7,80	33	(33)
Euro (EUR)	10,44	10,96	9,92	(7)	7
Effect on earnings before taxation				33	(33)
Effect on other comprehensive earnings				(58)	58

Borrowing capacity

The Group's borrowing capacity is unlimited in terms of the Company's memorandum of incorporation.

	2013 Rm	2012 Rm
Total borrowing facilities	**2 824**	1 935
Current utilisation	**(2 131)**	(1 271)
Borrowing facilities available	**693**	664

41. RISK MANAGEMENT continued

Maturity profile of financial instruments

The maturity profiles of the recognised financial instruments are summarised below. These profiles represent the cash flows that are expected to occur in the future.

	Less than one year Rm	One to five years Rm	Beyond five years	Total Rm
2013				
Financial assets				
Available-for-sale investments	**–**	**70**	**–**	**70**
Amounts due from contract customers	**10 397**	**–**	**–**	**10 397**
Trade and other receivables	**2 655**	**–**	**–**	**2 655**
Cash and bank balances	**4 551**	**–**	**–**	**4 551**
	17 603	**70**	**–**	**17 673**
Financial liabilities				
Bank overdrafts	**600**	**–**	**–**	**600**
Trade and other payables	**9 052**	**–**	**–**	**9 052**
Interest-bearing borrowings	**219**	**1 320**	**66**	**1 605**
Non-interest bearing liabilities	**–**	**59**	**–**	**59**
Amounts due to contract customers	**2 367**	**–**	**–**	**2 367**
	12 238	**1 379**	**66**	**13 683**
2012				
Financial assets				
Available for sale investments	–	146	–	146
Amounts due from contract customers	7 242	–	–	7 242
Trade and other receivables	2 683	–	–	2 683
Cash and bank balances	5 203	–	–	5 203
	15 128	146	–	15 274
Financial liabilities				
Bank overdrafts	343	–	–	343
Trade and other payables	7 894	–	–	7 894
Interest-bearing borrowings	180	693	–	873
Non-interest bearing liabilities	–	55	–	55
Amounts due to contract customers	2 271	–	–	2 271
	10 688	748	–	11 436

42. EVENTS AFTER THE REPORTING PERIOD

Mr Roger Jardine resigned as Group Chief Executive Officer (CEO) and director of the Company effective 31 August 2013. Mr Kobus Verster, the Group Financial Director, will be acting CEO from 1 September 2013 until a replacement for Mr Jardine is appointed.

The directors are not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the Group's consolidated and separate annual financial statements which significantly affects the financial position of the Group and the Company as at 30 June 2013 or the results of its operations or cash flows for the year then ended.

	Foreign amount millions 2013	Foreign amount millions 2012	Rand millions 2013	Rand millions 2012
43. FOREIGN EXCHANGE EXPOSURE				
Trade and other payables				
Australian Dollar (AUD)	**534**	427	**4 818**	3 595
Botswana Pula (BWP)	**38**	–	**44**	–
Central African CFA Franc (XAF)	**678**	–	**13**	–
Euro (EUR)	**17**	13	**218**	140
French Pacific Franc (XPF)	**–**	5	**–**	8
Hong Kong Dollar (HKD)	**5**	2	**7**	2
Ghana Cedi (GHS)	**1**	–	**5**	–
Indonesian Rupiah (IDR)	**1**	2	**–**	–
Malaysia Ringgit (MYR)	**19**	9	**58**	24
New Zealand Dollar (NZD)	**72**	91	**550**	600
Papua New Guinea Kina (PGK)	**2**	12	**8**	50
Philippine Peso (PHP)	**1**	2	**–**	–
Singapore Dollar (SGD)	**39**	42	**300**	277
Tanzanian Shilling (TZS)	**90**	–	**1**	–
Thai Baht (THB)	**5**	3	**2**	1
British Pound (GBP)	**–**	–	**–**	3
United States Dollar (USD)	**51**	56	**503**	457
Zambian Kwacha (ZMW) (2012: ZMK)**	**10**	30	**18**	–
			6 545	5 157
Trade and other receivables				
Australian Dollar (AUD)	**555**	335	**5 007**	2 820
Botswana Pula (BWP)	**73**	–	**84**	–
Central African CFA Franc (XAF)	**4 647**	7 393	**91**	118
Euro (EUR)	**1**	–	**13**	2
French Pacific Franc (XPF)	**4**	6	**–**	9
Hong Kong Dollar (HKD)	**1**	1	**1**	1
Indonesian Rupiah (IDR)	**–**	1	**–**	–
Malaysia Ringgit (MYR)	**15**	5	**47**	14
Mozambican Metical* (MZN)	**12**	–	**4**	–
New Zealand Dollar (NZD)	**56**	55	**428**	363
Papua New Guinea Kina (PGK)	**8**	–	**34**	–
Philippine Peso (PHP)	**–**	1	**–**	–
Singapore Dollar (SGD)	**59**	62	**459**	407
Thai Baht (THB)	**4**	8	**1**	2
United Arab Emirates Dirham (AED)	**4**	–	**11**	–
United States Dollar (USD)	**91**	136	**898**	1 114
Zambian Kwacha (ZMW) (2012: ZMK)**	**5**	225 804	**10**	352
			7 088	5 202

Certain amounts are less than R1 million.
***Effective 1 January 2013, Zambia rebased its currency, the Kwacha, with the effect that 1 000 old Kwacha (ZMK) = 1 new Kwacha (ZMW).*

	2013 Closing	2013 Average	2012 Closing	2012 Average
Foreign exchange rate table – material currencies				
Australian Dollar (AUD)	**9,03**	**9,08**	8,41	8,01
Euro (EUR)	**12,85**	**11,44**	10,44	10,39
British Pound (GBP)	**15,03**	**13,87**	12,90	12,25
United States Dollar (USD)	**9,88**	**8,84**	8,21	7,71

	2013 Number of shares	2013 Weighted average number of shares	2012 Number of shares	2012 Weighted average number of shares
44. EARNINGS AND HEADLINE EARNINGS PER SHARE				
Opening balance	**389 838 097**	**389 838 097**	393 001 235	393 001 235
Repurchase of shares	**–**	**–**	(11 750 000)	(955 048)
Issue of shares	**–**	**–**	269	156
Issue of shares (Aveng Management Company (Proprietary) Limited)	**–**	**–**	8 586 593	5 630 553
Closing balance	**389 838 097**	**389 838 097**	389 838 097	397 676 895
Less: Treasury shares				
Aveng Limited Share Purchase Trust	**(6 018 386)**	**(6 018 386)**	(6 018 386)	(6 018 386)
Aveng Management Company (Proprietary) Limited	**(8 586 593)**	**(8 586 593)**	(8 586 593)	(5 630 553)
Equity-settled share-based payment plan	**(1 342 308)**	**(1 233 271)**		
	373 890 810	**373 999 847**	375 233 118	386 027 956
Add: Contingently issuable shares in terms of BEE structure		**26 833 103**		26 833 103
Add: Contingently issuable shares in terms of the equity-settled share-based payment plan*		**1 233 271**		–
Diluted weighted average number of shares in issue		**402 066 221**		412 861 059
Refer to note	**16**		16	

**The treasury shares held in terms of Aveng Limited's Forfeitable Share Plan are currently in issue and as such should be added back for the purpose of the diluted weighted average number of shares calculation.*

	2013 Gross Rm	2013 Net Rm	2012 Gross Rm	2012 Net Rm
Determination of headline earnings				
Earnings for the year attributable to equity-holders of the parent	**–**	**466**	–	521
Profit from sale – change in holding in subsidiary	**–**	**–**	(31)	(26)
Profit from disposal of property, plant and equipment	**(2)**	**(1)**	–	–
Impairment of property, plant and equipment	**2**	**1**	–	–
Headline earnings		**466**		495

	2013 Rm	2012 Rm
Determination of headline earnings		
Earnings for the year attributable to equity-holders of the parent	**466**	521
Determination of diluted headline earnings		
Headline earnings	**466**	495
Earnings per share (cents)	**124,6**	134,9
Earnings per share – diluted (cents)	**115,9**	126,1
Headline earnings per share (cents)	**124,6**	128,1
Headline earnings per share – diluted (cents)	**115,9**	119,8
Dividend per share (cents)	**–**	60,0

Separate statement of financial position

as at 30 June 2013

	Notes	2013 Rm	2012 Rm
ASSETS			
Non-current assets			
Investments in subsidiaries	1	**2 342**	2 342
Deferred tax assets	2	**1**	–
		2 343	2 342
Current assets			
Amounts owing by subsidiaries	3	**4 901**	4 692
Other receivables	4	**–**	2
Cash and bank balances	5	**1**	291
		4 902	4 985
TOTAL ASSETS		**7 245**	7 327
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	6	**1 719**	1 766
Other reserves		**(33)**	(54)
Retained earnings		**5 376**	4 402
		7 062	6 114
Current liabilities			
Amounts owing to subsidiaries	3	**95**	1 178
Trade and other payables	7	**28**	35
Bank overdraft	5	**60**	–
		183	1 213
TOTAL EQUITY AND LIABILITIES		**7 245**	7 327

Separate statement of comprehensive earnings

for the year ended 30 June 2013

	Notes	2013 Rm	2012* Rm
Other earnings		**1**	6
Operating expenses		**(13)**	(28)
Dividend earnings from subsidiaries	9	**1 127**	727
Net operating earnings	8	**1 115**	705
Finance earnings	10	**123**	281
Finance and transaction expenses		**(3)**	–
Earnings before taxation		**1 235**	986
Taxation	11	**(27)**	(139)
Earnings for the period		**1 208**	847
Other comprehensive earnings for the period		**–**	–
Total comprehensive earnings for the period		**1 208**	847

**Comparatives have been amended, as detailed in the Change in disclosure note, refer to note 1 of the accounting policies.*

Separate statement of changes in equity

for the year ended 30 June 2013

	Share capital Rm	Share premium Rm	**Total issued capital Rm**	Equity-settled share-based payment reserve Rm	Foreign currency translation reserve Rm	**Total other reserves Rm**	Retained earnings Rm	**Total equity Rm**
Balance at 1 July 2011	19	1 869	**1 888**	–	(54)	**(54)**	4 125	**5 959**
Earnings for the period	–	–	**–**	–	–	**–**	847	**847**
Other comprehensive earnings for the period	–	–	**–**	–	–	**–**	–	**–**
Total comprehensive earnings for the period	–	–	**–**	–	–	**–**	847	**847**
Shares issued	1	326	**327**	–	–	**–**	–	**327**
Share repurchase programme	(1)	(448)	**(449)**	–	–	**–**	–	**(449)**
Dividends	–	–	**–**	–	–	**–**	(570)	**(570)**
Total contributions and distributions recognised directly in equity	–	(122)	**(122)**	–	–	**–**	(570)	**(692)**
Balance at 1 July 2012	19	1 747	**1 766**	–	(54)	**(54)**	4 402	**6 114**
Earnings for the period	–	–	**–**	–	–	**–**	1 208	**1 208**
Other comprehensive earnings for the period	–	–	**–**	–	–	**–**	–	**–**
Total comprehensive earnings for the period	–	–	**–**	–	–	**–**	1 208	**1 208**
Movement in treasury shares	–	(47)	**(47)**	–	–	**–**	–	**(47)**
Equity-settled share-based payment expense	–	–	**–**	21	–	**21**	–	**21**
Dividends	–	–	**–**	–	–	**–**	(234)	**(234)**
Total contributions and distributions recognised directly in equity	–	(47)	**(47)**	21	–	**21**	(234)	**(260)**
Balance at 30 June 2013	**19**	**1 700**	**1 719**	**21**	**(54)**	**(33)**	**5 376**	**7 062**
Note	6	6	**6**	12				

Financial statements

Separate statement of cash flows

for the year ended 30 June 2013

	Notes	2013 Rm	2012 Rm
Cash retained from operating activities			
Cash retained from operations	13	**(12)**	(22)
Non-cash and other movements	13	**21**	–
Cash generated by operations		**9**	(22)
Changes in working capital			
Decrease in other receivables		**2**	7
Decrease in trade and other payables		**(7)**	–
Cash generated by operating activities		**4**	(15)
Finance earnings	10	**123**	281
Finance and transaction expenses paid	13	**(3)**	–
Taxation paid	13	**(28)**	(138)
Cash inflow from operating activities		**96**	128
Investing activities			
Dividend earnings from subsidiaries		**1 127**	727
Cash inflow from investing activities		**1 127**	727
Operating free cash inflow		**1 223**	855
Financing activities			
Shares repurchased		**(47)**	(122)
Dividends paid	13	**(234)**	(570)
Increase in amounts owing to / (by) subsidiaries		**(1 292)**	(1 672)
Net decrease in cash and cash equivalents		**(350)**	(1 509)
Cash and cash equivalents at beginning of year		**291**	1 800
Cash and cash equivalents at end of year	5	**(59)**	291

		Carrying amount 2013 Rm	Carrying amount 2012 Rm
1.	**INVESTMENTS IN SUBSIDIARIES**		
	Aveng Australia Holdings (Proprietary) Limited	**769**	769
	Aveng (Africa) Limited	**1 058**	1 058
	Grinaker-LTA Properties (Proprietary) Limited*	**–**	–
	Grinaker-LTA Intellectual Property (Proprietary) Limited	**15**	15
	Qakazana Investment Holdings (Proprietary) Limited	**496**	496
	Richtrau 191 (Proprietary) Limited*	**–**	–
	Steelmetals (Proprietary) Limited	**4**	4
	Aveng Trident Steel Holdings (Proprietary) Limited*	**–**	–
		2 342	2 342

**Amounts are less than R1 million.*

		2013 Rm	2012 Rm
2.	**DEFERRED TAX ASSETS**		
	Balance at year-end comprises:		
	Provisions	**1**	–
	Reconciliation of deferred tax asset		
	Opening balance	**–**	7
	Statement of comprehensive earnings movement	**1**	(7)
		1	–
3.	**AMOUNTS OWING BY / (TO) SUBSIDIARIES**		
	Reconciliation of amounts owing by subsidiaries		
	Opening balance	**4 692**	2 950
	Current year movement	**209**	1 742
	Balance at end of year	**4 901**	4 692
	Reconciliation of amounts owing to subsidiaries		
	Opening balance	**1 178**	1 108
	Current year movement	**(1 083)**	70
	Balance at end of year	**95**	1 178
	Interest-bearing loans to subsidiaries	**4 079**	3 839
	Non-interest bearing loans to subsidiaries	**822**	853
	Non-interest bearing loans from subsidiaries	**(95)**	(1 178)
	Net amounts owing by subsidiaries	**4 806**	3 514
	Current assets	**4 901**	4 692
	Current liabilities	**(95)**	(1 178)
	Net amounts owing by subsidiaries	**4 806**	3 514

Interest is charged at rates linked to the Prime lending rate. These loans have no fixed terms of repayment. The loan owing from Richtrau 191 (Proprietary) Limited was written off during the year.

Refer to note 15 for related party transactions.

Notes to the separate annual financial statements continued

for the year ended 30 June 2013

		2013 Rm	2012 Rm
4.	**OTHER RECEIVABLES**		
	Other receivables	–	2
5.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consist of:		
	Cash and bank balances	**1**	291
	Bank overdraft	**(60)**	–
		(59)	291
	Current assets	**1**	291
	Current liabilities	**(60)**	–
		(59)	291
6.	**SHARE CAPITAL AND SHARE PREMIUM**		
	Authorised		
	882 034 263 ordinary shares of 5 cents each (Rm)	**44**	44
	Issued		
	Share capital (Rm)	**19**	19
	Share premium (Rm)	**1 700**	1 747
		1 719	1 766

	2013 Number of shares	2012 Number of shares
Reconciliation of number of ordinary shares		
Opening balance – shares of 5 cents each	**389 838 097**	393 001 235
Issued – BEE initial shares of 5 cents each	–	8 586 862
Repurchased – shares of 5 cents each*	–	(11 750 000)
Number of treasury shares held in terms of the equity-settled share-based payment plan	**(1 342 308)**	–
Closing balance – shares of 5 cents each	**388 495 789**	389 838 097

Repurchased shares were cancelled in the prior year.

	2013 Rm	2012 Rm
Reconciliation of share premium		
Opening balance	**1 747**	1 869
Repurchase of 11 750 000 shares of 5 cents each	–	(448)
Issue of 8 586 862 shares of 5 cents each	–	326
Purchase of 1 342 308 (2012: Nil) treasury shares in terms of the equity-settled share-based payment plan	**(47)**	–
	1 700	1 747

	2013	2012
Treasury shares		
Shares held in terms of the equity-settled share-based payment plan		
– Market value (Rm)	**40**	–
– Number of shares	**1 342 308**	–

	2013 Rm	2012 Rm
7. TRADE AND OTHER PAYABLES		
Trade payables	**–**	2
Payroll-related payables	**–**	13
Provisions	**8**	11
Shareholders for dividend	**8**	9
Other payables	**12**	–
	28	35
8. NET OPERATING EARNINGS		
Net operating earnings for the year is stated after accounting for the following:		
Impairment of other financial assets	**6**	–
Auditors' remuneration – fees	**2**	2
9. DIVIDEND EARNINGS FROM SUBSIDIARIES		
Earnings from investments – Dividend earnings		
Subsidiaries – unlisted	**987**	601
Subsidiaries – preference	**140**	126
	1 127	727
10. FINANCE EARNINGS		
Amounts owing by subsidiaries	**112**	248
Cash and bank balances	**11**	33
	123	281
11. TAXATION		
Major components of the tax expense		
Current		
Local income tax – current period	**28**	75
Secondary Tax on Companies	**–**	57
	28	132
Deferred		
Other deferred tax	**(1)**	7
	27	139

	2013 %	2012 %
Reconciliation between applicable tax rate and effective tax rate:		
Applicable tax rate	**28,0%**	28,0%
Exempt income	**(25,8)%**	(21,2)%
Disallowable charges	**–%**	1,5%
Secondary Tax on Companies	**–%**	5,8%
Effective tax rate for the year	**2,2%**	14,1%

for the year ended 30 June 2013

		2013 Rm	2012 Rm
12.	**EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE**		
	The Group has a forfeitable share plan in place under which certain senior executives have been granted shares in the Company. A description of the plan as well as the terms and conditions relating to awards made are disclosed in the remuneration report.		
	Opening balance	**–**	–
	Equity-settled share-based payment expense	**21**	–
		21	–
13	**NOTES TO THE CASH FLOW STATEMENT**		
13.1	*Cash retained from operations*		
	Earnings before taxation	**1 235**	986
	Adjusted for:		
	Finance earnings	**(123)**	(281)
	Finance and transaction expenses	**3**	–
	Dividend earnings	**(1 127)**	(727)
		(12)	(22)
13.2	*Non-cash and other movements*		
	Movement in equity-settled share-based payment reserve	**21**	–
		21	–
13.3	*Finance and transaction expenses paid*		
	Finance expenses	**(3)**	–
		(3)	–
13.4	*Taxation paid*		
	Amounts unpaid at beginning of period	**–**	(1)
	Amounts charged to the Separate statement of comprehensive earnings	**27**	139
	Amounts unpaid at end of period	**1**	–
		28	138
13.5	*Dividends paid*		
	Dividends declared and paid	**(234)**	(570)

14. RELATED PARTIES

During the year the company and its subsidiaries, in the ordinary course of business, entered into various transactions.

There were no related party transactions with directors or entities in which the directors have a material interest.

	2013 Rm	2012 Rm
Related party balances		
Net indebtedness due by / (to) companies		
Aveng Management Company (Proprietary) Limited	**220**	225
Aveng (Africa) Limited	**3 834**	3 402
Qakazana Investment Holdings (Proprietary) Limited*	**631**	491
Richtrau 191 (Proprietary) Limited	**–**	6
Steelmetals (Proprietary) Limited	**(47)**	(47)
Aveng Trident Steel Holdings (Proprietary) Limited	**216**	(514)
Aveng Limited Share Purchase Trust*	**(48)**	(49)
Related party transactions		
Finance earnings		
Grinaker-LTA Properties (Proprietary) Limited	**–**	46
Aveng (Africa) Limited	**105**	169
Aveng Trident Steel Holdings (Proprietary) Limited	**7**	–
Dividend earnings		
Aveng (Africa) Limited	**33**	–
Qakazana Investment Holdings (Proprietary) Limited*	**140**	126
Steelmetals (Proprietary) Limited	**41**	75
Aveng Trident Steel Holdings (Proprietary) Limited	**913**	–
Aveng Australia Holdings (Proprietary) Limited	**–**	526

**Special purpose entity.*

Group operating entities

Name	Country	Aveng Group effective consolidation %
Aveng (Africa) Limited	South Africa	100
Almkeet Proprietary Limited	Australia	100
Andersen & Hurley Instruments (SA) (Proprietary) Limited	South Africa	100
Aveng (Proprietary) Limited	Malawi	100
Aveng Australia (GCRT) Proprietary Limited	Australia	100
Aveng Australia Holdings Proprietary Limited	Australia	100
Aveng Australia Investments Proprietary Limited	Australia	100
Aveng Concessions (Mauritius) Road Limited	Mauritius	100
Aveng Construcciones Chile Limitada	Chile	100
Aveng Construction (Mauritius) Road Limited	Mauritius	100
Aveng Extractive Technologies (Proprietary) Limited	South Africa	51
Aveng Ghana Limited (formerly: Grinaker-LTA (Ghana) Limited)	Ghana	100
Aveng Management Company (Proprietary) Limited	South Africa	100
Aveng Mining DRC Société à Responsabilité Limitée	Democratic Republic of Congo	100
Aveng Moolmans (Proprietary) Limited	South Africa	100
Aveng Moolmans Mauritius Limited	Mauritius	100
Aveng Mozambique Limitada	Mozambique	100
Aveng Rail Australia Proprietary Limited	Australia	100
Aveng Tanzania Limited	Tanzania	100
Aveng Trident Steel (Proprietary) Limited	South Africa	100
Aveng Water (Proprietary) Limited	South Africa	100
Aveng Water Australia Proprietary Limited	Australia	100
Aveng Water Treatment (Proprietary) Limited	Namibia	100
Aveng Zimbabwe (Private) Limited	Zimbabwe	100
Built Environs Proprietary Limited	Australia	100
Built Environs Holdings Proprietary Limited	Australia	100
Built Environs Qld Proprietary Limited	Australia	100
Built Environs WA Proprietary Limited	Australia	100
CMM Consultants (Proprietary) Limited	South Africa	100
Consorcio Aveng-Mas Errazuriz Société Anonyme	Chile	60
Dynamic Fluid Control (Proprietary) Limited	South Africa	100
Dynamic Fluid Control 262 (Proprietary) Limited	South Africa	100
Dynamic Fluid Control KZN (Proprietary) Limited	South Africa	100
Dynamic Fluid Control Mining (Proprietary) Limited	South Africa	100
Dynamic Fluid Control Water (Proprietary) Limited	South Africa	100
E+PC Engineering & Projects Company (Zambia) Limited	Zambia	100
E+PC Engineering & Projects Company Australia Proprietary Limited	Australia	100
E+PC Engineering and Projects Company Limited	South Africa	100
EESTech Africa (Proprietary) Limited	South Africa	51
Electrix Limited	New Zealand	100
Electrix Proprietary Limited	Australia	100
Empowa Grinaker-LTA (Proprietary) Limited	South Africa	100
Fraser & Chalmers Siyakha (Proprietary) Limited	South Africa	100
Grinaker Botswana (Proprietary) Limited	Botswana	100
Grinaker-LTA (Botswana) (Proprietary) Limited	Botswana	100
Grinaker-LTA (Namibia) (Proprietary) Limited	Namibia	100
Grinaker-LTA Construction (Zambia) Limited	Zambia	100
Grinaker-LTA Construction and Development Limited	South Africa	100
Grinaker-LTA Engineering and Mining Services Limited	South Africa	100
Grinaker-LTA Intellectual Property (Proprietary) Limited	South Africa	100
Grinaker-LTA International Construction Limited	Mauritius	100
Grinaker-LTA International Holdings Limited	Mauritius	100
Grinaker-LTA Properties (Proprietary) Limited	South Africa	100
Hylekite Proprietary Limited	Australia	100
Infraset Swazi (Proprietary) Limited	Swaziland	100
Infraset Zambia Limited	Zambia	90

Name	Country	Aveng Group effective consolidation %
Insamcor (Proprietary) Limited	South Africa	100
Karibib Mining and Construction Company (Namibia) Limited	Namibia	100
KNM Grinaker-LTA (Proprietary) Limited	South Africa	50.1
Lennings Rail Services (Proprietary) Limited	South Africa	100
Lesotho Reinforcing (Proprietary) Limited	Lesotho	100
LTA Mali Société Anonyme	Mali	100
Macintosh Property Holding Company (Proprietary) Limited	South Africa	100
Marples Construction Limited	United Kingdom	100
Marples Limited	United Kingdom	100
Matlapa Investments (Proprietary) Limited	Botswana	100
McConnell Dowell – Kelana Sendirian Berhad	Malaysia	30
McConnell Dowell (American Samoa) Limited	American Samoa	100
McConnell Dowell (Fiji) Limited	Fiji	100
McConnell Dowell (Malaysia) Sendirian Berhad	Malaysia	100
McConnell Dowell Proprietary Limited	Australia	100
McConnell Dowell (UK) Limited	United Kingdom	100
McConnell Dowell Constructors (Aust.) Proprietary Limited	Australia	100
McConnell Dowell Constructors (PNG) Limited	Papua New Guinea	100
McConnell Dowell Constructors Hong Kong Limited	Hong Kong, China	100
McConnell Dowell Constructors Lao Company Limited	Laos	100
McConnell Dowell Constructors Limited	New Zealand	100
McConnell Dowell Constructors Thai Limited	Thailand	100
McConnell Dowell Corporation (NZ) Limited	Australia	100
McConnell Dowell Corporation Limited	Australia	100
McConnell Dowell International Limited	Hong Kong, China	100
McConnell Dowell NC Société à Responsabilité Limitée	New Caledonia	100
McConnell Dowell PDS Sendirian Berhad	Brunei	100
McConnell Dowell Philippines Incorporated	Philippines	64
McConnell Dowell Saudi Arabia Limited	Saudi Arabia	39
McConnell Dowell Southeast Asia Private Limited	Singapore	100
Micawbar 282 (Proprietary) Limited	South Africa	100
Misa Scaffolding (Proprietary) Limited	South Africa	100
Moolman Mining (Botswana) (Proprietary) Limited	Botswana	100
Moolman Mining Ghana Limited	Ghana	100
Moolman Mining Tanzania Limited	Tanzania	99
Moolman Mining Zambia Limited	Zambia	100
Moolmans Mining Guinea	Guinea	100
Perseroan Terbatas Wanamas Puspita	Indonesia	100
Perseroan Terbatas McConnell Dowell Indonesia	Indonesia	94
Perseroan Terbatas McConnell Dowell Services	Indonesia	100
Pybus 108 (Proprietary) Limited	South Africa	100
RF Valves Osakeyhtiö	Finland	100
RF Valves, Incorporated	United States of America	100
Richtrau 191 (Proprietary) Limited	South Africa	100
Ridgeway Construction (Proprietary) Limited	Botswana	100
Steeledale Group Limited	South Africa	100
Steeledale Reinforcing and Trading Namibia (Proprietary) Limited	Namibia	100
Steelmetals (Proprietary) Limited	South Africa	100
Stockton Pipelines Limited	United Kingdom	100
Toll Highway Development Company (Proprietary) Limited	South Africa	100
Tsurumi Pumps (Proprietary) Limited	South Africa	100
Tweed River Entrance Sand Bypassing Company Proprietary Limited	Australia	100
Vent-O-Mat Australia Proprietary Limited	Australia	100
Vexicom (Proprietary) Limited	South Africa	100

Shareholders' diary

Financial year-end	30 June
Annual general meeting	1 November 2013
Publication of results	
– Half-year ended 31 December 2013	25 February 2014
– Year ended 30 June 2014	26 August 2014

Shareholders' analysis

REGISTERED SHAREHOLDER SPREAD	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 324	48,94	955 246	0,24
1 001 – 10 000 shares	1 564	32,93	5 261 239	1,35
10 001 – 100 000 shares	547	11,52	21 278 751	5,46
100 001 – 1 000 000 shares	248	5,22	77 637 746	19,92
1 000 001 shares and above	66	1,39	284 705 115	73,03
Total	4 749	100	389 838 097	100,00

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Unit trusts / mutual funds	203	4,27	135 958 338	34,88
Pension funds	218	4,59	129 463 492	33,21
Insurance companies	35	0,74	55 951 372	14,35
Other managed funds	90	1,90	29 617 114	7,60
Sovereign wealth	9	0,19	11 684 067	3,00
Employees	2	0,04	7 702 177	1,98
Private investors	49	1,03	7 411 427	1,90
Exchange traded fund	2	0,04	2 221 551	0,57
Universities	11	0,23	1 065 436	0,27
Custodians	7	0,15	744 422	0,19
Foreign government	2	0,04	612 528	0,16
Charities	5	0,11	562 160	0,14
Investment trust	1	0,02	163 683	0,04
Hedge fund	2	0,04	147 100	0,04
Local authority	1	0,02	57 000	0,01
Stockbroker	1	0,02	56 637	0,01
Remainder	4 111	86,57	6 419 593	1,65
Total	4 749	100,00	389 838 097	100,00

PUBLIC AND NON-PUBLIC SHAREHOLDINGS	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	6	0,12	14 687 249	3,77
– Directors	3	0,06	73 500	0,02
– Hogben Family Trust	1	0,02	8 770	0,00*
– Aveng Limited Share Purchase Trust	1	0,02	6 018 386	1,54
– Aveng Management Company (Proprietary) Limited	1	0,02	8 586 593	2,20
Public shareholders	4 743	99,87	375 150 848	96,23
Total	4 749	100,00	389 838 097	100,00

**Less than 0,00%.*

BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 3%	Number of shares	% of issued capital
Public Investment Corporation (State-owned company) Limited	73 407 509	18,83
Skagen Kon-Tiki Verdipapirfond, managed by Skagen Aksjeselskap	21 017 094	5,39
Liberty Life Association of Africa Limited	19 694 975	5,05
Total	114 119 578	29,27

FOREIGN CUSTODIANS IN EXCESS OF 3%	Number of shares	% of issued capital
Total	111 947 181	28,72

GEOGRAPHIC HOLDINGS BY OWNER	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
South Africa	473	9,96	270 063 719	69,27
United States of America & Canada	89	1,87	55 405 389	14,21
United Kingdom	18	0,38	6 501 362	1,67
Rest of Europe	38	0,80	32 893 129	8,44
Rest of the World	4 131	86,99	24 974 498	6,41
Total	4 749	100,00	389 838 097	100,00

The supplementary information presented does not form part of the Consolidated or separate annual financial statements and is unaudited.

Notice of annual general meeting

AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06)
ISIN: ZAE000111829
SHARE CODE: AEG
(Aveng) or (company)

Notice is hereby given to shareholders recorded in the company's securities register on Friday, 20 September 2013 that the sixty-ninth annual general meeting (AGM) of the shareholders of Aveng Limited will be held in the boardroom of the company, 204 Rivonia Road, Morningside on Friday, 1 November 2013 at 10:00 to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008, as amended (Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements), which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 25 October 2013. Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

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

Shareholders are also referred to the explanatory notes on the resolutions as listed below, following the notice of the AGM.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS
The consolidated audited annual financial statements of the company and its subsidiaries, incorporating the reports of the auditors, the Audit Committee and the directors for the year ended 30 June 2013, have been distributed as required and will be presented to shareholders as required in terms of section 30(3)(d) of the Act.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE
In accordance with Companies Regulation 43(5)(c), issued in terms of the Act, the chairman of the Social, Ethics and Transformation Committee or, in his absence, any member of the committee, will present a report to shareholders at the AGM.

RESOLUTIONS FOR CONSIDERATION AND APPROVAL
Ordinary resolutions 1.1 to 1.5: Re-election of directors
To re-elect by way of separate resolutions, directors who are retiring by rotation in terms of the provisions of the company's memorandum of incorporation. The directors retiring by rotation are:
» Mr Angus Band
» Mr Rick Hogben
» Ms Thoko Mokgosi-Mwantembe
» Mr Nkululeko Sowazi
» Mr Kobus Verster

Ordinary resolutions 2.1 to 2.3: Appointment of Audit Committee
To elect, by way of separate resolutions, the following independent non-executive directors as members of the Audit Committee from the end of this AGM until the conclusion of the next AGM in terms of section 94(2) of the Act:
» Mr Rick Hogben
» Mr Myles Ruck
» Mr Peter Ward

Ordinary resolution 3: Reappointment of auditors

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

Ordinary resolution 4: Remuneration policy

To endorse through a non-binding, advisory vote, the remuneration policy of the company as set out on page 116 of the integrated report of which this notice forms part.

Special resolution 1: Financial assistance to related and inter-related companies

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:
"RESOLVED, by way of a special resolution, that the authority of the directors of the company as previously approved by shareholders as required in terms of sections 44 and/or 45(2) of the Companies Act of 2008 and the company's Memorandum of Incorporation to provide financial assistance to all related and inter-related companies within the Aveng Group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, be and is hereby renewed, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted AGM of the company.

Ordinary resolution 5: Signing authority

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

ELECTRONIC PARTICIPATION

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

PROXIES AND VOTING

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the AGM, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. It is requested that proxy forms be forwarded so as to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; PO Box 61051, Marshalltown, 2107), by no later than 48 (forty-eight) hours before the commencement of the AGM. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the AGM do not deliver proxy forms to the transfer secretaries by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the AGM, in accordance with the instructions therein, with the chairman of the meeting.

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

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

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

Shareholders or proxies are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the AGM as required in terms of section 63(1) of the Act of 2008. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

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

By order of the Board

Ms M Nana
Company secretary

Morningside
30 September 2013

Annual general meeting – explanatory notes

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS
At the annual general meeting, the directors must present the annual financial statements for the year ended 30 June 2013 to shareholders, together with the reports of the directors, the Audit Committee and the auditors. These are contained within the integrated report.

PRESENTATION OF REPORT BY SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE
In terms of regulation 43(5)(c), one of the statutory functions of a Social and Ethics Committee constituted in terms of the Act is to report, through one of its members, to shareholders at the company's annual general meeting on the matters within the committee's mandate. The chairman of the Social, Ethics and Transformation Committee, or in his absence one of the members of the committee, shall provide a report to shareholders at the annual general meeting on the statutory matters within the committee's mandate in compliance with this requirement.

RESOLUTIONS
Ordinary resolutions 1.1 to 1.5 – Re-election of directors
In accordance with the company's memorandum of incorporation, one third of the directors are required to retire at each annual general meeting and may, if eligible, offer themselves for re-election.

The following directors retiring by rotation, and being eligible, have offered themselves for re-election:
» Mr Angus Band
» Mr Nkululeko Sowazi
» Mr Rick Hogben
» Mr Kobus Verster
» Ms Thoko Mokgosi-Mwantembe

The profiles of the directors up for re-election are contained on pages 32 and 33 of the integrated report of which this notice forms part.

Ordinary resolutions 2.1 to 2.3 – Appointment of Audit Committee
In terms of section 94(2) of the Act, a public company must at each annual general meeting elect an Audit Committee comprising of at least three members who are directors and who meet the criteria of section 94(4) of the Act. Regulation 42 to the Act specifies that one third of the members of the Audit Committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the company is satisfied that the proposed members of the Audit Committee meet all relevant requirements.

Ordinary resolution 3 – Reappointment of auditors
Ernst & Young Inc., external auditor of the company, have indicated their willingness to continue in office and ordinary resolution 4, based on the recommendation of the Audit Committee, proposes the reappointment of that firm as the company's auditors until conclusion of the next annual general meeting.

Ordinary resolution 4 – Remuneration policy
The King Report on Governance for South Africa, 2009 recommends that the remuneration philosophy of the company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the company.

Special resolution 1 – Financial assistance to related and inter-related companies
Section 44 and 45(2) of the Act authorises the Board to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of section 45 of the Act and unless otherwise provided in the company's memorandum of incorporation. In terms of section 45(3) of the Act, a special resolution of shareholders is required in these instances. The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements.

Ordinary resolution 5 – Signing authority
Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the annual general meeting. It is proposed that the company secretary and/or any director be authorised accordingly.

NON-EXECUTIVE DIRECTORS FEES
Aveng responded in support of the Presidency's request for a senior executive salary freeze in both public and private sectors for the year. In keeping with the spirit of this request by government, the Board also agreed that fees for non-executive directors would be frozen for the year.

In light of the 2013 financial results of the Group, the Board has agreed not to increase the non-executive directors' fees. However, the increase that was proposed and approved at the 2012 AGM will be implemented with effect from the 2013 AGM.

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

Our code of business conduct

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

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

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

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

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

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

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

Accurate and **reliable records** will be kept which fairly reflect all business transactions in terms of statements of International Financial Reporting Standards (IFRS), for the Group to properly manage its affairs and meet its legal, financial, and reporting obligations. Personal and business information gained in the course of business dealings will be safeguarded and its privacy respected.

The Aveng Group will uphold its **employment equity policy** which requires that equal opportunity be offered to all employees. The individuality of each person, their right to freedom of association and to absolute privacy in this regard will be respected. Harassment of any form, including sexual harassment, will be viewed in a very serious light and appropriate disciplinary action taken.

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

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

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

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

Form of proxy

AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1944/018119/06)
(Aveng) or (company)

For use by the registered holders of certificated Aveng shares and the holders of dematerialised Aveng shares in their own name at the annual general meeting of the company to be held at 204 Rivonia Road, Morningside on Friday, 1 November 2013 at 10:00.

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

I/We

(please print)

of (address)

being the registered holder(s) of ordinary shares in the capital of the company do hereby appoint:

1. or failing him/her,

2. or failing him/her,

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

Proposed resolutions	For	Against	Abstain
1. Ordinary resolution 1.1: Re-election of director – Mr Angus Band			
Ordinary resolution 1.2: Re-election of director – Mr Rick Hogben			
Ordinary resolution 1.3: Re-election of director – Ms Thoko Mokgosi-Mwantembe			
Ordinary resolution 1.4: Re-election of director – Mr Nkululeko Sowazi			
Ordinary resolution 1.5: Re-election of director – Mr Kobus Verster			
2. Ordinary resolution 2.1: Election of Audit Committee member – Mr Rick Hogben			
Ordinary resolution 2.2: Election of Audit Committee member – Mr Myles Ruck			
Ordinary resolution 2.3: Election of Audit Committee member – Mr Peter Ward			
3. Ordinary resolution 3: Reappointment of external auditors			
4. Ordinary resolution 4: Remuneration policy			
5. Special resolution 1: Financial assistance to related and inter-related companies			
6. Ordinary resolution 5: Signing authority			

Signed at

Signature

Assisted by me (where applicable)

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

Please read the notes on the reverse side hereof.

Notes to the proxy

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the member. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A member may instruct the proxy to vote fewer than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the annual general meeting.

3. Forms of proxy must be lodged with or posted to the company's share registrar, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 on Wednesday, 30 October 2013. Alternatively, such proxy forms may be handed to the company secretary or chairman of the annual general meeting not later than 30 minutes prior to the commencement of the annual general meeting.

4. The completion and lodging of this form of proxy will not preclude the member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointment in terms thereof, should each member wish to do so.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (eg for a company, close corporation, trust, pension fund, deceased estate, etc) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chairman of the annual general meeting.

6. An alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrar of the company.

8. Where there are joint holders of shares in the company, any one of such persons may, alone, sign this form of proxy in respect of such shares as if such person was the sole holder but, if more than one of such joint holders submits a form of proxy, the form of proxy, if accepted by the chairman of the annual general meeting, submitted by the holder whose name appears first in the company's share register will be accepted to the exclusion of any other forms of proxy submitted by any other joint holder(s).

9. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the member wishes to vote.

10. A proxy need not be a member of the company.

11. On a show of hands every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.

12. On a poll, every shareholder present in person or represented by proxy or a duly authorised representative shall have one vote for every share held by such shareholder.

13. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the annual general meeting. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

Corporate information

Company Secretary
Michelle Nana

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Company Registration Number
1944/018119/06

Share Codes
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ISIN: ZAE 000111829

Website
www.aveng.co.za

Auditors
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Registration number: 2005/002308/21
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Principal Bankers
Absa Bank Limited
Australia and New Zealand Banking Group Limited
Barclays Bank Public Limited Company
Commonwealth Bank of Australia Limited
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
Standard Chartered Bank Public Limited Company
The Hong Kong and Shanghai Banking Corporation Limited
The Standard Bank of South Africa Limited

Corporate Legal Advisers
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Sponsor
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