Abridged corporate governance

Governance at Aveng

King III

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

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

Personal letter from the incoming chairman

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

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

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

Mahomed Seedat

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

McConnell Dowell Board site visit

Composition of board and committees

Board of directors

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

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

Social, ethics and transformation committee

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

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

Audit

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

- *EK Diack – Chair*
- *PA Hourquebie*
- *KW Mzondeki*
- *PK Ward*

Remuneration and nomination**

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

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

Safety, health and environment

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

- *MA Hermanus – Chair*
- *MJ Kilbride*
- *MI Seedat*

Risk

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

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

Investment

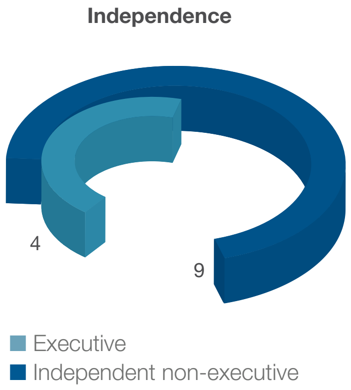
Considers major investment and divestment opportunities in terms of the board-approved delegation of authority and strategy, and recommends to the Board.

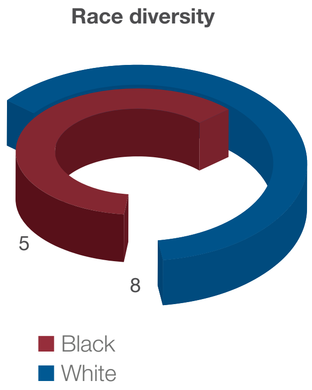
- *EK Diack – Chair*
- *AWB Band*
- *PA Hourquebie*
- *MJ Kilbride*
- *MI Seedat*

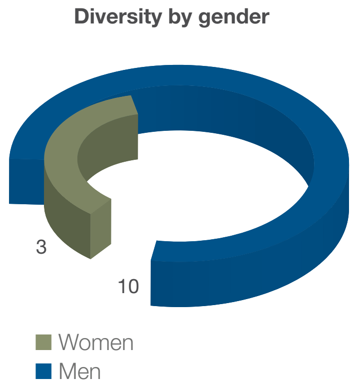
As of 5 August 2015

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

Abridged corporate governance continued







Composition of board committees

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

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

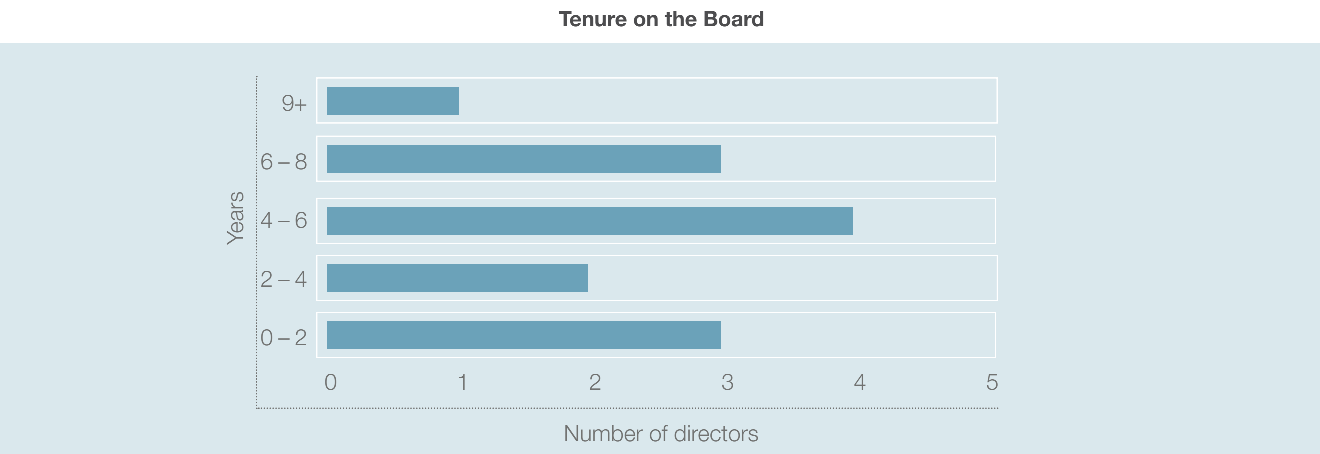
Remuneration and nomination committee: This committee remained properly constituted in terms of skills and experience and was unaffected by any of the changes. The committee is properly constituted with three independent non-executive directors: T Mokgosi-Mwantembe (chair), A Band and M Seedat.

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

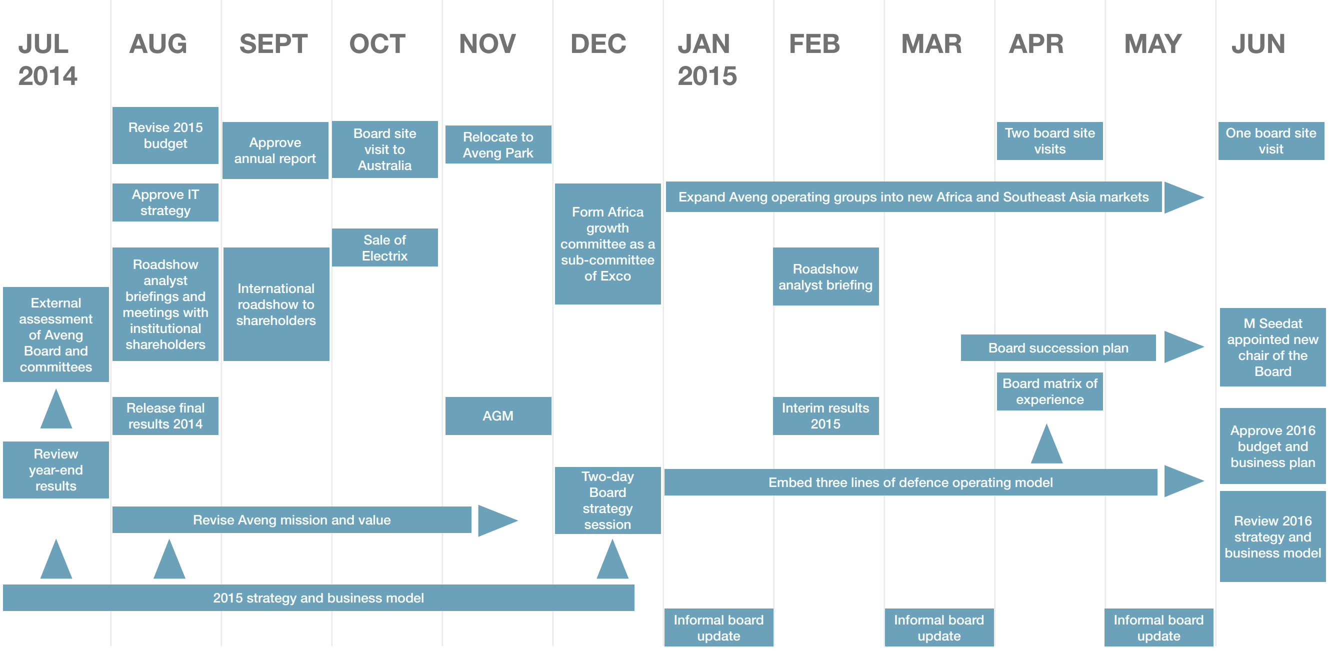
Safety, health and environmental committee: This committee remained properly constituted in terms of skill and experience and was unaffected by any of the changes. The committee is composed of three independent non-executive directors: M Hermanus (chair), M Kilbride and M Seedat.

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

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



How the Board spent its time



Board profile

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

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

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

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

Executive leadership

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

Abridged corporate governance continued

Key governance initiatives during the year

Leadership by strategy

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

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

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

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

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

Culture, mission and values

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

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

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

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

Succession and performance management

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

Risk management

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

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

Frameworks for governance

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

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

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

Board effectiveness

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

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

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

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

Assurance

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

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

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

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

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

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

Risk management

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

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

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

Ethics management

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

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

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

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

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

Aveng Manufacturing Board site visit

Compliance

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

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

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

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

The Board monitors compliance with:

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

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

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

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Board and committees and the integrated report

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

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

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

Remuneration report

Statement from the chairman of the remuneration and nomination committee

Dear Stakeholder

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration report continued

Key remuneration focus areas in 2015

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

Implementation of remuneration policies during the 2015 financial year

Guaranteed pay increase – 2014

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

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

Performance measurement

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

Performance link to incentives

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

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

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

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

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

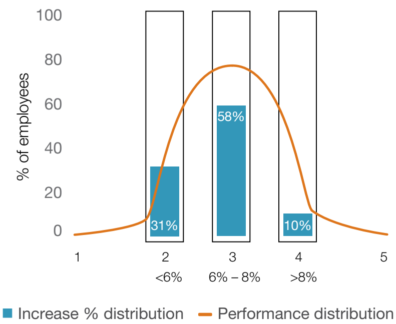
Given Aveng's adverse financial performance, the operating free cash flow threshold was not achieved, therefore no incentive awards were made to executive directors. Some prescribed officers (operating group managing directors) whose businesses achieved performance targets (financial and non-financial)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

Remuneration report continued

Performance link to guaranteed pay

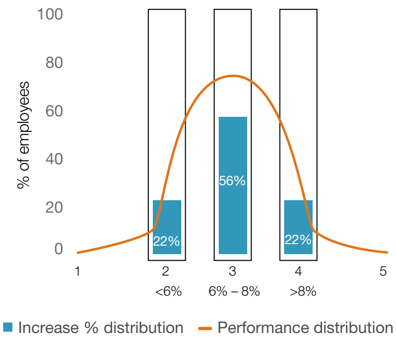
The two graphs below highlight the correlation between performance and the commensurate annual percentage increases awarded to executives and general salaried staff.

Performance link to pay: Executive directors and prescribed officers



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

General staff



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

Long term incentives (LTIs)

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

Share Appreciation Rights (SARs) plan

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

Employees awarded SARs since the inception of the scheme are:

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

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

Performance condition

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

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

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

Forfeitable share plan (FSP)

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

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

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

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

Performance condition

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

Executive directors' and prescribed officers' emoluments

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

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

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

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

Shareholder feedback

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

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

Shareholders' analysis

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

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

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

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

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

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

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

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

Shareholders' diary

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

Summarised audited statement of financial position

as at 30 June 2015

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

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

*** Less than R1 million.*

Summarised audited statement of comprehensive earnings

for the year ended 30 June

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

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

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

Summarised audited statement of changes in equity

as at 30 June 2015

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

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

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

Summarised audited statement of cash flows

for the year ended 30 June 2015

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

Summarised audited accounting policies

for the year ended 30 June

1. CORPORATE INFORMATION

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

Nature of business

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

Business restructuring

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

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

Changes in directorate

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

2. PRESENTATION OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of preparation

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

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

The summarised consolidated financial statements do not include all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at 30 June 2015 that are available on the Company's website, http://www.financialresults.co.za/2015/aveng-additional. @

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

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

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

Summarised audited accounting policies continued

for the year ended 30 June 2015

2. PRESENTATION OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

South African infrastructure investments

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

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

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

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

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

*** Amounts less than R1 million.*

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

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

Summarised audited accounting policies continued

for the year ended 30 June 2015

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

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

3.1 Standards and interpretations effective and adopted in the current year

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

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

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

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

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

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

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

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

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

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

Classification of financial assets on date of initial application

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

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

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

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

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

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

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

Summarised audited accounting policies continued

for the year ended 30 June 2015

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

3.3 Other reclassifications affecting comparative figures

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

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

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

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

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

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

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

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

Impact of change in disclosure

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

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

4. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

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

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

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

Assets acquired and liabilities assumed

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

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

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

5. DISPOSAL OF SUBSIDIARY

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

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

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

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

6. SEGMENT REPORT

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

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

The Group's operating segments are categorised as follows:

1. Construction and Engineering

1.1 Construction and Engineering: South Africa and rest of Africa

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

1.2 Construction and Engineering: Australasia and Asia

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

2. Mining

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

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

3. Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

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

4. Other and Eliminations

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

6. SEGMENT REPORT continued

Statement of financial position

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

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

6. SEGMENT REPORT continued

Statement of comprehensive earnings

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

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

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6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

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

7. IMPAIRMENTS

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

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

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

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

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

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

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

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

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

Impairments recognised during the year

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

8. GOODWILL ARISING ON CONSOLIDATION

Reconciliation of goodwill arising on consolidation

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

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

@

Allocation of goodwill to CGUs

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

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

9. EQUITY-ACCOUNTED INVESTMENTS

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

Notes to the summarised audited consolidated financial statements continued

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9. EQUITY-ACCOUNTED INVESTMENTS continued

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

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

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

9. EQUITY-ACCOUNTED INVESTMENTS continued

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

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

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

Regulatory constraints

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

Contingent liabilities

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

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

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

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

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

10. INFRASTRUCTURE INVESTMENTS

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

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

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

11. DEFERRED TAXATION

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

Notes to the summarised audited consolidated financial statements continued

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11. DEFERRED TAXATION continued

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

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

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

Unused tax losses – Assumptions

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

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

12. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

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

[1] *Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.*
[2] *Progress billings are amounts billed for work performed above revenue recognised.*
[3] *Amounts invoiced still due from customers.*
[4] *Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified.*
[5] *Advances are amounts received from the customer before the related work is performed.*

	Uncertified claims and variations Rm	Provision for amounts due from contract customers Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
2015						
Non-current assets	**900**	**–**	**–**	**–**	**–**	**900**
Current assets	**4 962**	**(958)**	**5 147**	**–**	**243**	**9 394**
	5 862	**(958)**	**5 147**	**–**	**243**	**10 294**
2014						
Non-current assets	3 460	(737)	223	–	–	2 946
Current assets	3 303	(365)	5 304	(46)	209	8 405
	6 763	(1 102)	5 527	(46)	209	11 351

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13. NON-CURRENT ASSETS HELD-FOR-SALE

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

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

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

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

14. BORROWINGS AND OTHER LIABILITIES

14.1 Borrowings held at amortised cost

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

** These borrowings and other liabilities are finance leases and are included in the analysis of the payable finance lease liability.*
*** Interest outstanding in the current year relates to finance leases.*

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14. BORROWINGS AND OTHER LIABILITIES continued

14.2 Borrowings held at amortised cost continued

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

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

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

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

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

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

14.3 Convertible bonds

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

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

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

14. BORROWINGS AND OTHER LIABILITIES continued

14.3 Convertible bonds continued

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

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

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

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

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

** Interest on convertible bond.*

Notes to the summarised audited consolidated financial statements continued

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15. TRADE AND OTHER PAYABLES

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

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

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

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

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

16. EMPLOYEE-RELATED PAYABLES

IFRS 2 Share-based payment obligation

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

Employee entitlements

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

Leave pay benefits

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

16. EMPLOYEE-RELATED PAYABLES continued

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

** Amounts less than R1 million.*

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

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

Notes to the summarised audited consolidated financial statements continued

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17. OPERATING EXPENSES

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

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

18. TAXATION

Major components of the taxation expense

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

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

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

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

19. NON-CASH AND OTHER MOVEMENTS

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

20. CONTINGENT LIABILITIES

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

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

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

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

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

Claims and legal disputes in the ordinary course of business

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

Notes to the summarised audited consolidated financial statements continued

for the year ended 30 June 2015

21. HEADLINE EARNINGS

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

22. EVENTS AFTER THE REPORTING PERIOD

Disposal of non-core assets

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

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

Corporate information

Company secretary
Michelle Nana

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

Company registration number
1944/018119/06

Share codes
JSE: AEG
ISIN: ZAE 000111829

Website
www.aveng.co.za

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

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

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

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

Registrars
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
70 Marshall Street, Johannesburg, 2001
PO Box 61051
Marshalltown, 2107
South Africa
Telephone +27 (0) 11 370 5000
Telefax +27 (0) 688 5200

BASTION GRAPHICS