Executive directors, key and senior management

Kobus Verster (49)
Chief executive officer

25 years' industry and related experience.

Five years with Aveng.

Juba Mashaba (49)
Group executive director

20 years' industry and related experience.

Eight years with Aveng.

Adrian Macartney (47)
Group finance director

21 years' industry and related experience.

One year with Aveng.

Hercu Aucamp (47)
Managing director of Aveng Steel

26 years' industry and related experience.

Four years with Aveng.

Solly Letsoalo (53)
Managing director of Aveng Manufacturing

30 years' industry and related experience.

Six years with Aveng.

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

David Robinson (61)

Managing director of McConnell Dowell Corporation Limited

38 years' industry and related experience.

36 years with Aveng.

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

Chris Botha (43)

Managing director of Aveng Grinaker-LTA

22 years' industry and related experience.

Two years with Aveng.

Stuart White (51)

Managing director of Aveng Mining

34 years' industry and related experience.

34 years with Aveng.

Dharmesh Kalyan (48)

Managing director of Aveng Capital Partners

25 years' industry and related experience.

Four years with Aveng.

Grant Stock (46)

Commercial executive

20 years' industry and related experience.

Joined Aveng in May 2015.

Michelle Nana (47)

Company secretary

13 years' industry and related experience.

Three years with Aveng.

Executive review

Creating a stable foundation

Kobus Verster,
Chief executive officer

Adrian Macartney,
Group finance director

Juba Mashaba,
Group executive director

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

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

Operational performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Executive review continued

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

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

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

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

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

Financial performance

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

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

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

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

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

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

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

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

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

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

Strategy execution

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

Recover and stabilise

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

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

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

Liquidity and cash management

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

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

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

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

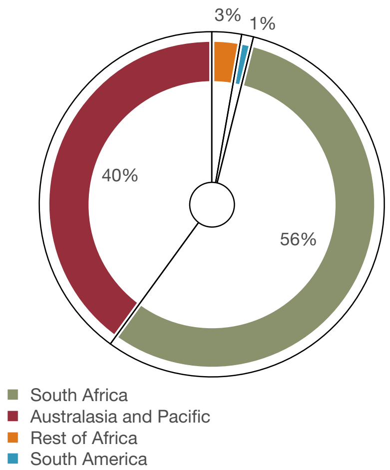
Cash management remains a significant challenge, reflected in the operating free cash outflow of R1,0 billion (2014: R1,4 billion). This is attributable largely to the funding of remedial project work, utilisation of onerous contract provisions and working capital requirements of McConnell Dowell and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

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

Claims resolved in 2015

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

Two-year order book by geography (2015)



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

Major transactions in 2015

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

Executive review continued

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

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

Cost management

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

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

Performance management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk management

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

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

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

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

Profitable order book

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

Executive review continued

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

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

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

Position for growth

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

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

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

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

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

Realise growth and sustain profitability

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

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

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

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

Outlook

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

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

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

** Restated comparatives for exclusion of Electrix.*

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

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

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

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

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

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

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

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

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

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

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

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

Executive review continued

Five-year financial review and key ratios

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

* *Comparatives have been amended, refer to audited consolidated financial statements for the year ended June 2015 at http://www.financialresults.co.za/2015/aveng-additional.*
** *Including trade and other receivables, amounts due from contract customers and derivative instruments.*
*** *Including trade and other payables, amounts due to contract customers and derivative instruments.*

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

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

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

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

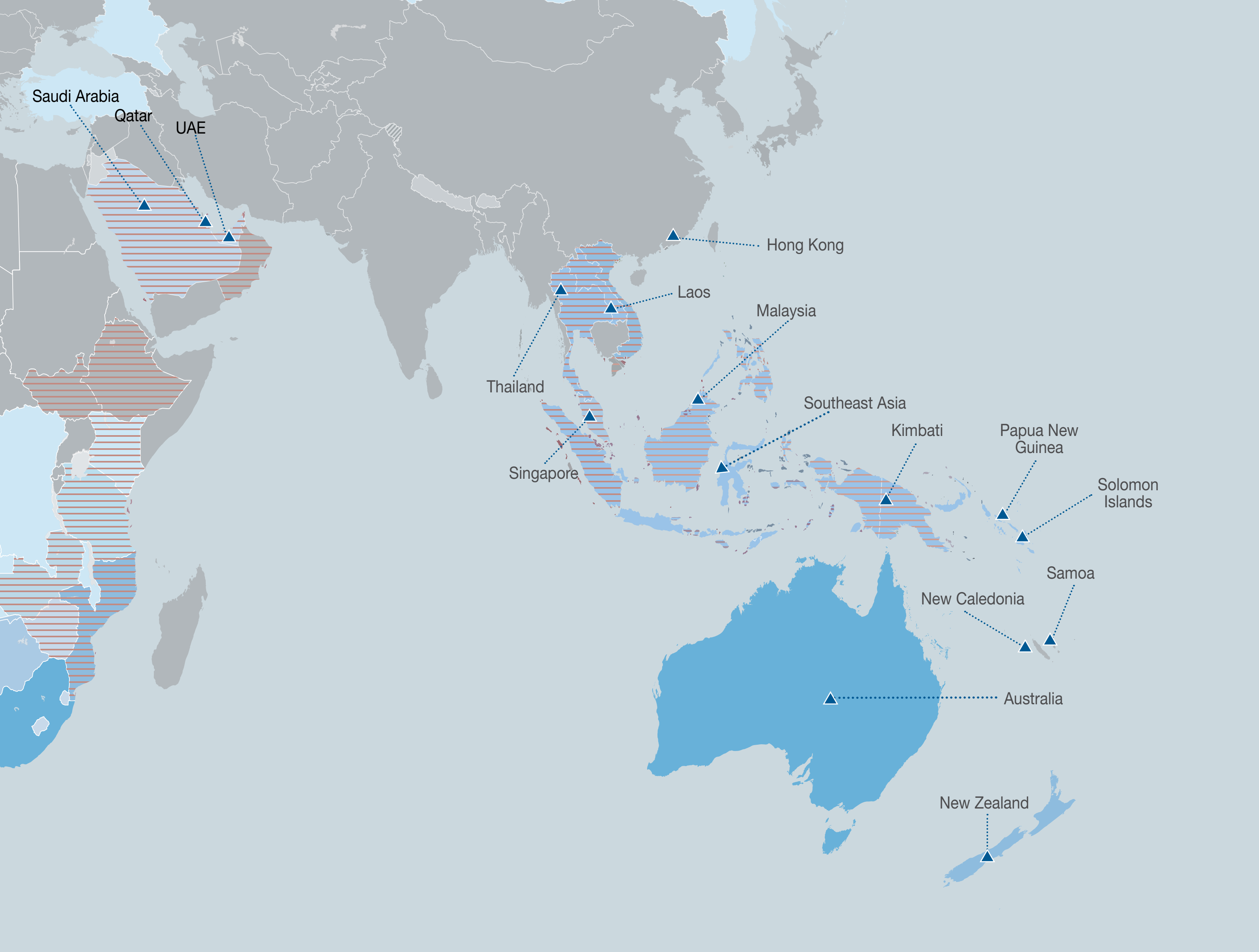
Construction and Engineering: Australasia and Asia

Financial highlights

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

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

David Robinson, managing director


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

Construction and Engineering: Australasia and Asia continued

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

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

Strategic alignment

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

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

Key focus areas

Operational performance

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

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

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

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

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

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

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

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

Strategy execution

Recover and stabilise

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

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

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

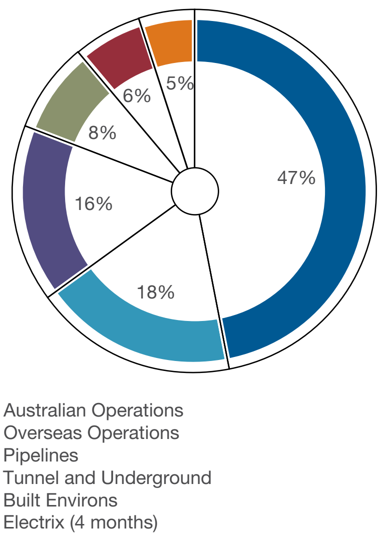
McConnell Dowell's legacy contracts, QCLNG and GCRT continue to proceed through a protracted commercial claims resolution process.

Position for growth

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

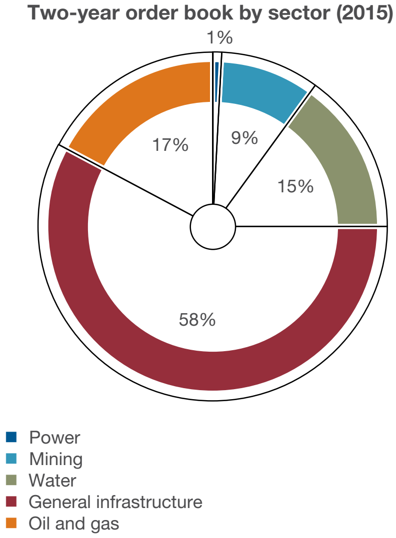
In the Overseas Operations, New Zealand and the Pacific Islands offer growth opportunities and new work continues to be secured in Southeast Asia in the core disciplines of marine and mechanical engineering. Industrial building projects also offer opportunity, especially in Malaysia and Indonesia. The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

Revenue by business unit (2015)



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

Two-year order book by sector (2015)



Construction and Engineering: Australasia and Asia continued

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

Realise growth and sustain profitability

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

Safety, health and environment

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

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

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

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

Human capital

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

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

Looking ahead

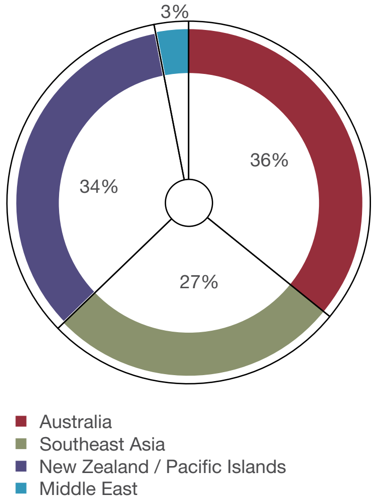
As some of its traditional markets continue to decelerate, McConnell Dowell is transitioning its business to position it for available opportunities.

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

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

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

Two-year order book by geography (2015)



72%

employee satisfaction score

Construction and Engineering: South Africa and rest of Africa

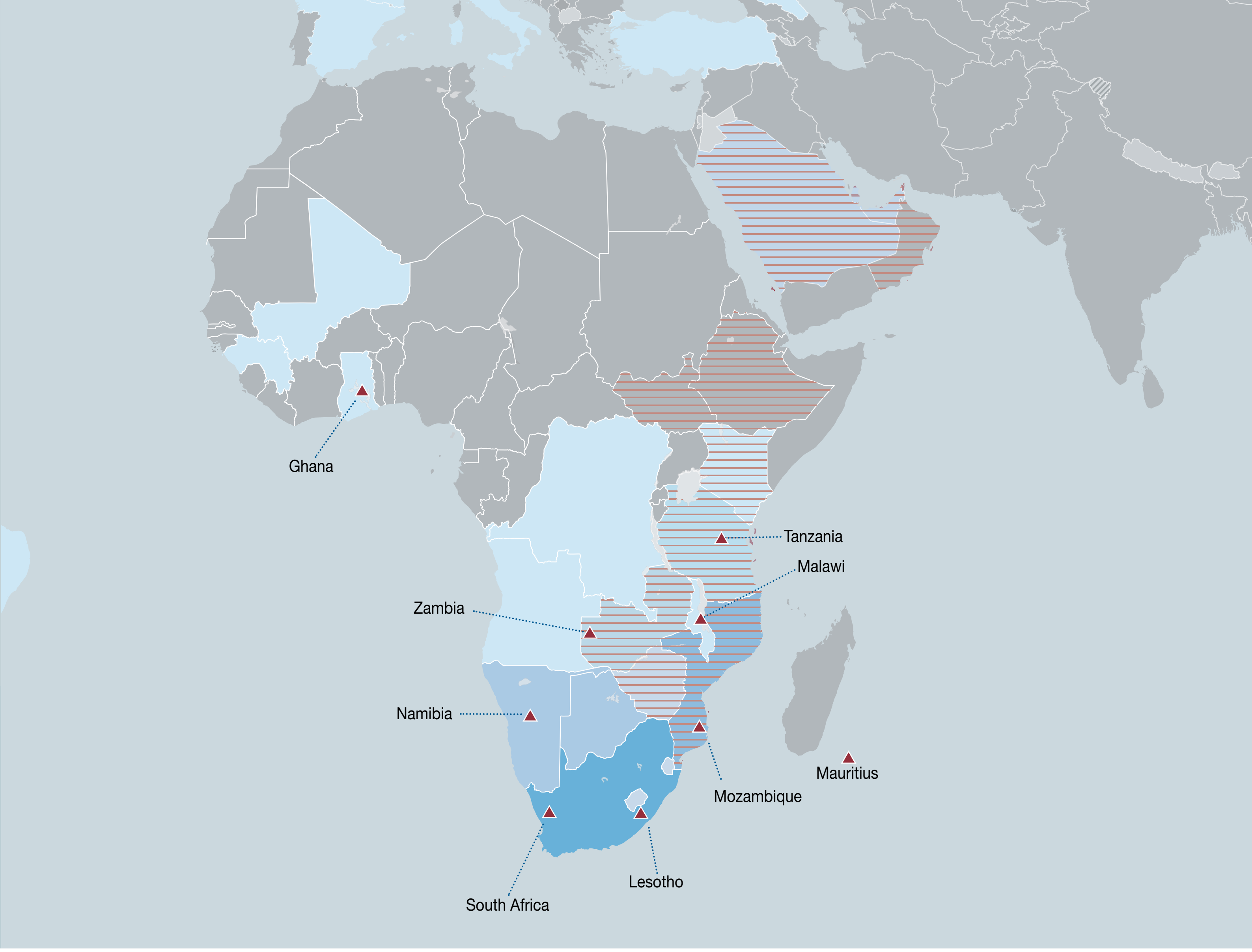
Financial highlights

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

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

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

Chris Botha, managing director


Ghana
Tanzania
Malawi
Zambia
Namibia
Mozambique
Mauritius
Lesotho
South Africa

Construction and Engineering: South Africa and rest of Africa continued

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

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

Strategic alignment

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

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

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

Key focus areas

Operational performance

Aveng Grinaker-LTA

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

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

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

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

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

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

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

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

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

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

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

Aveng Engineering

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

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

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

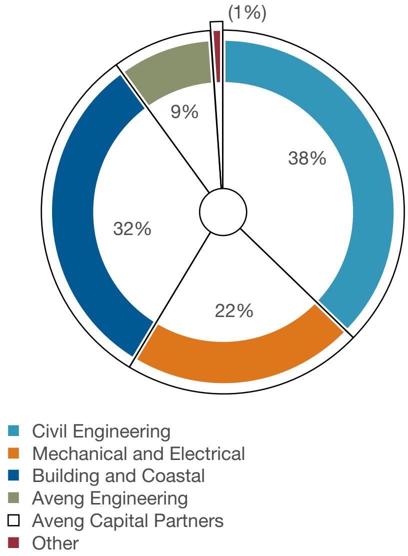
Once-off restructuring costs of R10 million and lease cancellation penalties to realign the fixed cost base contributed to the operating loss of R290 million (2014: R38 million).

Aveng Capital Partners

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

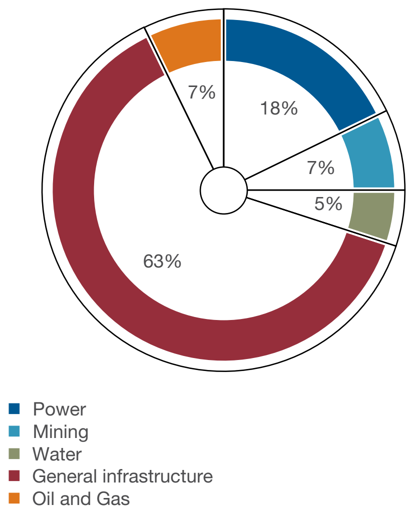
Net operating earnings increased by 38% to R183 million (2014: R133 million) primarily due to fair value gains of R173 million on certain renewable energy and real estate investments achieving a marketable maturity level.

Revenue by business unit (2015)



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

Two-year order book by sector (2015)



Construction and Engineering: South Africa and rest of Africa continued

Strategy execution

Recover and stabilise

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

Financial recovery

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

Operational efficiency

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

Position for growth

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

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

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

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

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

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

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

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

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

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

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

Looking ahead

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

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

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

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

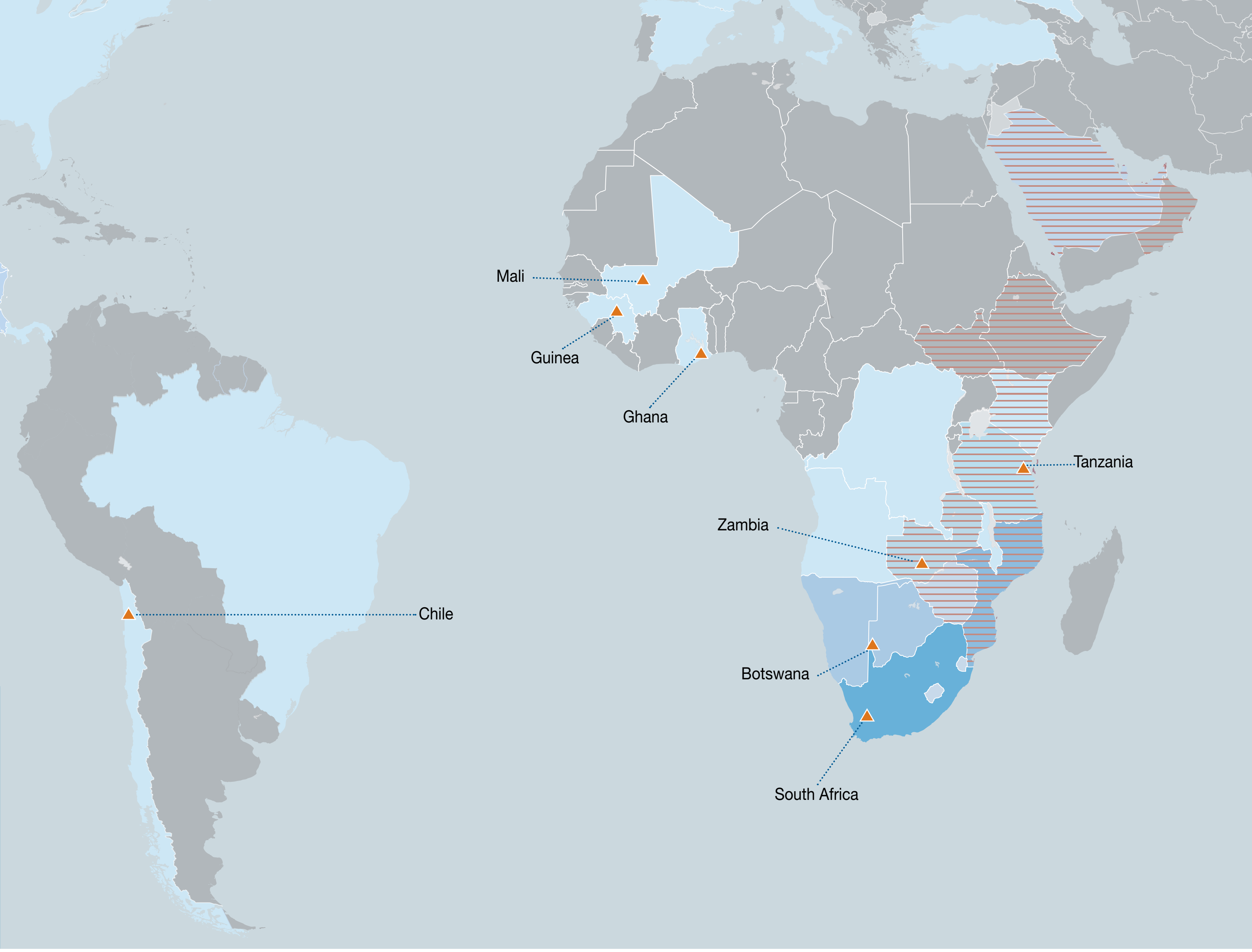
Mining

Financial highlights

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

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

Stuart White, managing director


Mali
Guinea
Ghana
Tanzania
Zambia
Chile
Botswana
South Africa

Mining continued

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

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

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

Strategic alignment

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

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

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

Key focus areas

Operational performance

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

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

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

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

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

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

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

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

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

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

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

Strategy execution

Recover and stabilise

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

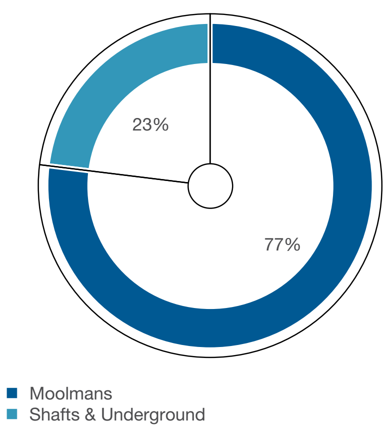
Aveng Shafts & Underground rightsized its overhead costs relative to its gross profit margin, and strengthened working capital management during the year, achieving its targeted cost savings of R18 million. However, the operation continued to experience severe cash flow pressure as a result of challenges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

Position for growth

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

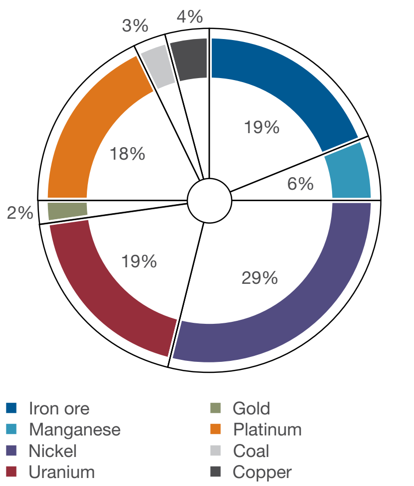
Aveng Moolmans' portfolio currently spans five commodities mined for six customers in four countries, with 30% of the work sourced outside South Africa compared to 33% in the comparative period in 2014. Aveng Moolmans is pursuing other opportunities to rebalance the geographic and commodity weighting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

Revenue by business unit (2015)



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

Two-year order book by commodity (2015)



Mining continued

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

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

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

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

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

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

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

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

Looking ahead

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

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

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

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

Manufacturing and Processing

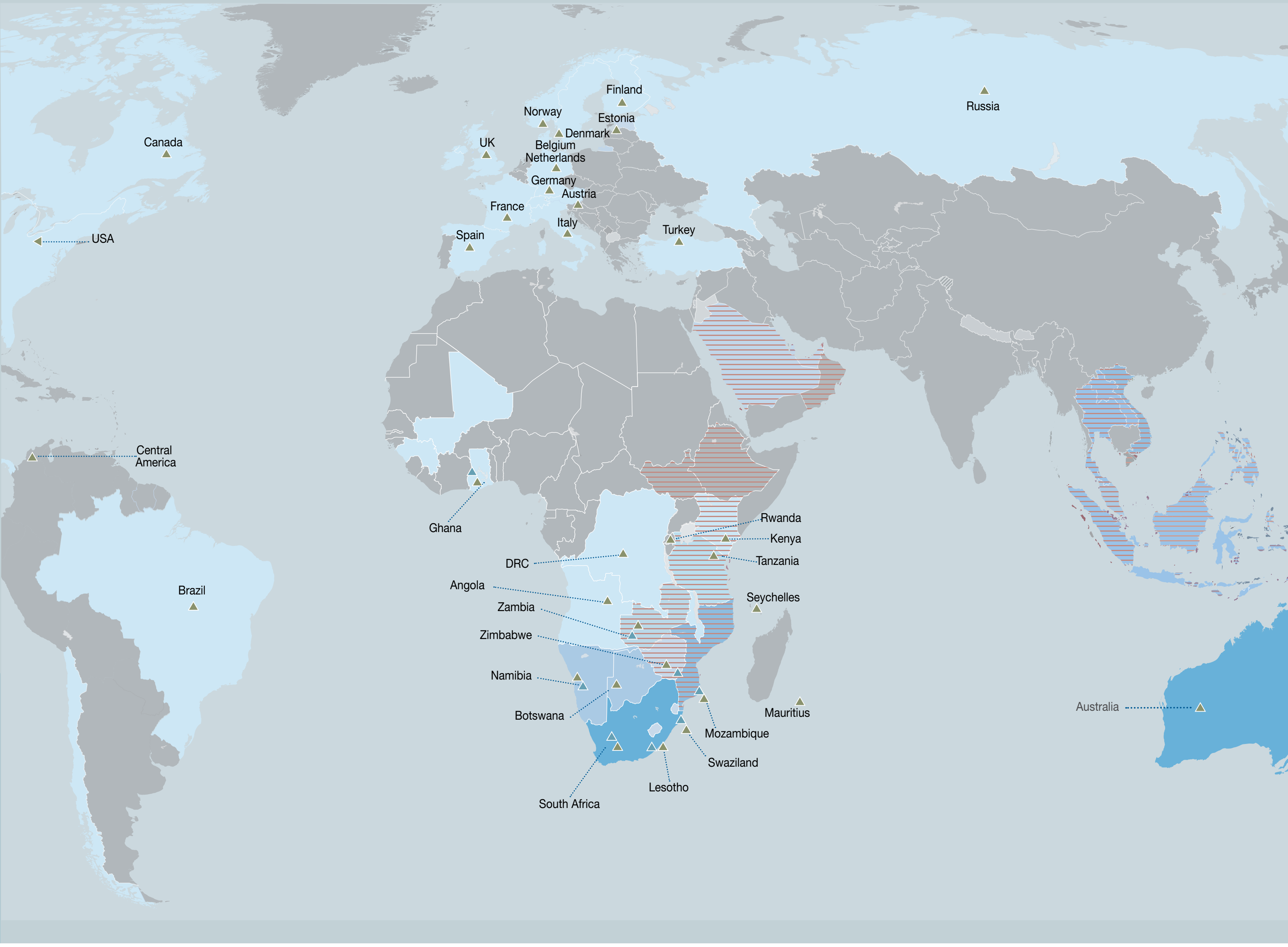
Financial highlights

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

** Comparatives restated for reclassifications.*

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

Solly Letsoalo, managing director, Aveng Manufacturing
Hercu Aucamp, managing director, Aveng Steel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Ghana
Rwanda
Kenya
DRC
Tanzania
Angola
Seychelles
Brazil
Zambia
Zimbabwe
Namibia
Mauritius
Australia
Botswana
Mozambique
Swaziland
Lesotho
South Africa

Manufacturing and Processing continued

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

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

Strategic alignment

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

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

Key focus areas

Operational performance

The revenue of **Aveng Manufacturing** decreased by 6% to R3,3 billion (2014: R3,5 billion). Tough market conditions and labour disruption impacted Aveng DFC and Aveng Duraset, but Aveng Infraset and Aveng Rail produced good results. The operating group delivered an acceptable performance overall, particularly as a result of strong demand for concrete construction and rail products, and ongoing supply of rail construction and maintenance services in southern Africa, notably on the Nacala contract in Mozambique. Investments to increase capacity of concrete rail products in the SADC region enabled Aveng Manufacturing to respond adequately to this growth in demand. Net operating profits decreased slightly by 1% to R226 million (2014: R228 million) largely as a result of the sustained optimisation drive undertaken in all of its operations.

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

Strategy execution

Recover and stabilise

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

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

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

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

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

Position for growth

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

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

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

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

Realise growth and sustain profitability

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

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

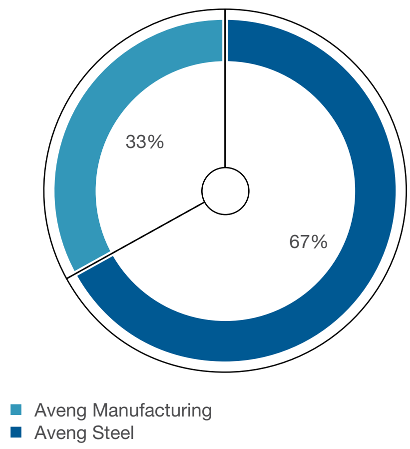
Aveng Steel maintains a footprint in all nine South African provinces and continues to strengthen its regional network of domestic branches. The business unit also extends its offerings to southern Africa where it is represented in Zambia, Namibia, Lesotho and Swaziland.

Safety, health and environment

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

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

Revenue by business unit (2015)



+177%

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

Manufacturing and Processing continued

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

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

Human capital

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

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

Looking ahead

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

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

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

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

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