



# Notice of virtual annual general meeting 2020



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## Code of conduct

The Aveng Group is committed to a policy of fair dealing and integrity in conducting its business. This commitment, endorsed by the Aveng Limited Board of directors is based on the Aveng values and does not compromise on holding each other accountable for safety and care, honesty and integrity, customer focus, performance excellence and working together in carrying out business objectives. The code of conduct encompasses the following:

- The **law** will not be violated when conducting business for or on behalf of the Group.
- **Safety** is paramount, never to be compromised in the pursuit of any other objective.
- The Aveng Group is committed to compliance with the provisions of the **Competition Act 89 of 1998**. Any effort to manipulate the markets in which the Group is active, including collusion with competitors, will result in disciplinary action.
- The Aveng Group has a **zero-tolerance policy** on bribery and any unethical payments to clients or business associates will result in disciplinary action.
- Any possible **conflict of interest** in handling Group affairs will be avoided and employees will perform their duties conscientiously, honestly and in accordance with the best interests of the Group and its shareholders.
- Employees will not derive **personal advantage** from their position in the Group, nor will they acquire any business interest which could divert their energy from Group responsibilities. They will not participate in an activity that is potentially in conflict with Group interests or which could be perceived to impair their independence. Employees will not accept gifts, hospitality, or other favours from suppliers or potential suppliers of goods or services which, in the view of their immediate line superior or colleagues would be unwise, potentially sending the wrong message to subordinates and/or placing the recipient or the Group under a perceived obligation.
- Group funds, property and assets will be used only for legitimate business purposes. **Strict**

**internal controls** and governance procedures of the highest order will be introduced and enforced to discourage fraud and safeguard the Group.

- Accurate and **reliable records** will be kept which fairly reflect all business transactions in terms of statements of International Financial Reporting Standards, for the Group to properly manage its affairs and meet its legal, financial, and reporting obligations. Personal and business information gained in the course of business dealings will be safeguarded and its privacy respected.
- The Aveng Group will uphold its **employment equity policy** which requires that equal opportunity be offered to all employees. The individuality of each person, their right to freedom of association and to absolute privacy in this regard will be respected. Harassment of any form, including sexual harassment, will be viewed in a very serious light and appropriate disciplinary action taken.
- The Aveng Group's **people** are unquestionably its most important asset. Through careful selection, ongoing development, performance-based management and fair reward, every person in our Group will be encouraged to realise their full potential. Exceptional commitment to the Group's core values of integrity, quality and entrepreneurship will be appropriately rewarded.
- The Aveng Group will strive to be a **leading corporate citizen**, working with employees, their families, local communities and society at large to improve the overall quality of life and to achieve sustainable economic development at all levels.
- The Aveng Group will promote policies and operating procedures that conserve resources and minimise the **environmental impact** of its business activities.
- Finally, the Aveng Group, its subsidiaries and officers will seek to build an atmosphere of openness and trust through regular, timely and courteous **communication** with all stakeholders.

## Letter to shareholders

### Dear shareholder

We present to you our 2020 results through an extract from our summarised financial results.

For the safety of our stakeholders, the national restrictions regarding public gatherings and measures for social distancing will be applied to the forthcoming 76th annual general meeting (AGM) (the first virtual AGM) of Aveng Limited. To this end the board has taken the decision that the virtual AGM will be held through electronic communication, as permitted by the JSE Limited, the provisions of the Companies Act, and Aveng Limited's memorandum of incorporation.

The virtual AGM will be hosted on an interactive electronic platform, in order to facilitate voting and remote participation by shareholders. Further details, including how to submit votes by proxy before the meeting, are contained in the following notice of the virtual AGM.

In addition to the extract of the summary of our audited financial statements, this document contains the detailed notice to our 76th virtual AGM to be held entirely by electronic communication at 10:00 on Wednesday, 20 January 2021.

If you are unable to attend the virtual AGM, you may vote by proxy in accordance with the instruction on the annual general meeting notice and the form of proxy. The enclosed form of proxy, which is also available on our website at [www.aveng.co.za](http://www.aveng.co.za), includes comprehensive instructions on how to complete it. Should you have any questions, please contact our offices.

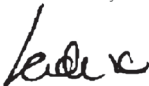
Shareholders or their proxies who wish to participate and vote in the virtual AGM through the electronic participation platform, must either:

1. Register online using the online registration portal at [www.smartagm.co.za](http://www.smartagm.co.za); or
2. Apply to Computershare, by sending a request to [proxy@computershare.co.za](mailto:proxy@computershare.co.za) so as to be received by Computershare by no later than Monday, 18 January 2021.

As we have previously indicated, the changing financial reporting requirements and corporate governance demands over the past few years have resulted in voluminous annual reports. In order to promote sustainability, we will not be posting the integrated report to our shareholders.

Our comprehensive integrated report will be on the Company's website for viewing and may be downloaded from [www.aveng.co.za](http://www.aveng.co.za) on 15 December 2020. Printed copies of the integrated report will be made available to shareholders on request. If you would prefer to receive a printed copy, please contact Edinah Mandizha, on +27 (11) 779 2800 or at [edinah.mandizha@avenggroup.com](mailto:edinah.mandizha@avenggroup.com).

Yours sincerely



**Edinah Mandizha**

*Group company secretary*

15 December 2020

## Shareholders' diary

Financial year-end  
Annual general meeting

30 June  
20 January 2021

### Publication of results

– Half-year ended 31 December 2020  
– Year ended 30 June 2021

on 23 February 2021  
on 24 August 2021

# Salient features – financial performance

for the year ended 30 June 2020

**Core revenue**  
**R14,2 billion**

Increase from R13,6 billion

**Work in hand**  
**R26,8 billion**

Increase from R19,0 billion June 2019

**Operating loss**  
**R532 million**

Decrease from R1,1 billion loss at June 2019

**Operating free cash flow**  
**R5 million outflow**

June 2019: R1,0 billion outflow

**Losses attributable to equity holders of the parent**  
**R1,1 billion**

Decrease from R1,7 billion loss at June 2019

**Headline loss**  
**R950 million**

Decrease from R1 545 million loss at June 2019

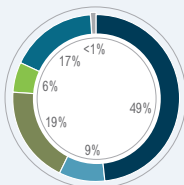
**Loss per share**  
**5,8 cents**

Movement from 10,5 cents loss per share at June 2019

**Headline loss per share**  
**4,9 cents**

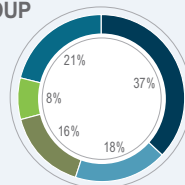
Improvement of 4,8 cents from 9,7 cents loss per share at June 2019

## REVENUE PER OPERATING GROUP



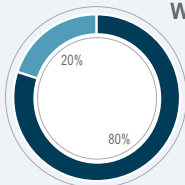
2020  
**R20,9 billion**

- McConnell Dowell
- Aveng Grinaker-LTA
- Aveng Mining
- Aveng Manufacturing
- Aveng Steel
- Other and Eliminations



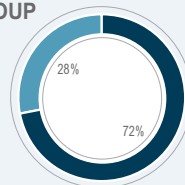
2019  
**R25,7 billion**

## WORK IN HAND PER OPERATING GROUP



2020  
**R26,8 billion**

- McConnell Dowell
- Aveng Mining



2019  
**R19,0 billion**

# Commentary

## AVENG LIMITED

(Incorporated in the Republic of South Africa)  
 (Registration number: 1944/018119/06)  
 ISIN: ZAE000111829  
 SHARE CODE: AEG  
 (Aveng, the Company or the Group)

## RESULTS FOR THE YEAR ENDED 30 JUNE 2020

### POSITIONING FOR LONGER-TERM STRATEGIC GOALS

Aveng remained resilient and continued to achieve key objectives from its 2018 strategic action plan, despite the impacts of the coronavirus (COVID-19) pandemic. The first half of the financial year saw the Group restoring operational profitability with both McConnell Dowell and Moolmans generating profits and cash. During the second half, the COVID-19 pandemic resulted in lockdowns to various degrees in different sectors and jurisdictions, disrupting operational performance across the Group and reducing operating profit by approximately R380 million.

Despite the significant uncertainty and additional volatility created by the health and economic crises experienced during the 2020 financial year, the Group continues to build resilience across the organisation and was buoyed by its key strategic levers of geographic diversification, improving operational performance and the firm commitment of leadership and employees.

Management remains committed to the execution of the strategy, implemented in 2018, with the following objectives implemented:

- ▶ Ensure a long-term capital structure
- ▶ Create liquidity by selling non-core assets
- ▶ Unlock value from core businesses.

## SALIENT FEATURES

### Group

- 5%** increase in core revenue to R14.2 billion
- 41%** increase in core work in hand to R26.8 billion
- 52%** reduction in operating loss to R532 million
- 100%** improvement in OFCF\* to R5 million outflow
- Zero** Fatalities during the financial year

### McConnell Dowell

- 60%** increase in work in hand to AUD1.8 billion
- 5 Years LTI-free** at Built Environs
- 80%** of projects achieving bid margins
- 50%** increase in cash in hand to AUD140 million
- 90%** of 2021 revenue secured

### Moolmans

- R410 million** turnaround in operating profit to R38 million despite COVID-19
- 4** contracts renegotiated or extended at favourable rates
- New leadership** driving performance improvement
- 95%** improvement in OFCF to R191 million inflow
- 81%** of 2021 revenue secured

\**OCF* – operating free cash flow

## Commentary continued

The execution of the strategy continued to deliver positive results and we are confident of market opportunities and growth potential for McConnell Dowell and Moolmans. These core businesses remain profitable, cash generative and strategically well positioned to be sustainable in both the current COVID-19 environment and beyond. Diversification across customers, geographies, industry sectors and commodities provide risk mitigation in the current environment. These businesses offer long-term sustainable earnings and generate sufficient cash flows. However, given the current circumstances, the Group's external environment remains unpredictable due to the COVID-19 pandemic.

### RESPONSE TO COVID-19

The unprecedented challenges of COVID-19 were dealt with effectively as the Group demonstrated its agility and resilience in response to the pandemic. The Group's diversity across customers, geographies, industry sectors and commodities provided risk mitigation and reduced the impact on the overall business performance. Despite this risk mitigation, the COVID-19 pandemic created a liquidity shortfall during April and May 2020. This shortfall was managed through a short-term facility of R200 million by the Group's South African lenders banks which was repaid in August 2020 and the savings contributed by staff, management and the Board taking salary and wage cuts of approximately R168 million. The Board extends its thanks to all employees for this contribution in such exceptional circumstances.

The Group responded proactively to the restrictions and lockdowns by taking measures to protect its employees, operations and its financial position. Initiatives, including prudent cash management, working capital management and cost reductions were implemented across the Group. As a result

of the restrictions and measures imposed, the Group's business units were severely impacted during the reporting period. Operations were restricted in South Africa, New Zealand and South-East Asia for varying lengths of time. Australian operations continued throughout the period.

Support from clients varied from compensation for costs incurred and time lost, to only allowing extensions of time for project delays resulting from COVID-19 restrictions and measures.

Due to the uncertainty of the pandemic, and the response by governments and societies around the globe, it is expected that the commercial close-out of all COVID-19 related impacts will take some time to quantify.

### POST-YEAR-END BALANCE SHEET RESTRUCTURE AND RECAPITALISATION

Aveng has engaged with various stakeholders, including its South African lenders, the holders of notes issued through iNguza Investments (RF) Limited, its largest shareholder and others over the course of the 2020 calendar year. Following the year end, the Company reached an agreement on a restructure that will result in the introduction of a minimum R300 million new capital, the restructure of the Common Terms Agreement (CTA) debt package into a smaller restructured term and overdraft facility with a maturity of three years and the settlement of the balance thereof by way of a cash settlement or a specific issuance of new ordinary shares and the early settlement of the iNguza notes by way of a cash settlement at a discount or the participation in the restructured term debt. The agreements to give effect to the transaction were signed by the parties on 27 November 2020, including:

- ▶ the largest shareholder executing the recapitalisation term sheet including a commitment to fully underwrite a rights offering of new equity at 1,5 cents per share, up to R300 million;

- ▶ the South African lenders executing the recapitalisation term sheet, including the restructured debt and the settlement of R570 million by way of an issue of shares at 5 cents per share or the cash settlement of 31 cents for every R1 held;
- ▶ the holders of the requisite majority of iNguza notes executing irrevocable letters of undertaking in support of early redemption of the iNguza notes by way of a cash settlement of 31 cents for every R1 held or participation in the South African lenders restructured debt; and
- ▶ South African lenders executing an extension letter to extend its existing CTA facilities to 30 June 2022. It is expected that this agreement will be superseded by the restructured term and overdraft facilities described above. Once the restructure and recapitalisation on transaction has received the necessary shareholder approval and been implemented.

Following a multi-year journey, this transaction will allow the Group to reset its capital structure, deleveraging the balance sheet by more than R1 billion, extending the Group's maturity profile to three years, and simultaneously materially improving the Group's South African liquidity pool.

Following this transformational event, Aveng believes that the remaining debt is sustainable. Importantly, this transaction not only provides Aveng the capital structure flexibility to complete its non-core asset sale program and to wind down its remaining exposure to discontinued businesses, but also sets the Group on a path to pursue its strategy around the Group's core businesses, McConnell Dowell and Moolmans, which have returned to profitability and where Aveng sees further business improvement prospects and growth opportunities.

## NON-CORE ASSET DISPOSALS

The Group continued its non-core asset disposal process and as at 30 June 2020 had received cash proceeds of R768 million. The following disposals were concluded during the financial year:

- ▶ October 2019 – Dynamic Fluid Control for R114 million
- ▶ November 2019 – Building and Civil Engineering for R70 million
- ▶ December 2019 – Mechanical and Electrical for R72 million
- ▶ December 2019 – Rand Roads for R37 million
- ▶ Other properties for R15 million

Following the sales of non-core assets, the Group continues to collect all South African outstanding performance and retention bonds thus continuing to de-risk the balance sheet. Outstanding bonds decreased by 32% to R1,1 billion in the year.

During the course of the year, management continued to negotiate with members of the consortium who had entered into a binding agreement to acquire the Infraset business. The buyer was unable to meet the condition precedent pertaining to funding and this transaction has lapsed. Aveng has continued to engage other parties who have expressed interest in the Infraset business.

Subsequent to year end, disposals were concluded in respect of GEL, Duraset, REHM Grinaker, Infraset Pietermaritzburg and various properties totalling R54 million. These individual disposals to unrelated parties did not require separate disclosure in terms of the JSE Listings Requirements.

## Commentary continued

### IMPROVING PERFORMANCE OF CORE BUSINESSES

McConnell Dowell and Moolmans, which represent the future of Aveng, operate in growth markets and their diversification across customers, geographies, industry sectors and commodities mitigate risk in uncertain environments.

#### McConnell Dowell

McConnell Dowell has built a reputation as being a highly technically skilled tier-two contractor with engineering in its DNA. The business unit was consistently profitable and continues to focus on specialised projects in Australia, New Zealand and Pacific Islands and Southeast Asia. The business improved its operational performance in the first half of the year by delivering a net operating earnings (EBIT) of AUD5,5 million in FY20 H1. Following the outbreak of the COVID-19 pandemic in the second half of the financial year and the responses by various governments in the Australasia region to impose restrictions and lockdowns, McConnell Dowell management responded quickly and proactively and took appropriate decisions to limit the impact of COVID-19.

Despite the effects of COVID-19 on its operations, MCD achieved an underlying operating profit of AUD6,0 million before impairments for the full year ending 30 June 2020. The Board of McConnell Dowell was mindful of the emerging uncertainties of COVID-19 and took the decision to settle two long standing legacy claims with a view to enhancing the resilience of the underlying business by improving available liquidity at a time of greater uncertainty. These settlements assist this objective by releasing cash in the short term, reducing ongoing legal costs, removing litigation uncertainty and allowing management to focus on the growth objectives of McConnell Dowell.

The resolution of these legacy claims is a significant achievement at a critical time and enhances cash flow and strengthens the Groups liquidity position.

The settlement of the two long-standing legacy claims, resulted in a cash inflow of AUD42.5 million (R508 million) and a non-cash claims write down of AUD19,5 million (R225 million). This resulted in a reported EBIT loss of AUD13 million (R162 million loss).

Work in hand grew by 60% to AUD1,8 billion at 30 June 2020, which supports 90% of budgeted revenue for FY21. The value of preferred tender status increased to AUD1,4 billion.

The business remains focused on pursuing opportunities in its areas of specialisation and in which it has a proven track record of success.

#### MOOLMANS

The Moolmans performance for the year was impacted by COVID-19 related closures on all operations for the period from March to June 2020. Despite the impact of the COVID-19 related shut down, Moolmans reported an operating profit of R38 million for the year, representing a significant turnaround from the operating loss of R372 million in the previous financial year.

Moolmans responded immediately to the COVID-19 crisis by implementing a response plan across all operations in consultation with customers. The business focused on protecting the lives of employees while maintaining a responsible level of operational activity and service delivery.



All domestic mining operations ceased in March in line with lockdown stage 5 regulations and placed into care and maintenance. Moolmans rapidly demobilised 350 items of heavy earthmoving equipment and engaged with customers to plan the safe and efficient remobilisation of operations once the Lockdown was lifted. At the beginning of May, Moolmans commenced the remobilisation of all open cut operations, with the exception of Gamsberg and the Platreef underground operations which was at 50% of capacity. The business continued to progressively restore operational capacity during the remainder of the financial year. Standard operating procedures were implemented to increase personal safety at work and reduce the spread of infections.

The renegotiation and extension of contracts on more favourable terms, the substantial turnaround in the performance of a number of loss-making projects, the successful completion of the Platreef shaft sinking project and sound operational performance at the Klipspruit project all contributed positively. The underperformance on the Gamsberg contract has subsequently been addressed and detailed recovery plans implemented on the Tshipi and Kolomela projects.

Work in hand remained flat at R4,9 billion at 30 June 2020 and supports 81% of budgeted revenue of FY21.

## NON-CORE BUSINESSES

### Construction and Engineering: South Africa and rest of Africa

*This operating segment comprises Aveng Construction: South Africa and Aveng Capital Partners*

All of the Aveng Construction: South Africa business units, were sold with effect from November and December 2019. Subsequent to year end, GEL sold effective 1 July 2020.

Revenue decreased by 59% to R1,9 billion (June 2019: R4,6 billion) as business units were disposed of and the business reported a net operating loss of R174 million (June 2019: R401 million loss). The project management office continues to manage and implement the significant task of closing out the non-core disposals and ensuring that the Group complies with all statutory, legal, technical, commercial and human resources obligations.

### Manufacturing and Processing

*This operating segment comprises Trident Steel and Aveng Manufacturing.*

#### Trident Steel

Revenue decreased by 36% largely as a result of the restructuring of the tube and Roodekop merchanting divisions. The business reported an operating profit of R14 million (June 2019: R39 million). Trident Steel generated R172 million operating free cash flow, mainly as a result of a bulk sale of inventory. This sale allowed Aveng to monetise a significant part of its inventory and significantly reduce its working capital. The business is now strategically well positioned as a steel services centre business in various prime locations in South Africa.

#### Aveng Manufacturing

*This operating group consists of Aveng Automation & Controls Solutions (ACS), Aveng Dynamic Fluid Control (DFC), Aveng Duraset, Aveng Infraset and Aveng Rail.*

Aveng Manufacturing reported a 36% decrease in revenue to R1,3 billion (June 2019: R2,0 billion) and a net operating loss of R55 million (June 2019: R168 million loss). Major contributors to the performance were:

- ▶ the disposal of Rail and DFC resulted in lower revenue compared to the previous period;

## Commentary continued

- ▶ a continued weak market coupled with operational underperformance in Duraset and Infraset; and
- ▶ continued profitability by ACS.

### MARKET REVIEW

McConnell Dowell's core market sectors in Australia continue to grow at a steady pace, driven largely by public sector investment in the engineering, construction and infrastructure development sectors. McConnell Dowell is benefiting from an expanding pipeline of transport, infrastructure and energy projects and strong demand for its specialist capabilities in marine, rail, hydropower and dams. Growing investment in transport infrastructure is contributing to an increase in project work and contract sizes. McConnell Dowell has a solid baseload of work in Victoria and South Australia and is expanding its footprint in New South Wales, Western Australia and Queensland.

Similarly, in New Zealand, McConnell Dowell's core markets are supported by significant public sector investment in transport, housing and water infrastructure to serve the country's growing population. Key growth drivers include government plans to develop and maintain road and rail networks. The government signalled its intention in 2019 to take advantage of the low cost of borrowing by expediting approximately NZ\$6,9 billion of spending on infrastructure projects.

Opportunities in the transport, energy and wastewater infrastructure sectors in Southeast Asia were heavily impacted by COVID-19 lockdowns in Singapore and Indonesia. The region's medium-term to long-term outlook remains promising and McConnell Dowell's competitive position may benefit from the recent withdrawal of some international competitors from the heavily contested markets. However, opportunities continue to be tempered by political uncertainty.

Conditions in the South African mining sector, now Aveng's primary domestic market, are mixed. While global and domestic opportunities in open cut and underground mining remain promising, the South African market has underperformed relative to its potential due to ongoing policy uncertainty and weak economic conditions which inhibit investment.

The few remaining South African based non-core businesses which have not yet been disposed of were heavily impacted by weakness in their operating markets.

### FINANCIAL PERFORMANCE

Aveng reported an improved headline loss of R950 million (June 2019: R1.5 billion), and a net loss of R1,1 billion (June 2019: R1,7 billion). The basic loss per share was 5,8 cents compared to 10,5 cents in the comparative period and the headline loss per share was 4,9 cents (June 2019: 9,7 cents loss per share).

### Statement of comprehensive earnings

In the first half of the year, both of the core operations of the Group contributed to a significant improvement in the Group's performance. McConnell Dowell and Moolmans (including the corporate office) recorded revenue of R6,9 billion (December 2018: R6,8 billion) resulting in R99 million net operating earnings (December 2018: R307 million loss) courtesy of a R283 million turnaround at Moolmans.

In the second half of the year, both core businesses were adversely affected by the impact of COVID-19. A net operating loss of R416 million was recorded in the second half. Moolmans was responsible for R79 million of the loss (with R66 million being attributed to COVID-19 losses), while operations at McConnell Dowell resulted in a R221 million loss. Included in the McConnell Dowell loss was a non-cash claims write-down of

R225 million relating to the settlement of Gold Coast and Wheatstone claims. Excluding claims write-offs at McConnell Dowell, both core business produced underlying operating profits.

Non-core businesses continued to underperform in challenging market conditions and was exacerbated in second half of the financial year by the COVID-19, particularly, in South Africa. These businesses recorded a net operating loss of R215 million (June 2019: R530 million loss).

**Group revenue** of R20.9 million decreased by 19% from prior year as the Group proceeded with planned non-core asset disposals in the first half and was adversely impacted by COVID-19 in the second half of the year.

**Net operating loss** decreased to R532 million (June 2019: R 1 119 million) of which R14 million was operating profit in the first of half, contrasted by an operating loss of R546 million in the second half of the year.

R127 million overhead saving was realised on the restructuring of the corporate office, curtailment of consulting fees and other cost-saving initiatives.

**Net finance charges** reduced to R299 million excluding IFRS 16 notional interest of R130 million (June 2019: R406 million). Finance expenses decreased in comparison to prior year due the early conversion of bonds. Finance income reduced due to lower cash balances in high interest earning regions.

### Statement of financial position

**Property, plant and equipment (PPE)** increased with right-of-use assets to the value of R1,5 billion, of which R926 million related to Held for Sale PPE, following

the implementation of IFRS 16 Leases. The modified retrospective approach was adopted with the effect of initially applying the standard at the date of transition, 1 July 2019. The balance of continuing operations right-of-use assets amounted to R439 million at 30 June 2020 after depreciation.

The Group incurred **capital expenditure**, including non-core assets, of R787 million (June 2019: R834 million), applying R781 million (June 2019: R730 million) to replace and R6 million (June 2019: R104 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- ▶ R148 million at McConnell Dowell, relating to specific projects across the various businesses
- ▶ R609 million at Moolmans, primarily as a result of investment in existing fleet

**Assets held for sale** decreased by R1,5 billion to R2,3 billion (June 2019: R3,8 billion) mainly due to the sale of Aveng DFC, Buildings and Civils, Mechanical and Electrical and Rand Roads. The transitional impact of IFRS 16 Leases resulted in recognition of right-of-use assets of R926 million, which were included in the assets held for sale as at 1 July 2019.

**Borrowings and other liabilities**, pre-IFRS 16, decreased by R262 million to R1,9 billion from June 2019. The implementation of IFRS 16 Leases resulted in a R1,5 billion increase in lease liabilities of which R926 million related to held for sale lease liabilities. The balance of continuing operations' lease liabilities amounted to R497 million (R323 million non-current liabilities and R174 million current liabilities) at 30 June 2020. The discontinued operations lease liabilities amounted to R854 million after considering lease payments and notional interest.

## Commentary continued

**Liabilities Held for Sale** decreased by R1,4 billion to R2,0 billion (June 2019: R3,4 billion) due to the movement in working capital associated with non-core assets and the disposal of businesses, mentioned above. The transitional impact of IFRS 16 resulted in recognition of lease liabilities of R926 million, which were included in the liabilities held for sale as at 1 July 2019.

**Amounts due from contract customers** for the Group (non-current and current) reduced by R90 million to R2,5 billion due to the settlement of Wheatstone and Gold Coast claims, as well as the unwinding of contracts. An amount of R78 million relating to Aveng Construction: South Africa offset the claims as it was transferred out of Held for Sale.

**Accumulated losses** decreased by R184 million on 1 July 2019 as a result of the implementation of IFRS 16. The decrease is as a result of the reversal of the operating lease straight-lining liability which was previously included in the trade and other payables balance at 30 June 2019. The recognition of a right-of-use asset and lease liability eliminates the need for a straight-lining liability, which is reversed at the date of transition, 1 July 2019.

**Operating free cash flow** amounted to an outflow of R5 million (June 2019: R1 billion outflow) mainly due to:

- ▶ cash inflow of R506 million (June 2019: R362 million outflow) in McConnell Dowell;
- ▶ cash inflow of R191 million (June 2019: R201 million outflow) at Moolmans;
- ▶ cash outflow of R544 million (June 2019: R488 million outflow) at Construction and Engineering: South Africa;
- ▶ cash inflow at Aveng Manufacturing of R84 million (June 2019: R131 million

outflow);

- ▶ R247 million of proceeds on disposal of non-core assets;
- ▶ net finance charges of R417 million; and
- ▶ taxation paid of R50 million.

**Cash and bank balances (net of bank overdrafts)** decreased to R1,3 billion (June 2019: R1,6 billion) and the net debt position increased to R1 billion (June 2019: R540 million). The increase in net debt position was mainly attributable to the recognition of an additional R497 million recognised as a result of IFRS 16 Leases lease liabilities. Excluding the impact of IFRS 16 Leases, net debt increased marginally to R552 million.

### SAFETY

The Group achieved its goal of zero fatalities during the year and continues to experience satisfactory performance trends across its key safety, health and environment indicators. This is largely attributable to disciplined compliance with safety health and environment management systems and local regulatory requirements, management visibility and employee engagement on project sites, increased identification, monitoring and reporting of hazards and ensuring that lessons learnt inform future performance.

The total recordable injury frequency rate (TRIFR) was 0,74 against the Group's target of 0,82 and demonstrates a trend of continuous improvement over the past four years. The use of the TRIFR indicator is in line with industry standards and includes fatalities, lost time injuries, restricted workday cases and medical treatment cases. The TRIFR is calculated using 200 000 man hours as the baseline for its frequency rate.

### Work in hand

Aveng enters the new financial year with work in hand of R26,8 billion for the McConnell Dowell and Moolmans businesses which represents a 41% year-on-year growth. This secured 90% of the budgeted revenue for the core operations in 2021. In addition, both businesses have significant pipelines of tenders under evaluation or pending contract award.

### OUTLOOK

Aveng will focus on completing the balance sheet restructure and recapitalisation transaction in order to deleverage the business and improve the Group's South African liquidity pool.

Although Aveng's external environment remains unpredictable due to COVID-19, the Board and management are committed to the Group's strategy and confident that its leadership and core businesses will continue to achieve their growth plans. This, in turn, will create sustainable long-term value for our stakeholders. Key focus areas for FY21 will include the following:

- ▶ Implementation of the restructure and recapitalisation plan
- ▶ Continued improvement of operational performance in McConnell Dowell and Moolmans
- ▶ Grow and optimise quality of work in hand
- ▶ Navigate COVID-19 challenges for the foreseeable future through:
  - managing liquidity; and
  - protect livelihood and well-being of employees
- ▶ Positive cash generation
- ▶ Further reduction in Group cost structure
- ▶ Complete the disposal of non-core assets
- ▶ Close out of project management office function.

### Disclaimer

The financial information on which any outlook statements are based has not been reviewed or reported on by the external auditor. These forward-looking statements are based on management's current belief and expectations and are subject to uncertainty and changes in circumstances. The forward-looking statements involve risks that may affect the Group's operations, markets, products, services and prices.

By order of the Board



### **SJ Flanagan**

*Group chief executive officer*



### **AH Macartney**

*Group finance director*

Date of release: 30 November 2020

# Salient features – segmental analysis

for the year ended 30 June 2020

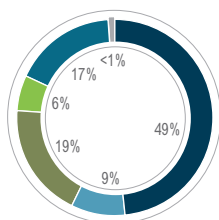
## Net operating loss – segmental analysis

	FY20 Rm	FY19 Rm	Change %
Construction and Engineering: Australia and Asia*	(162)	110	>100
Mining	38	(372)	>100
Other and Eliminations	(193)	(327)	41
<b>Total continuing operations</b>	<b>(317)</b>	<b>(589)</b>	<b>46</b>
Construction and Engineering: South Africa and rest of Africa	(174)	(401)	57
Aveng Construction: South Africa**	(174)	(400)	57
Aveng Capital Partners	–	(1)	>100
Manufacturing and Processing	(41)	(129)	68
Aveng Steel	13	39	67
Aveng Manufacturing	(54)	(168)	68
<b>Total discontinued operations</b>	<b>(215)</b>	<b>(530)</b>	<b>59</b>
<b>Net operating loss</b>	<b>(532)</b>	<b>(1 119)</b>	<b>52</b>
Loss attributable to equity-holders of the parent	(1 116)	(1 681)	33
<b>Headline loss</b>	<b>(950)</b>	<b>(1 545)</b>	<b>39</b>

\* Includes a claims write-down of R227 million.

\*\* Formerly Aveng Grinaker-LTA.

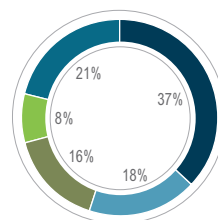
## REVENUE PER OPERATING GROUP



2020

**R20,9 billion**

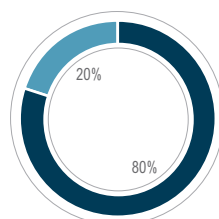
- McConnell Dowell
- Aveng Grinaker-LTA
- Aveng Mining
- Aveng Manufacturing
- Aveng Steel
- Other and Eliminations



2019

**R25,7 billion**

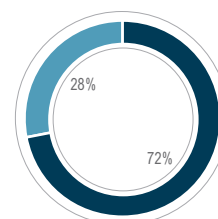
## WORK IN HAND PER OPERATING GROUP



2020

**R26,8 billion**

- McConnell Dowell
- Aveng Mining



2019

**R19,0 billion**

# Summarised statement of financial position

as at 30 June 2020

Notes	2020 Rm	2019 Rm
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill arising on consolidation	100	100
Intangible assets	15	39
Property, plant and equipment	3 180	2 814
Equity-accounted investments	35	45
Infrastructure investments	259	142
Derivative instruments	1	–
Deferred taxation	813	622
Long-term receivables	43	–
Amounts due from contract customers	9	462
	<b>4 446</b>	4 224
<b>Current assets</b>		
Inventories	187	214
Derivative instruments	9	–
Amounts due from contract customers	9	2 159
Trade and other receivables	358	194
Taxation receivable	41	43
Cash and bank balances	1 755	1 605
	<b>4 881</b>	4 215
Assets Held for Sale	10	3 843
<b>TOTAL ASSETS</b>	<b>11 636</b>	12 282
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	3 874	3 874
Other reserves	1 102	781
Accumulated losses	(3 143)	(2 208)
Equity attributable to equity-holders of parent	1 833	2 447
Non-controlling interest	7	7
<b>TOTAL EQUITY</b>	<b>1 840</b>	2 454
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred taxation	166	86
Borrowings and other liabilities	11	1 450
Payables other than contract-related	104	115
Employee-related payables	330	245
	<b>1 913</b>	1 896
<b>Current liabilities</b>		
Amounts due to contract customers	9	813
Borrowings and other liabilities	11	695
Payables other than contract-related	44	21
Employee-related payables	243	283
Derivative instruments	–	1
Trade and other payables	2 764	2 683
Bank overdrafts	424	–
	<b>5 832</b>	4 496
Liabilities Held for Sale	10	3 436
<b>TOTAL LIABILITIES</b>	<b>9 796</b>	9 828
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 636</b>	12 282

# Summarised statement of comprehensive earnings

for the year ended 30 June 2020

	Notes	2020 Rm	2019 Rm
<b>Revenue</b>		<b>20 878</b>	25 676
Continuing operations		<b>14 185</b>	13 548
Discontinued operations	5	<b>6 693</b>	12 128
<b>Cost of sales</b>		<b>(19 907)</b>	(24 628)
Continuing operations		<b>(13 305)</b>	(12 764)
Discontinued operations	5	<b>(6 602)</b>	(11 864)
<b>Gross earnings</b>		<b>971</b>	1 048
<b>Other earnings</b>		<b>163</b>	110
Continuing operations		<b>37</b>	(8)
Discontinued operations	5	<b>126</b>	118
<b>Operating expenses</b>		<b>(1 647)</b>	(2 247)
Continuing operations		<b>(1 217)</b>	(1 331)
Discontinued operations	5	<b>(430)</b>	(916)
Loss from equity-accounted investments		<b>(19)</b>	(30)
<b>Operating loss</b>		<b>(532)</b>	(1 119)
Impairment loss on goodwill, intangible assets and property, plant and equipment	7/5	<b>(147)</b>	(241)
Impairment on equity-accounted investments		<b>(21)</b>	–
Gain on redemption of convertible bonds		–	102
Gain on disposal of assets Held for Sale		<b>24</b>	203
Gain on disposal of subsidiary	13	<b>10</b>	41
Gain on disposal of property, plant and equipment and intangible assets	5	<b>61</b>	36
Fair value adjustment on properties and disposal groups classified as Held for Sale	10/5	<b>(13)</b>	(51)
<b>Loss before financing transactions</b>		<b>(618)</b>	(1 029)
Interest earned on bank balances *		<b>32</b>	181
Interest on convertible bonds		–	(63)
Other finance expenses		<b>(461)</b>	(524)
<b>Loss before taxation</b>		<b>(1 047)</b>	(1 435)
Taxation	14/5	<b>(69)</b>	(245)
<b>Loss for the period</b>		<b>(1 116)</b>	(1 680)
<b>Loss from continuing operations</b>		<b>(825)</b>	(927)
<b>Loss from discontinued operations</b>	5	<b>(291)</b>	(753)
<b>Other comprehensive earnings</b>			
<b>Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):</b>			
Exchange differences on translating foreign operations		<b>318</b>	(73)
Convertible bond reserve movement		–	20
<b>Other comprehensive earnings / (loss) for the period, net of taxation</b>		<b>318</b>	(53)
<b>Total comprehensive loss for the period</b>		<b>(798)</b>	(1 733)

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



# Summarised statement of comprehensive earnings continued

for the year ended 30 June 2020

	2020 Rm	2019 Rm
<b>Total comprehensive loss for the period attributable to:</b>		
Equity-holders of the parent	<b>(798)</b>	(1 731)
Non-controlling interest	–	(2)
	<b>(798)</b>	(1 733)
<b>Loss for the period attributable to:</b>		
Equity-holders of the parent	<b>(1 119)</b>	(1 681)
Non-controlling interest	<b>3</b>	1
	<b>(1 116)</b>	(1 680)
<b>Other comprehensive earnings / (loss) for the period, net of taxation</b>		
Equity-holders of the parent	<b>321</b>	(50)
Non-controlling interest	<b>(3)</b>	(3)
	<b>318</b>	(53)
<b>Results per share (cents)</b>		
<b>From continuing and discontinued operations</b>		
Loss – basic	<b>(5,8)</b>	(10,5)
Loss – diluted	<b>(5,8)</b>	(10,5)
<b>From continuing operations</b>		
Loss – basic	<b>(4,3)</b>	(5,8)
Loss – diluted	<b>(4,3)</b>	(5,8)
<b>From discontinued operations</b>		
(Loss) / earnings – basic	<b>(1,5)</b>	(4,7)
(Loss) / earnings – diluted	<b>(1,5)</b>	(4,7)
<b>Number of shares (millions)*</b>		
In issue	<b>19 394,5</b>	19 394,5
Weighted average	<b>19 369,6</b>	15 995,5
Diluted weighted average	<b>19 369,6</b>	15 995,5

The continuing and discontinued operations' net operating loss before interest, depreciation and amortisation for the Group, being net operating loss before interest, tax, depreciation and amortisation is R362 million. The net operating loss before interest, tax, depreciation and amortisation for the Group in June 2019 was R369 million.

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

## Summarised statement of changes in equity

for the year ended 30 June 2020

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm
<b>YEAR ENDED 30 JUNE 2019</b>			
<b>Balance at 1 July 2018</b>	2 009	811	39
(Loss) / earnings for the period	–	–	–
Other comprehensive loss for the period (net of taxation)	–	(70)	–
<b>Total comprehensive loss for the period</b>	–	(70)	–
Equity-settled share-based payment charge	–	–	1
Redemption of convertible bond	–	–	–
Share issue – rights to qualifying shareholders (4 July 2018)	461	–	–
Share issue – early redemption convertible bond (25 September 2018)	1 404	–	–
Balance as at 30 June 2019	3 874	741	40
<b>YEAR ENDED 30 JUNE 2020</b>			
<b>Balance as at 30 June 2019 as previously reported</b>	<b>3 874</b>	<b>741</b>	<b>40</b>
Adoption of IFRS 16 accounting standard*	–	–	–
Balance at 1 July 2019	<b>3 874</b>	<b>741</b>	<b>40</b>
(Loss) / earnings for the period	–	–	–
Other comprehensive earnings / (loss) for the period (net of taxation)	–	321	–
<b>Total comprehensive earnings / (loss) for the period</b>	–	<b>321</b>	–
<b>Balance at 30 June 2020</b>	<b>3 874</b>	<b>1 062</b>	<b>40</b>

\* The adoption of IFRS 16 has reduced the accumulated losses opening balance by R184 million. Prior year balances have not been restated as detailed in note 2.3 Impact of adopting new standards on the statement of financial position.

Convertible bond equity reserve Rm	Total other reserves Rm	Retained earnings / (accumulated losses) Rm	Total attributable to equity-holders of the parent Rm	Non- controlling interest Rm	Total equity Rm
268	1 118	(815)	2 312	9	2 321
–	–	(1 681)	(1 681)	1	(1 680)
20	(50)	–	(50)	(3)	(53)
20	(50)	(1 681)	(1 731)	(2)	(1 733)
–	1	–	1	–	1
(288)	(288)	288	–	–	–
–	–	–	461	–	461
–	–	–	1 404	–	1 404
–	781	(2 208)	2 447	7	2 454
–	<b>781</b>	<b>(2 208)</b>	<b>2 447</b>	<b>7</b>	<b>2 454</b>
–	–	<b>184</b>	<b>184</b>	–	<b>184</b>
–	<b>781</b>	<b>(2 024)</b>	<b>2 631</b>	<b>7</b>	<b>2 638</b>
–	–	<b>(1 119)</b>	<b>(1 119)</b>	<b>3</b>	<b>(1 116)</b>
–	<b>321</b>	–	<b>321</b>	<b>(3)</b>	<b>318</b>
–	<b>321</b>	<b>(1 119)</b>	<b>(798)</b>	–	<b>(798)</b>
–	<b>1 102</b>	<b>(3 143)</b>	<b>1 833</b>	<b>7</b>	<b>1 840</b>

# Summarised statement of cash flows

for the year ended 30 June 2020

	Note	2020 Rm	2019 Rm
<b>Operating activities</b>			
Cash utilised from operations		(624)	(1 002)
Non-cash and other movements	15	110	(8)
<b>Cash utilised from operations after non-cash movements</b>		<b>(514)</b>	(1 010)
Depreciation		885	742
Amortisation		9	8
<b>Cash generated / (utilised) by operations</b>		<b>380</b>	(260)
<b>Changes in working capital:</b>			
Decrease in inventories		28	41
(Increase) / decrease in amounts due from contract customers		(57)	420
Increase in trade and other receivables		(85)	(18)
Increase / (decrease) in amounts due to contract customers		449	(327)
Decrease in trade and other payables		(160)	(274)
Decrease in derivative instruments		(11)	(4)
Increase / (decrease) in payables other than contract-related		12	(21)
Increase in employee-related payables		87	24
Increase / (decrease) in working capital Held for Sale		103	(161)
<b>Total changes in working capital</b>		<b>366</b>	(320)
<b>Cash generated / (utilised) by operating activities</b>		<b>746</b>	(580)
Finance expenses paid		(449)	(513)
Finance earnings received		32	181
Taxation paid		(50)	(90)
<b>Cash inflow / (outflow) from operating activities</b>		<b>279</b>	(1 002)
Acquisition of property, plant and equipment – expansion		(3)	(47)
Acquisition of property, plant and equipment – replacement		(759)	(674)
Proceeds on disposal of property, plant and equipment		143	97
Proceeds on disposal of assets Held for Sale		110	449
Proceeds on disposal of subsidiaries		116	61
Investments in associate and joint ventures		–	2
<b>Capital expenditure net of proceeds on disposal</b>		<b>(393)</b>	(112)

	2020 Rm	2019 Rm
Loans repaid by equity-accounted investments net of dividends received	–	6
Dividends received	25	3
Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale	84	102
<b>Cash outflow from investing activities</b>	<b>(284)</b>	<b>(1)</b>
<b>Operating free cash outflow</b>	<b>(5)</b>	<b>(1 003)</b>
<b>Financing activities with equity-holders</b>		
Proceeds from shares issued	–	1 866
<b>Financing activities with debt-holders</b>		
Repayment of external borrowings*	(390)	(1 149)
Proceeds from external borrowings*	115	1 935
Payment of capital portion of lease liabilities	(158)	–
Movement in borrowings and other liabilities classified as Held for Sale	(57)	(8)
Repayment on early redemption of convertible bond	–	(2 031)
<b>Cash (outflow) / inflow from financing activities</b>	<b>(490)</b>	<b>613</b>
Net decrease in cash and bank balances before foreign exchange movements	(495)	(390)
Foreign exchange movements on cash and bank balances	221	(81)
Cash and bank balances at the beginning of the period	1 605	2 076
<b>Total cash and bank balances at the end of the period</b>	<b>1 331</b>	<b>1 605</b>
Borrowings excluding bank overdrafts	2 380	2 145
Net debt position	(1 049)	(540)
Net debt position (excluding lease liabilities)	(552)	(540)

# Notes to the summarised consolidated annual financial statements

for the year ended 30 June 2020

## 1. CORPORATE INFORMATION

The summarised audited consolidated financial statements (results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the period ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 28 November 2020.

### Nature of business

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

### Change in directorate

Mr Eric Diack resigned as the executive chairman effective 30 April 2020, continued as non-executive chair, and resigned as a director effective 12 June 2020.

Mr Philip Hourquebie resigned as chair of the audit and risk committee effective 17 June 2020, and was appointed as independent non-executive chairman and chairman of the investment committee effective 17 June 2020.

Ms Bridgette Modise was appointed as a director effective 1 November 2019, and was appointed as chair of the audit and risk committee and a member of the investment committee effective 17 June 2020.

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

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

### Basis of preparation

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

The summarised audited consolidated financial statements are presented in South African Rand (ZAR) and all values are rounded to the nearest million (Rm) except where otherwise indicated. The accounting policies adopted are consistent with those of the previous year as well as the Group's interim results as at 31 December 2019, except as disclosed in *note 4: Standards and interpretations effective and not yet effective* of the Group's audited consolidated financial statements.

The summarised audited consolidated financial results 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 2020 that are available on the Company's website, [www.aveng.co.za](http://www.aveng.co.za).

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

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

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

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

### Changes to Group accounting policies

The Group adopted *IFRS 16 Leases (IFRS 16)* (see 2.1) and *IFRIC 23 Uncertainty over Income tax Treatment (IFRIC 23)* with effect from 1 July 2019.

A number of other new standards and interpretations are effective from 1 July 2019, but they do not have a material effect on the Group's financial statements.

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

### 2.1 IFRS 16 Leases

The Group has adopted *IFRS 16* using the modified retrospective approach, with the effect of initially applying the standard recognised at the date of initial application (ie 1 July 2019). Accordingly, the information presented for 30 June 2019 has not been restated – ie it is presented, as previously reported under *IAS 17 Leases (IAS 17)*, *IFRIC 4 Determining whether an Arrangement contains a Lease (IFRIC 4)* and related interpretations. The nature and effect of these changes are disclosed below.

*IFRS 16* establishes a comprehensive framework for determining the recognition, measurement and disclosures of leases, and to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. It replaces *IAS 17*, *IFRIC 4* and related interpretations.

On adoption of *IFRS 16*, the Group recognised lease liabilities in relation to leases which had been previously classified as “operating leases” under the principles of *IAS 17* as well as those contracts which may meet the definition of leases under *IFRS 16*, not previously classified as “operating leases” under *IAS 17*. The Group measured the lease liability (and corresponding right-of-use asset) at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 July 2019.

The Group as a lessee has elected to use the following optional transitional expedients on a lease-by-lease basis at the transition date:

- ▶ not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the Group elects to not apply *IFRS 16* to contracts that were previously identified as leases applying *IAS 17* and *IFRIC 4*;
- ▶ to apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- ▶ to account for short-term leases with a lease term that ends within 12 months of the date of initial application as an expense on either a straight-line basis over the lease term or another systematic basis.

The lessee’s weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was between 6,0% and 10,5%, based on the portfolio in which the lease was included.

Reconciliation of lease commitments at 30 June 2019 to lease liabilities (excluding asset-backed financing arrangements) at 1 July 2019	Rm
<b>Operating lease commitments disclosed as at 30 June 2019</b>	1 971
Recognition exemption for:	
Short-term leases recognised on a straight-line basis as an expense	(105)
Low-value leases recognised on a straight-line basis as an expense	(4)
Contracts reassessed as lease contracts	78
Extension and termination options reasonably certain to be exercised	147
Discounted using the lessee’s weighted average incremental borrowing rate at the transition date	(604)
Lease liabilities classified as Held for Sale*	(926)
<b>Lease liabilities recognised as at 1 July 2019</b>	557
<b>Of which are:</b>	
Current lease liabilities	241
Non-current lease liabilities	316
	557

\* The operating lease commitments included in the Construction and Engineering: South Africa and Manufacturing and Processing disposal groups are classified as Held for Sale at 1 July 2019, and are accounted for in terms of *IFRS 5*.

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

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

### 2.1 IFRS 16 Leases continued

#### Determining whether a contract contains a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- ▶ the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- ▶ the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- ▶ the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contracts in existence, entered into, or modified, on or after 1 July 2019.

#### Calculating the discount rate

The Group initially measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's weighted average incremental borrowing rate per portfolio of leases with reasonably similar characteristics. Generally, the Group uses its weighted average incremental borrowing rate as the discount rate.

#### Determining the lease term

The Group has determined the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term includes any rent-free periods provided to the lessee by the lessor.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### Separation of lease components

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.



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

### 2.2 IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted *IFRIC 23* from 1 July 2019. The new interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects *IAS 12 Income Taxes*. The interpretation addresses the following:

- ▶ Whether an entity considered uncertain tax treatments separately
- ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- ▶ How an entity determines taxable profit / (loss), tax bases, unused tax losses, unused tax credits and tax rates
- ▶ How an entity considers changes in facts and circumstances.

The Group has determined that there is no significant impact on the summarised audited consolidated financial statements from the change in the accounting standard.

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

In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the *IFRS 16* transition date:

	As reported previously at 30 June 2019 Rm	<i>IFRS 16</i> transition adjustments Rm	Opening balance at 1 July 2019 Rm
<b>Impact on assets and liabilities at 1 July 2019</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2 814	557	3 371
Assets Held for Sale*	3 843	926	4 769
<b>Total assets impact</b>		1 483	
<b>Equity</b>			
Accumulated losses**	(2 208)	184	(2 024)
<b>Total equity impact</b>		184	
<b>Current liabilities</b>			
Borrowings and other liabilities	695	241	936
Trade and other payables***	2 683	(114)	2 569
<b>Non-current liabilities</b>			
Borrowings and other liabilities	1 450	316	1 766
Liabilities Held for Sale****	3 436	856	4 292
<b>Total equity impact</b>		1 299	

\* Right-of-use assets amounting to R926 million in the Construction and Engineering; South Africa and rest of Africa and Manufacturing and Processing disposal groups are classified as Held for Sale at 1 July 2019, and are accounted for in terms of *IFRS 5*.

\*\* The decrease in accumulated losses is as a result of straight-lining of operating lease liabilities previously recognised under *IAS 17 Leases* (R114 million continuing operations and R7 million discontinued operations)

\*\*\* Included in trade and other payables at 30 June 2019 is an amount of R114 million relating to the straight-lining of operating lease liabilities previously recognised under *IAS 17*. As the Group adopted *IFRS 16* using the modified retrospective approach, the straight-lining of operating lease liabilities are reversed at transition date.

\*\*\*\* The net effect of liabilities Held for Sale at transition is an increase of R856 million. Lease liabilities amounting to R926 million in the Construction and Engineering; South Africa and rest of Africa and Manufacturing and Processing disposal groups are classified as Held for Sale at 1 July 2019, and are accounted for in terms of *IFRS 5*. In addition, trade and other payables Held for Sale at 30 June 2019 included an amount of R70 million relating to the straight-lining of operating lease liabilities previously recognised under *IAS 17*.

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

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

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

#### Continuing operations

The adoption of *IFRS 16* has impacted the property, plant and equipment through the recognition of right-of-use assets amounting to R557 million. At the end of the prior reporting period, the Group had operating lease commitments amounting to R578 million which have been appropriately discounted and included in the lease liabilities. At inception, the lease liabilities comprised a current portion of R241 million, and a non-current portion of R316 million.

#### Discontinued operations

The adoption of *IFRS 16* has impacted the property, plant and equipment through the recognition of right-of-use assets amounting to R926 million in the Construction and Engineering: South Africa and rest of Africa disposal group and Manufacturing and Processing group which have been classified as Held for Sale. At the end of the prior reporting period, the Group had operating lease commitments amounting to R1 393 million which have been appropriately discounted and included in the lease liabilities. At inception, the lease liabilities comprised a current portion of R86 million, and a non-current portion of R840 million.

#### Short-term leases and leases of low-value assets

While determining the effect of the transition adjustment at 1 July 2019, the Group applied the transition recognition exemption within *IFRS 16.C10(c)(j)* for short-term leases and *IFRS 15.C9(a)* for leases of low-value assets. At 1 July 2019, the Group determined that operating lease commitments amounting to R105 million at 30 June 2019 qualified as short-term leases which were due to come to an end within 12 months of the transition date. Furthermore, lease contracts that contained low-value assets which met the recognition exemption had a combined asset value of R4 million at 1 July 2019.

### 2.4 Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets Rm	Lease liabilities Rm
<b>As at 1 July 2019</b>	<b>1 483</b>	<b>(1 483)</b>
Classified as Held for Sale	(926)	926
Additions	98	–
Depreciation	(272)	–
Foreign exchange movement	56	(57)
Interest expense	–	(41)
Payments	–	158
<b>As at 30 June 2020</b>	<b>439</b>	<b>(497)</b>

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

### 2.4 Amounts recognised in the statement of financial position and profit or loss continued

The right-of-use asset balance at 30 June 2020 is made up of the following classes:

	Right-of-use assets Rm
Land and buildings	345
Plant, equipment and vehicles	94
<b>As at 30 June 2020</b>	<b>439</b>

#### Short-term leases and leases of low-value assets

The Group recognised rent expense from short-term leases of R210 million, leases of low-value assets of R17 million, and no variable lease payments for the period ended 30 June 2020.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

### 3.1 Judgements and estimation assumptions

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

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

#### 3.1.1 Deferred taxation

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

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

### 3.1 Judgements and estimation assumptions continued

#### 3.1.2 Amounts due from / (to) contract customers

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

Refer to *note 9: Amounts due from / (to) contract customers* for further detail.

#### 3.1.3 Loss making and onerous contracts

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

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

#### 3.1.4 Trade and other receivables and contract receivables

##### Allowance for doubtful debts

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

##### Provision for expected credit losses

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

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

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

#### 3.1 Judgements and estimation assumptions continued

##### 3.1.4 Trade and other receivables and contract receivables continued

###### Provision for expected credit losses continued

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

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

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

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

##### 3.1.6 Revenue recognition

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

Judgements made in the application of the accounting policies for contracting revenue and profit or loss recognition include:

- ▶ the determination of the point in the progress toward complete satisfaction of the performance obligation;
- ▶ the determination of when it is highly probable that revenue will not be reversed in the future for claims and variations;
- ▶ estimation of total contract revenue and total contract costs;
- ▶ assessment of the amount the client will pay for contract variations; and
- ▶ estimation of project production rates and programme through to completion.

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

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

### 3.1 Judgements and estimation assumptions continued

#### 3.1.6 Revenue recognition continued

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

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

#### 3.1.7 Leases

Judgements made in the application of the accounting policies for leases include:

- ▼ determining whether a contract contains a lease;
- ▼ calculating the discount rate;
- ▼ determining the lease term;
- ▼ application of exemptions for short-term leases and leases of low-value assets; and
- ▼ separation of lease components.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. In determining whether a contract is, or contains a lease, the Group considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In determining an appropriate discount rate, the Group considers on a lease-by-lease basis whether there is an interest rate implicit in the lease or, if that rate cannot be readily determined, the Group uses judgement in determining an incremental weighted average borrowing rate. In calculating the weighted average incremental borrowing rate, the Group uses a portfolio approach whereby a single discount rate is calculated per portfolio of leases with reasonably similar characteristics. The basis of the discount rate is determined using a cost of debt rate that the Group would pay to borrow funds over a similar term, and with similar security, to obtain an asset of similar value to the right-of-use asset in a particular jurisdiction.

The Group considers the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lease term includes any rent-periods provided to the lessee by the lessor.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate the non-lease components but rather account for the lease and non-lease components as a single lease component.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

#### 3.1 Judgements and estimation assumptions continued

##### 3.1.8 Uncertainty over income tax treatments

In determining the taxable profit / (loss), tax bases, unused tax losses and tax rates, management assumes that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

In determining whether tax treatments should be considered independently or on a collective basis, the Group selects the approach that provides better predictions of the resolution of the uncertainty. The Group reassesses the tax treatment if facts and circumstances change.

##### 3.1.9 Impact of the COVID-19 on operations

At 30 June 2020, the impact and duration of the current COVID-19 outbreak and the related measures taken to control it, including the likelihood of a global recession, are not yet known. In preparing these financial statements, the short-term impact on items such as financial instruments, working capital, sales and provisions has been considered. The valuations of financial assets and liabilities carried at fair value reflect inputs at the balance sheet date. In assessing the carrying value of its other non-current assets, the Group has assumed that, despite a significant short-term impact, long-term market conditions remain unchanged, as the timing and scale of the economic impact and recovery remain uncertain.

##### 3.1.10 Held for Sale – subsequent measurement criteria

In determining whether the non-core disposal groups continue to be classified as Held for Sale, management believes that the carrying amount of these disposal groups will be recovered through a sale transaction rather than through continuing use. Management uses judgement in determining whether the sale of CGUs remains highly probable.

In the preceding 12 months there have been numerous expressions of interest, and a number of non-binding offers for CGUs within the disposal groups, however, the Group did not receive reasonable offers to purchase all of the remaining CGUs. The delay in the finalisation of sales were due to events and circumstances beyond the control of management; including but not limited to the significant impact of COVID-19 on the ability to obtain the best value for the remaining assets, and the corresponding uncertainty within the market brought about during lockdown.

Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of has been revised during the year. The appropriate level of management remains committed to a plan to sell the CGUs and expect that the sales will be concluded within the next 12 months.

Through the use of these judgements, the Group concludes that the carrying amount of the remaining disposal groups classified as Held for Sale will be recovered principally through a sale transaction rather than continuing use. The Group will continue to reassess the classification should facts and circumstances change.

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

## 4. GOING CONCERN AND LIQUIDITY

As detailed in *note 2: Basis of preparation and changes to the Group accounting policies* and *note 17: Events after the reporting period* to the financial statements, in determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group can continue in operational existence for the foreseeable future.

In concluding this assessment, the Board has taken the following considerations into account:

### Execution of plans

- ▶ Continued improvement in the operating performance and therefore underlying value and sustainability of both McConnell Dowell and Moolmans;
- ▶ Progress on the non-core asset disposal plan, including:
  - The receipt of proceeds of R226 million in the 2020 financial year, including, Aveng DFC of R114 million, *Aveng Construction Building and Civil Engineering of R3 million, Aveng Grinaker-LTA Mechanical and Electrical* for R72 million and a R37 million payment for *Aveng Construction Rand Roads*;
  - Subsequent to year end, disposals were concluded in respect of Ground Engineering Limited (GEL), Duraset, REHM Grinaker, Infraset Pietermaritzburg and various properties totalling R54 million;
  - The restructure of Aveng Trident Steel to focus on the value-added service centre business, thereby improving profitability and allowing the Group to monetise a significant part of the inventory and reduce working capital; and
  - Other disposals are at varying stages of execution.
- ▶ updated budget and business plans for post-year end period up to 30 June 2022 for the Group, incorporating the benefits already realised and expected from actions taken, as well as future benefits from improved liquidity to be achieved
- ▶ sensitivity testing of key inputs included in the operating and liquidity forecasts to ascertain the effect of non-achievement of one or more of the key inputs (operational performance of core assets, non-core asset disposal timing), including any effect on the ongoing compliance with covenant requirements in place with the South African lending banks, Australian banks or other financing agreements within the individual liquidity pools; and
- ▶ the South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations.

In the 2020 financial year, the Group reported a loss after tax of R1,1 billion, inclusive of R147 million of impairments. As a result of these losses, the continued difficult trading conditions in South Africa and the impact of COVID-19 on the operations (discussed below), the Group's available cash resources were negatively impacted. The Group continues to focus on improving operational performance, reducing overhead and improving working capital efficiencies. To this end, a number of Group initiatives have been concluded or are in progress.

The Group has cash (net of bank overdraft facilities) of R 1.3 billion (30 June 2019: R1.6 billion) at 30 June 2020, of which R429 million (30 June 2019: R624 million) is held in joint arrangements. Unutilised facilities (includes bank overdraft facilities of R605 million) amounted to R483 million (30 June 2019: R302 million).



#### 4. GOING CONCERN AND LIQUIDITY continued

##### Achieved during the period to support the going concern assumption

- ▶ Arranged two additional short-term working capital facilities of R200 million each with the South African Banking Group to address a seasonal low point in the Group's cash flow that was exacerbated by specific unanticipated market events surrounding the COVID-19 pandemic, including timing delays of non-core asset sales in the latter part of the 2020 financial year, of which R200 million was repaid on 31 August 2020;
- ▶ A permanent cashflow contribution of R168 million (unaudited) from Aveng directors, employees and management in South Africa by way of salary cuts in response to COVID-19 between April and June 2020; and
- ▶ McConnell Dowell implemented salary reductions for all management and staff above a particular pay scale and not directly employed on project sites which remained open as a response to COVID-19.

##### COVID-19 pandemic

The unprecedented challenges of COVID-19 were dealt with effectively as the Group demonstrated its agility and resilience in response to the pandemic. The Group's diversity across customers, geographies, industry sectors and commodities provided risk mitigation and softened the impact on the overall business performance. Despite this risk mitigation, the COVID-19 pandemic created a liquidity shortfall during April and May 2020. This shortfall was managed through a short-term facility of R200 million by the Group's South African relationship banks which was repaid in August 2020 and the savings contributed by staff, management and the Board taking salary and wage cuts of approximately R168 million. The Board extends its thanks to all employees for this contribution in such exceptional circumstances.

The Group responded proactively to the restrictions and lockdowns by taking measures to protect its employees, operations and its financial position. Initiatives, including prudent cash management, working capital management and cost reductions were implemented across the Group. As a result of the restrictions and measures imposed, the Group's business units were severely impacted during the reporting period. Operations were restricted in South Africa, New Zealand and South-East Asia for varying lengths of time. Australian operations continued throughout the period.

Support from clients varied from compensation for costs incurred and time lost, to only allowing extensions of time for project delays resulting from COVID-19 restrictions and measures.

At the time of this report, the Group has estimated that COVID-19 negatively impacted its EBIT by approximately R380 million (unaudited).

Due to the uncertainty of the pandemic, and the response by governments and societies around the globe, it is expected that the commercial close-out of all COVID-19 related impacts will take some time to quantify.

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

## 4. GOING CONCERN AND LIQUIDITY continued

### Achieved subsequent to year end

Subsequent to year end, the Group announced the restructuring and the recapitalisation of its balance sheet. Details of this are set out in *note 17: Events after the reporting period*.

### Liquidity, solvency and ongoing funding

The Group continues to actively manage the liquidity and cash flow in two distinct liquidity pools, namely McConnell Dowell and the South African liquidity pool. McConnell Dowell's liquidity benefited from the deliberate action to settle legacy claims, the receipt of advance payments and a growing order book. As a result, McConnell Dowell will report a strong cash balance with sufficient cash and liquidity to support the growing order book and the growth opportunities that this market continues to present. The strict lockdown regulations announced in South Africa and related loss of revenue negatively impacted a liquidity position that was already under pressure. As noted, this was mitigated through short term facilities that have subsequently been repaid and a significant contribution by our people. The South African liquidity pool remains tightly managed and has demonstrated significant improvement over the first quarter of FY 2021.

Management prepared a budget for the 2021 financial year and the following two years, as well as preparing cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared with the assistance of several independent external consultants and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. Notably, the preparation of budgets, plans and forecasts include consideration of the impact of the COVID-19 pandemic. This included management's responses to the effects thereof. Whilst management has taken action to address these effects, this pandemic continues to evolve and represents a risk to the achievement of these budgets, plans and forecasts. Management will continue to respond to the circumstances as these emerge. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

The Group's current liabilities of R5,8 billion exceeded its current assets of R4,9 billion at 30 June 2020. This was mainly due to the classification of the short-term debt portion of R1,1 billion to current borrowings. Following the extension to the CTA concluded post year-end, this short-term portion will reduce.

Following a multi-year journey, the restructuring and recapitalisation transaction announced post year-end, will allow the Group to reset its capital structure, deleveraging the balance sheet by more than R1 billion, extending the Group's maturity profile to 3 years, and simultaneously materially improving the Group's South African liquidity pool. Following this transformational event, Aveng believes that the remaining debt is sustainable and the remaining balance is forecast to be repaid over the next three years. Importantly, this transaction not only provides Aveng the capital structure flexibility to complete its non-core asset sale program and to wind down its remaining exposure to discontinued businesses, but also sets the Group on a path to pursue its strategy around the Group's core businesses, McConnell Dowell and Moolmans, which have returned to profitability and where Aveng sees further business improvement prospects and growth opportunities.

#### 4. GOING CONCERN AND LIQUIDITY continued

##### Liquidity, solvency and ongoing funding continued

The forecasts indicate that the Group will have sufficient cash resources for the foreseeable future. The core businesses are performing in line with the plan and are therefore expected to generate sufficient cash to repay the long-term debt. In addition, the Group's remaining non-core businesses (particularly Trident Steel) are expected to generate sufficient cash from operations to contribute to available liquidity. The disposals of the remaining non-core assets are expected to be completed during the 2021 financial year and will contribute to the repayment of the debt and available liquidity.

The directors have considered all of the above up to the date of approval of these financial statements, including detailed consideration of the current position of all core and non-core businesses, all business plans and forecasts, including all available information, and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements, and that sufficient liquidity will be available to support the ongoing operations of the Group and that the realisation of assets and the settlement of liabilities, including contingent liabilities and commitments, will occur in the ordinary course of business.

Refer to note 17: *Events after the reporting period*.

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#### 5. DISCONTINUED OPERATIONS

##### Identification and classification of discontinued operations

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

A comprehensive plan was developed and is being implemented by management to execute on the critical findings of the strategic review. Some of the critical findings included the reshaping of the Group's operating structure to a smaller and more focused group. The newly envisaged Group structure comprises McConnell Dowell and Aveng Moolmans forming the core businesses of the Group with Aveng Construction: South Africa (formerly Aveng Grinaker-LTA), Aveng Manufacturing and Aveng Trident Steel being deemed the non-core operating groups. As at 30 June 2020, management remained committed to a robust plan to exit and dispose of the identified non-core operating groups.

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

## 5. DISCONTINUED OPERATIONS continued

### Extension of discontinued operations beyond 12 months

The extension of the classification of the remaining operations within non-core operating segments as discontinued operations beyond 12 months is supported by the ongoing commitment from the Board to actively sell the Held for Sale assets in line with the strategic review. Unforeseen challenges outside the control of management, including the negative effects of the COVID-19 pandemic on the disposal process, have delayed the execution of sales on the remaining assets. As at 30 June 2020, the Group did not have reasonable binding offers to purchase the remaining assets. Despite the delays in the disposal of these assets, management believes that the sales remain highly probable and has embarked on renewed efforts to sell the assets by engaging external partners to assist in active programmes to locate buyers and complete the sale of these assets in line with the strategic review. At year end, these assets remain available for immediate sale in their present condition subject only to terms that are usual and customary for the sales of such assets. Management continues to actively market the assets at prices that are reasonable in relation to their current fair value, which leads management to conclude that it is highly probable that the sale of the remaining assets within the non-core operating segments will be concluded in the next 12 months.

As part of the extension to the period to complete the sales, the continued support by the Board and plan by management to locate buyers indicate that it is highly unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Aveng Construction: South Africa (formerly Aveng Grinaker-LTA), forming part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment (refer to note 6: *Segmental report*) and Aveng Manufacturing and Aveng Trident Steel, both forming part of the *Manufacturing and Processing* reportable segment (refer to note 6: *Segmental report*), have met the requirements in terms of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)* and have been presented as discontinued operations in the Group's statement of comprehensive earnings.

The Group's intention to dispose of the non-core operating groups triggered an initial impairment assessment on classification of Held for Sale. Impairment was allocated to the identified cash generating units (CGUs) of the operating groups (refer to note 7: *Impairment*).

The underlying assets and liabilities of the non-core operating groups were classified as Held for Sale per the requirements of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in separately identifiable disposal groups (refer to note 10: *Assets and liabilities classified as Held for Sale*).

Further to this, the Group remeasured the non-core operating groups by calculating the subsequent fair value less costs to sell as at 30 June 2020. The subsequent fair value measurement is detailed on the following page.

## 5. DISCONTINUED OPERATIONS continued

The loss from discontinued operations is analysed as follows:

	2020 Rm	2019 Rm
Revenue	6 693	12 128
Cost of sales	(6 602)	(11 864)
<b>Gross earnings</b>	<b>91</b>	264
Other earnings	126	118
Operating expenses	(430)	(916)
(Loss) / earnings from equity-accounted investments	(2)	4
<b>Operating loss</b>	<b>(215)</b>	(530)
Impairment loss on goodwill, intangible assets and property, plant and equipment	–	(78)
Gain on disposal of property, plant and equipment	36	36
Fair value adjustments on properties and disposal groups classified as Held for Sale	(13)	(51)
<b>Loss before financing transactions</b>	<b>(192)</b>	(623)
Net finance expenses	(110)	(34)
<b>Loss before taxation</b>	<b>(302)</b>	(657)
Taxation	11	(96)
<b>Loss for the period</b>	<b>(291)</b>	(753)
<b>Attributable to:</b>		
Equity-holders of the parent	(291)	(753)
<b>Items by nature</b>		
Capital expenditure	25	113
<b>Loss before interest, taxation, depreciation and amortisation (EBITDA)</b>	<b>(215)</b>	(530)
<b>Results per share (cents)</b>		
Loss – basic	(1,5)	(4,7)
Loss – diluted	(1,5)	(4,7)
<b>Net cash flows in relation to discontinued operations</b>		
Cash outflow from operating activities	(313)	(843)
Cash inflow from investing activities	108	102
Cash outflow from financing activities	(57)	(8)

# Notes to the summarised consolidated annual financial statements

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for the year ended 30 June 2020

## 6. SEGMENTAL REPORT

The reportable segments of the Group are components:

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

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

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

In line with the findings of the strategic review and as discussed in *note 10: Assets and liabilities classified as Held for Sale*, the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* reportable segments are presented and disclosed as discontinued operations. The *Construction and Engineering: Australasia and Asia*, *Mining* and *Other and Eliminations* reporting segments are presented as continuing operations.

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

Details on the reportable segments are as follows:

### 6.1 Continuing operations

#### 6.1.1 Construction and Engineering: Australasia and Asia

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

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

#### 6.1.2 Mining

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

#### 6.1.3 Other and Eliminations

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

## 6. SEGMENTAL REPORT continued

### 6.2 Discontinued operations

#### 6.2.1 Construction and Engineering: South Africa and rest of Africa

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

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

During the current year, the following businesses were sold: Aveng Construction Building and Coastal, Aveng Construction Civil Engineering, Aveng Construction Rand Roads and Aveng Construction Mechanical & Electrical.

The Group remained responsible for a limited number of contracts which were retained by the Group following the disposal of the businesses mentioned above. The Group expects that these will be completed in the next 12 months. These projects continue to be classified as part of the discontinued operations within Construction and Engineering: South Africa and rest of Africa.

The Group disposed of Aveng Water in the prior year.

#### 6.2.2 Manufacturing and processing

This segment comprises Aveng Manufacturing and Aveng Steel.

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

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

During the current year, Aveng Dynamic Fluid Control (DFC) was sold. In the prior year, Aveng Rail was sold.

# Notes to the summarised consolidated annual financial statements

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## 6. SEGMENTAL REPORT continued

### CONTINUING OPERATIONS

	Construction and Engineering: Australasia and Asia		Mining	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
<b>Assets</b>				
Goodwill arising on consolidation	100	100	–	–
Intangible assets	–	–	15	20
Property, plant and equipment	837	510	2 263	2 250
Equity-accounted investments	2	2	3	3
Infrastructure investments	–	–	–	–
Deferred taxation	804	618	–	–
Long-term receivables	–	–	–	–
Derivative instruments	–	–	10	–
Amounts due from contract customers	2 084	2 213	369	614
Inventories	15	40	171	174
Trade and other receivables	201	117	43	50
Taxation receivable / (payable)	39	33	(16)	(15)
Cash and bank balances	1 673	1 024	93	72
Assets Held for Sale	–	–	–	–
<b>Total assets</b>	<b>5 755</b>	<b>4 657</b>	<b>2 951</b>	<b>3 168</b>
<b>Liabilities</b>				
Deferred taxation	155	73	197	236
Borrowings and other liabilities	436	178	217	178
Payables other than contract-related	–	–	–	–
Employee-related payables	387	309	118	141
Trade and other payables	1 697	1 657	454	529
Derivative instruments	–	–	–	1
Amounts due to contract customers	1 159	645	103	169
Bank overdraft	–	–	–	–
Liabilities Held for Sale	–	–	–	–
<b>Total liabilities</b>	<b>3 834</b>	<b>2 862</b>	<b>1 089</b>	<b>1 254</b>



CONTINUING OPERATIONS					DISCONTINUED OPERATIONS					
Other and Eliminations		Total			Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Total	
2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	
-	-	100	100	-	-	-	-	-	-	
-	19	15	39	-	-	-	-	-	-	
78	54	3 178	2 814	2	-	-	-	2	-	
30	12	35	17	-	28	-	-	-	28	
142	142	142	142	117	-	-	-	117	-	
9	4	813	622	-	-	-	-	-	-	
43	-	43	-	-	-	-	-	-	-	
-	-	10	-	-	-	-	-	-	-	
-	(206)	2 453	2 621	78	-	-	-	78	-	
-	-	186	214	1	-	-	-	1	-	
42	27	286	194	72	-	-	-	72	-	
17	14	40	32	-	17	1	(6)	1	11	
(208)	(121)	1 558	975	46	259	151	371	197	630	
-	-	-	-	33	921	2 276	2 922	2 309	3 843	
153	(55)	8 859	7 770	349	1 225	2 428	3 287	2 777	4 512	
(186)	(300)	166	9	-	36	-	41	-	77	
1 727	1 789	2 380	2 145	-	-	-	-	-	-	
148	136	148	136	-	-	-	-	-	-	
57	78	562	528	11	-	-	-	11	-	
264	469	2 415	2 655	349	28	-	-	349	28	
-	-	-	1	-	-	-	-	-	-	
-	(1)	1 262	813	28	-	-	-	28	-	
424	-	424	-	-	-	-	-	-	-	
-	-	-	-	16	1 064	2 035	2 372	2 051	3 436	
2 434	2 171	7 357	6 287	404	1 128	2 035	2 413	2 439	3 541	

# Notes to the summarised consolidated annual financial statements

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for the year ended 30 June 2020

## 6. SEGMENTAL REPORT continued

### CONTINUING OPERATIONS

	Construction and Engineering: Australasia and Asia		Mining	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Revenue	10 297	9 527	3 955	4 143
Construction contract revenue	10 297	9 527	3 943	4 120
Sale of goods	–	–	1	11
Other revenue	–	–	11	12
Transport revenue	–	–	–	–
Cost of sales	(9 704)	(8 537)	(3 741)	(4 325)
<b>Gross earnings / (loss)</b>	<b>593</b>	990	<b>214</b>	(182)
Other earnings	42	3	(31)	(8)
Operating expenses	(784)	(846)	(144)	(181)
(Loss) / earnings from equity-accounted investments	(13)	(37)	(1)	(1)
<b>Net operating earnings / (loss)</b>	<b>(162)</b>	110	<b>38</b>	(372)
Impairment loss on goodwill, intangible assets and property, plant and equipment	–	–	(132)	(163)
Impairment loss on equity-accounted investments	–	–	–	–
Gain on redemption of convertible bond	–	–	–	–
Gain on disposal of assets Held for Sale	–	–	–	–
Gain on disposal of subsidiaries	–	–	–	–
Gain / (loss) on disposal of property, plant and equipment	45	–	(5)	–
Fair value adjustments on properties and disposal groups classified as Held for Sale	–	–	–	–
<b>Earnings / (loss) before financing transactions</b>	<b>(117)</b>	110	<b>(99)</b>	(535)
Net finance income / (expenses)	(43)	(15)	(34)	(12)
<b>Earnings / (loss) before taxation</b>	<b>(160)</b>	95	<b>(133)</b>	(547)
Taxation	(36)	(16)	(5)	(40)
<b>Earnings / (loss) for the period</b>	<b>(196)</b>	79	<b>(138)</b>	(587)
Capital expenditure	148	137	609	584
<b>Net operating earnings/(loss)</b>	<b>(162)</b>	110	<b>38</b>	(372)
Depreciation	280	127	600	612
Amortisation	–	–	4	4
<b>Net operating earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)</b>	<b>118</b>	237	<b>642</b>	244

CONTINUING OPERATIONS				DISCONTINUED OPERATIONS					
Other and Eliminations		Total		Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Total	
2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
(67)	(122)	14 185	13 548	1 865	4 617	4 828	7 511	6 693	12 128
(16)	(71)	14 224	13 576	1 862	4 614	–	153	1 862	4 767
(52)	(52)	(51)	(41)	–	–	4 758	7 282	4 758	7 282
1	1	12	13	3	3	16	–	19	3
–	–	–	–	–	–	54	76	54	76
140	98	(13 305)	(12 764)	(2 007)	(4 704)	(4 595)	(7 160)	(6 602)	(11 864)
73	(24)	880	784	(142)	(87)	233	351	91	264
26	(3)	37	(8)	43	12	83	106	126	118
(289)	(304)	(1 217)	(1 331)	(73)	(330)	(357)	(586)	(430)	(916)
(3)	4	(17)	(34)	(2)	4	–	–	(2)	4
(193)	(327)	(317)	(589)	(174)	(401)	(41)	(129)	(215)	(530)
(15)	–	(147)	(163)	–	(6)	–	(72)	–	(78)
(21)	–	(21)	–	–	–	–	–	–	–
–	102	–	102	–	–	–	–	–	–
24	203	24	203	–	–	–	–	–	–
10	41	10	41	–	–	–	–	–	–
(15)	–	25	–	19	21	17	15	36	36
–	–	–	–	–	–	(13)	(51)	(13)	(51)
(210)	19	(426)	(406)	(155)	(386)	(37)	(237)	(192)	(623)
(242)	(345)	(319)	(372)	1	13	(111)	(47)	(110)	(34)
(452)	(326)	(745)	(778)	(154)	(373)	(148)	(284)	(302)	(657)
(39)	(93)	(80)	(149)	6	(94)	5	(2)	11	(96)
(491)	(419)	(825)	(927)	(148)	(467)	(143)	(286)	(291)	(753)
5	–	762	721	–	31	25	82	25	113
(193)	(327)	(317)	(589)	(174)	(401)	(41)	(129)	(215)	(530)
5	3	885	742	–	–	–	–	–	–
5	4	9	8	–	–	–	–	–	–
(183)	(320)	577	161	(174)	(401)	(41)	(129)	(215)	(530)

# Notes to the summarised consolidated annual financial statements

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## 6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2020 Revenue Rm	2019 Revenue Rm	2020 Segment assets Rm	2019 Segment assets Rm	2020 Capital expenditure Rm	2019 Capital expenditure Rm
South Africa	10 019	15 033	6 485	5 019	638	697
Rest of Africa including Mauritius	509	944	201	2 540	1	–
Australia	6 129	5 181	3 632	1 499	–	76
New Zealand	2 751	2 116	741	1 031	70	44
Southeast Asia	1 417	2 105	534	2 128	45	17
Other regions	53	297	43	65	33	–
	20 878	25 676	11 636	12 282	787	834

## 7. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2020. The test involves the assessment of internal and external qualitative factors for each CGU that may constitute an indicator of impairment. The test may be extended to individual assets in instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of the assets. For Held for Sale CGUs, the Group performed a subsequent impairment assessment whereby the carrying values of the CGUs were remeasured at the fair value less costs of disposal in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)*.

### 7.1 CGUs of the Group in the scope of *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

#### Initial classification as Held for Sale

As detailed in the *note 5: Discontinued operations*, the Board made the decision in the prior year that the operating groups of the following reportable segments no longer form part of the overall long-term strategy of the Group:

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

The intention of the Board to discontinue the operations of these reportable segments and the subsequent classification of the underlying assets and liabilities as Held for Sale are indicators of impairment – refer to *note 10: Assets and liabilities classified as Held for Sale*.

The following business units were deemed to be individual CGUs for which individual impairment assessments were performed in terms of *IFRS 5* at 30 June 2020:

#### Construction and Engineering: South Africa and rest of Africa

- ▼ Aveng Construction Ground Engineering (GEL).

#### Manufacturing and Processing

- ▼ Aveng Trident Steel
- ▼ Aveng Automation and Control Solutions (ACS)
- ▼ Aveng Duraset
- ▼ Aveng Infraset.

As at 30 June 2020, management determined the recoverable amounts of the CGUs within the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* segments to be fair value less cost of disposal. The Group does not expect that the fair value less costs of disposal of the above mentioned CGUs differ materially from the value determined at 30 June 2019.

## 7. IMPAIRMENT continued

### 7.1 CGUs of the Group in the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations continued

#### Subsequent measurement

In the current year, the Group had finalised the sale of the following CGUs:

#### Construction and Engineering: South Africa and rest of Africa

- ▾ Aveng Construction Building and Civil Engineering;
- ▾ Aveng Construction Mechanical and Electrical; and
- ▾ Aveng Construction Rand Roads

#### Manufacturing and Processing

- ▾ Aveng Dynamic Fluid Control (DFC)

As at 30 June 2020, a disposal agreement for R5 million had been concluded for Aveng GEL. The effective date of the transaction is 1 July 2020. Refer to *note 17: Events after the reporting period*.

The Group used the binding offer to sell to determine the fair value less cost of disposal amount for the CGU at 30 June 2020. Based on the binding offer to sell, it has been determined that the carrying amount exceeds the fair value less costs to dispose, and a fair value adjustment in line with IFRS 5 amounting to R13 million was required. Refer to *note 10: Assets and liabilities classified as Held for Sale*.

### 7.2 Assets in the scope of IAS 36 Impairments

#### Goodwill arising on consolidation

A compulsory impairment assessment of goodwill allocated to the McConnell Dowell CGU was performed in the current year. The McConnell Dowell CGU falls under the *Construction and Engineering: Australasia and Asia* reportable segment. The recoverable amount of the CGU, being the value in use based on a discount rate of 12%, materially exceeded the carrying amount of the CGU and hence no goodwill impairment loss was recognised in the current year.

#### CGUs of the Group in the scope of IAS 36 Impairments

The Group performed an impairment assessment on the Aveng Moolmans CGU at 30 June 2020. No impairment was required for this CGU at 30 June 2020. Aveng Moolmans falls under the *Mining* reportable segment.

#### Other individual assets in the scope of IAS 36 Impairments

An impairment assessment was performed on plant and equipment accounted for in Aveng Moolmans.

An impairment assessment was performed on property, plant and equipment at Aveng Moolmans, which is part of the *Mining* reportable segment. As at 30 June 2020, the Group determined that there was an additional impairment of R132 million (30 June 2019: R163 million) required for Aveng Moolmans relating to individual assets in the scope of *IAS 36 Impairments*. The recoverable amount of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within level 2 of the hierarchy identified in *IFRS 13*, and was calculated using the prices of similar assets within the market.

An impairment assessment was performed on intangible assets accounted for in *Other and Eliminations* determined that an impairment of R15 million was required.

Impairment charges of R10 million was recognised on the Group's investment in REHM Grinaker Property Co Limited and REHM Grinaker Construction Co Limited and R11 million was recognised on the Steeledale accounts receivable loan at 30 June 2020.

# Notes to the summarised consolidated annual financial statements

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## 8. HEADLINE LOSS

	2020		2019	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
<b>Determination of headline loss</b>				
Loss for the period attributable to equity holders of parent		(1 119)		(1 681)
Impairment of intangible assets	15	15	34	34
Impairment of property, plant and equipment	132	132	163	163
Impairment of property, plant and equipment – Held for Sale	–	–	44	44
Impairment of equity-accounted investments	21	21	–	–
Gain on disposal of assets Held for Sale	(24)	(24)	(203)	(203)
Gain on disposal of subsidiaries	(10)	(10)	(41)	(41)
Gain on disposal of property, plant and equipment	(61)	(47)	(36)	(36)
Loss on derecognition of components	69	69	124	124
Fair value adjustment on properties and disposal groups classified as Held for Sale	13	13	51	51
Headline loss		(950)		(1 545)
Diluted headline loss		(950)		(1 545)
<b>HEPS from continuing and discontinued operations</b>				
Headline loss per share – basic (cents)		(4,9)		(9,7)
Headline loss per share – diluted (cents)		(4,9)		(9,7)
Issued shares		19 394,5		19 394,5
Weighted average shares		19 369,6		15 995,5
Diluted shares		19 369,6		15 995,5

## 9. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	2020 Rm	2019 Rm
Uncertified claims and variations (underclaims)* <sup>1</sup>	652	1 031
Contract contingencies	(290)	(361)
Progress billings received (including overclaims) <sup>2</sup>	(1 285)	(771)
<b>Uncertified claims and variations less progress billings received</b>	<b>(923)</b>	<b>(101)</b>
Contract receivables <sup>3</sup>	2 121	1 916
Provision for expected credit loss – specific debtors	–	–
Provision for expected credit loss	(1)	(1)
Retention receivables <sup>4</sup>	49	36
	1 246	1 850
Amounts received in advance <sup>5</sup>	(5)	(42)
<b>Net amounts due from contract customers</b>	<b>1 241</b>	<b>1 808</b>
<b>Disclosed on the statement of financial position as follows:</b>		
Uncertified claims and variations* <sup>1</sup>	652	1 031
Contract contingencies	(290)	(361)
Contract and retention receivables	2 170	1 952
Provision for expected credit losses	(1)	(1)
<b>Amounts due from contract customers</b>	<b>2 531</b>	<b>2 621</b>
Progress billings received	(1 285)	(771)
Amounts received in advance	(5)	(42)
<b>Amounts due to contract customers</b>	<b>(1 290)</b>	<b>(813)</b>
<b>Net amounts due from contract customers</b>	<b>1 241</b>	<b>1 808</b>

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

<sup>1</sup> Includes revenue not yet certified – recognised over time / measurement and agreed variations, less provisions and deferred contract costs.

<sup>2</sup> Progress billings are amounts billed for work performed above revenue recognised.

<sup>3</sup> Amounts invoiced still due from customers.

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

<sup>5</sup> Advances are amounts received from the customer before the related work is performed.

The balances included in the table above relate only to assets not Held for Sale. Refer to note 10: Assets and liabilities classified as Held for Sale for disclosure of the disposal groups' amounts due from / (to) contract customers classified as Held for Sale.

The net amounts due from contract customers includes R297 million (2019: R760 million) which is subject to protracted legal proceedings.

# Notes to the summarised consolidated annual financial statements

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for the year ended 30 June 2020

## 9. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS continued

### Expected credit losses

#### Amounts due from contract customers

As at 30 June 2020, the Group has amounts due from contract customers of R1 241 million (2019: R1 808 million) which is net of the provision for expected credit loss of R1 million (2019: R1 million).

#### Trade receivables

As at 30 June 2020, the Group has trade receivables of R6 million (2019: R3 million). The provision for expected credit loss relating to trade receivables is R3 million (2019: less than R1 million).

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

#### Impact of COVID-19

The assessment of recoverability of amounts due from contract customers and trade receivables at 30 June 2020 has considered the impacts of COVID-19 and no material recoverability issues have been identified.

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

	2020 Rm	2019 Rm
<b>Opening balance</b>	<b>1</b>	–
Initial adoption of IFRS 9 ECL impairment model (1 July 2018)	–	6
Movement in the current year	*	*
Classified as Held for Sale – transferred in / (out)	<b>3</b>	(5)
	<b>4</b>	1
<b>Attributable to:</b>		
Amounts due from contract customers	<b>1</b>	1
Trade receivables	<b>3</b>	*
	<b>4</b>	1

\* Amounts less than R1 million.



## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As disclosed in *note 5: Discontinued operations*, the outcome of the strategic review led to the Board's decision to exclude the following reportable segments from the Group's long-term strategy:

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

These non-core reporting segments are presented as separately identifiable disposal groups and are disclosed as discontinued operations in the Group's statement of comprehensive earnings (refer to *note 6: Segmental report* and *note 5: Discontinued operations*).

### Initial recognition

At initial recognition, the disposals were expected to occur within the succeeding 12 months; the assets and liabilities were classified as Held for Sale. The assets and liabilities of the disposal groups were allocated to their CGUs in the prior year and were subject to an impairment assessment prior to classification as Held for Sale. The recoverable amounts of all CGUs were assessed as the fair value less cost of disposal (refer to *note 7: Impairments*). On initial recognition, the proceeds from the sale were expected to equal the net carrying amounts. The carrying amounts of some of the assets in relation to the *Construction and Engineering: South Africa and rest of Africa* and *Manufacturing and Processing* disposal group, exceeded their fair value less cost of disposal after being classified as Held for Sale. An adjustment was recognised to present these assets at their fair value less costs of disposal in the prior year.

### Sales finalised in the current year

#### Construction and Engineering: South Africa and rest of Africa

##### Aveng Construction Building and Civil Engineering

In August 2019, the Group, acting through its wholly owned subsidiary, Grinaker-LTA Proprietary Limited (GLTA), entered into a binding term sheet with Laula Consortium Proprietary Limited for the sale of the Aveng Construction Building and Civil Engineering business. The sale had an effective date of 1 November 2019 for a purchase price of R70 million, which will be received via an initial payment of R20 million settled in six equal monthly instalments, and a further R50 million which will be settled no later than the second anniversary of the effective date.

##### Aveng Construction Mechanical and Electrical

In October 2019, the disposal of the Aveng Construction Mechanical and Electrical business to Laula Consortium Proprietary Limited was announced. The sale was concluded in December 2019 with Aveng selling its 100% interest in Aveng Grinaker-LTA Proprietary Limited for a purchase price of R72 million which was received by the Group in full.

##### Aveng Construction Rand Roads

Rand Roads was disposed of to Ultra Asphalt Proprietary Limited for R37,5 million. The sale was concluded with an effective date of 2 December 2019.

##### Aveng Construction Ground Engineering (GEL)

The disposal of GEL was announced on 12 July 2019. This transaction did not proceed in its current form, as a result of the purchaser subsequently being unable to secure the requisite funding of R7,5 million.

In June 2020, Aveng has entered into a binding sale of business agreement with Ground Engineering Proprietary Limited for the sale of GEL as a going concern for R5 million with an effective date of 1 July 2020. Refer to *note: 17: Events after the reporting period*.

# Notes to the summarised consolidated annual financial statements

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## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

### Sales finalised in the current year continued

#### Manufacturing and Processing Segment

##### Aveng Dynamic Fluid Control

In July 2019, the disposal of DFC to Copaflo Proprietary Limited was announced. The sale was concluded in September 2019, whereby the CGU was sold for R125 million, subsequently reduced to R114 million, and is subject to working capital adjustment.

##### Sales not finalised in the current year

Despite announcing the sale of Aveng Infraset in the prior year, the Group has determined that unforeseen challenges (including the negative effects of COVID-19 on the sales process) outside the control of management have prevented the execution of this sale and the sales on the remaining assets. Due to the dynamic nature of these businesses and the complex environment in which they operate, several of the assets have not been sold by year end.

In the preceding 12 months there have been numerous expressions of interest, and a number of non-binding offers for cash generating units (CGUs) within the disposal groups, however the Group did not receive reasonable offers to purchase all of the remaining CGUs. The delay in the finalisation of sales were due to events and circumstances beyond the control of management; including but not limited to the significant impact of COVID-19 on the ability to obtain the best value for the remaining assets, and the corresponding uncertainty within the market brought about during lockdown.

Management continues to remain committed to the disposal plan previously announced to dispose of the remaining non-core disposal groups and continues to actively locate appropriate buyers. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of has been revised during the year. The appropriate level of management remains committed to a plan to sell the CGUs and expect that the sales will be concluded within the next 12 months.

At year end, these assets remain available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets. Management continues to actively market the assets for sale at prices that are reasonable in relation to their current fair value which leads management to conclude that it is highly probable that the sale of the remaining assets within non-core operating segments will be concluded in the next 12 months.

As part of the extension to the period to complete the sales, the continued support by the Board and plan by management to locate appropriate buyers indicates that it is highly unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

##### Sales finalised after the year end

On 7 August 2019, Aveng announced that it had entered into a fully funded sale of business agreement with Videx Wire Products Proprietary Limited for the sale of the Aveng Duraset Alrode business as a going concern. The Proposed Transaction was subject to a number of consents and conditions precedent, as outlined in the SENS announcement. All consents and conditions precedent were fulfilled except the approval of the relevant competition authorities. In November 2019, the South African Competition Commission formally prohibited the Proposed Transaction. As a result, the agreement between Aveng and Videx was terminated.

Subsequent to year end, management reached an agreement to dispose of the Aveng Duraset Alrode business as a going concern subject to certain conditions precedent. The proposed transaction is limited to the sale of the Duraset Alrode operation and product portfolio which includes all assets and liabilities of Duraset Alrode.

## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

### Sales finalised after the year end continued

Subsequent to year end, management reached an agreement to dispose of the Aveng Duraset Westonaria business as a going concern subject to certain conditions precedent. The proposed transaction is limited to the sale of the Aveng Duraset Westonaria operation and product portfolio which includes all assets and liabilities of Aveng Duraset Westonaria

Refer to *note 17: Events after reporting period* for additional information.

### Assets transferred into assets Held for Sale

#### Construction and Engineering: South Africa and rest of Africa – Equity-accounted investments

Equity-accounted investments (REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited) accounted for under the *Construction and Engineering: South Africa and rest of Africa* reportable segment were classified as Held for Sale during the current year. The carrying amounts of some of these investments exceeded their fair values less cost of disposal prior to being classified as Held for Sale leading to the recognition of impairment losses (refer to *note 7: Impairments* for further details regarding the disclosures in terms of *IFRS 13 Fair Value Measurement*).

### Assets transferred out of assets Held for Sale

#### Construction and Engineering: South Africa and rest of Africa – Infrastructure Investments

The assets classified as Held for Sale amounting to R117 million, no longer met the classification requirements to be Held for Sale as the Group did not receive reasonable offers to purchase the assets in the current year. Even though the investment properties do not meet the *IFRS 5* subsequent measurement criteria at 30 June 2020, management remains committed to dispose of these assets per the strategy announced in the prior years. The assets were transferred from non-current assets Held for Sale back to infrastructure investments.

#### Construction and Engineering: South Africa and rest of Africa – Equity-accounted Investments

The investment in *Oakleaf Holdings 86 Proprietary Limited* no longer met the classification requirements of Held for Sale and was transferred from assets Held for Sale. Even though the investment properties do not meet the *IFRS 5* subsequent measurement criteria at 30 June 2020, management remains committed to dispose of this investment per the strategy announced in the prior years. The asset was transferred from non-current assets Held for Sale back to equity-accounted investments.

### Subsequent measurement

While there have been a number of unforeseen challenges executing on these sales transactions in the year, the extension of the classification of the remaining assets within non-core operating segments as Held for Sale is supported by management's continued commitment by the Board to the disposal plan previously announced. The overall plan to dispose of the assets remains but the planned manner in which the assets will be disposed of has been revised during the year. Management expects that the sales will be concluded within the next 12 months.

Subsequent to initial classification as Held for Sale, the Group remeasured the assets at their fair value less costs of disposal. In the case where the carrying amount exceeded the fair value less costs of disposal, an adjustment was recognised to present these assets at the lower value. In the case where a binding offer had been received by 30 June 2020 for the sale of an asset, the fair value less costs of disposal is determined based on the value of the offer received, less costs required to dispose of the assets.

# Notes to the summarised consolidated annual financial statements

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## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

### Subsequent measurement continued

In the case where the fair value less costs of disposal exceed the carrying amount, an adjustment could be recognised. The adjustment is subject to a limit on the amount of any gain that can be recognised as a result of an increase in fair value less costs to sell before disposal. The maximum increase (and therefore gain) that can be recognised is the cumulative amount of impairment losses recognised in accordance with IFRS 5 and previously in accordance with IAS 36. In this regard, an adjustment of R13 million was recognised on Aveng Construction Ground Engineering at 30 June 2020.

	2020 Rm	2019 Rm
<b>Assets Held for Sale</b>	<b>2 309</b>	3 843
<b>Liabilities Held for Sale</b>	<b>(2 051)</b>	(3 436)
	<b>258</b>	407
<b>Movement during the year</b>		
Opening balance	407	693
<b>Adoption of IFRS 16 accounting standard:</b>		
Non-current assets*	926	–
Non-current liabilities**	(926)	–
<b>Movements in:</b>		
Non-current assets	(85)	(20)
Current assets	(1 276)	(416)
Non-current liabilities	265	19
Current liabilities	965	558
Sale of assets Held for Sale	(111)	(224)
Adjustment to fair value less cost of disposal***	(13)	(51)
<b>Transferred from / to:</b>		
Transfer to assets classified as Held for Sale	13	–
Transfer from assets classified as Held for Sale	93	(152)
<b>Net assets Held for Sale</b>	<b>258</b>	407

\* An amount of R926 million was included in the Held for Sale property, plant and equipment at 1 July 2019 as part of the adoption of IFRS 16.

\*\* An amount of R926 million was included in the Held for Sale borrowings and other liabilities at 1 July 2019 as part of the adoption of IFRS 16.

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

## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

## Subsequent measurement continued

As at 30 June 2020, the disposal groups and individual assets classified as Held for Sale were stated at fair value less costs to dispose and comprised the following:

30 June 2020	Construction and Engineering: South Africa and rest of Africa – Disposal group Rm	Manufacturing and Processing – Disposal group Rm	Total Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	–	8	8
Property, plant and equipment	17	956	973
Equity-accounted investments	13	–	13
	<b>30</b>	<b>964</b>	<b>994</b>
<b>Current assets</b>			
Inventories	–	839	839
Derivative instruments	–	9	9
Amounts due from contract customers	2	6	8
Trade and other receivables	1	458	459
	<b>3</b>	<b>1 312</b>	<b>1 315</b>
<b>TOTAL ASSETS</b>	<b>33</b>	<b>2 276</b>	<b>2 309</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings and other liabilities	–	694	694
Employee-related payables	1	7	8
	<b>1</b>	<b>701</b>	<b>702</b>
<b>Current liabilities</b>			
Amounts due to contract customers	–	7	7
Borrowings and other liabilities	–	131	131
Employee-related payables	2	52	54
Trade and other payables	–	461	461
Provision for unallocated fair value adjustments	13	683	696
	<b>15</b>	<b>1 334</b>	<b>1 349</b>
<b>TOTAL LIABILITIES</b>	<b>16</b>	<b>2 035</b>	<b>2 051</b>
<b>Net assets Held for Sale</b>	<b>17</b>	<b>241</b>	<b>258</b>

# Notes to the summarised consolidated annual financial statements

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## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

### Subsequent measurement continued

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

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

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

## 11. BORROWINGS AND OTHER LIABILITIES

	Notes	2020 Rm	2019 Rm
<b>Borrowings and other liabilities comprises:</b>			
Interest-bearing borrowings held at amortised cost	11.1	<b>1 883</b>	2 145
Lease liabilities	11.2	<b>497</b>	–
<b>Total borrowings and other liabilities</b>		<b>2 380</b>	2 145
<b>11.1 Borrowings held at amortised cost</b>			
<b>Borrowings held at amortised cost comprises:</b>			
Credit and term facilities		<b>1 708</b>	1 870
Asset-backed financing arrangements		<b>175</b>	275
<b>Total borrowings held at amortised cost</b>		<b>1 883</b>	2 145
<b>Payment profile</b>			
– within one year		<b>893</b>	695
– between two and five years		<b>990</b>	1 450
		<b>1 883</b>	2 145
<b>Interest rate structure</b>			
<b>Fixed and variable (interest rates)</b>			
Fixed – long term		<b>422</b>	414
Fixed – short term		<b>72</b>	129
Variable – long term		<b>568</b>	1 036
Variable – short term		<b>821</b>	566
		<b>1 883</b>	2 145

# Notes to the summarised consolidated annual financial statements

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## 11. BORROWINGS AND OTHER LIABILITIES continued

### 11.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	2020 Rm	2019 Rm
<b>Credit and term facilities</b>				
Revolving credit facility*	Repayable September 2021	1M JIBAR + 4,89%	558	550
Revolving credit facility*	Repayable September 2021	Fixed rate of 13,986%	316	281
Term facility*	Repayable June 2021	1M JIBAR + 5,02%	818	858
Term loan facility denominated in ZAR*	Repayable monthly ending April 2021	Fixed interest rate of 10,58%	16	32
Working Capital Credit Facility	Repayable monthly on a revolving facility basis	2,9% plus 0,5% margin	–	49
Super Senior Liquidity Facility #2*	Settled October 2019	1M JIBAR + 4,21%	–	100
<b>Asset-backed financing arrangements</b>				
Facility of AUD6 million	Monthly instalments ending October 2024	Fixed interest rate of 2,99% to 7,60%	24	59
Facility denominated in ZAR	Monthly instalments ending in February 2022	Fixed interest rate of 8%	2	4
Facilities denominated in ZAR	Monthly instalments ending in August 2022	South African prime	10	14
Facility of AUD6 million	Monthly instalments ending July 2022	Fixed interest rate of 4,6%	73	–
Hire purchase facility denominated in USD	Monthly instalments ending August 2021	Fixed interest rate of 6,70%	34	86
Hire purchase agreement denominated in ZAR	Monthly instalments ending April 2021	Fixed interest rate of 12,27%	4	10
Facility of AUD12 million	Monthly instalments ending November 2020	Fixed interest rate of 4,60%	25	70
Hire purchase agreement denominated in ZAR	Monthly instalments ending August 2020	South African prime plus 3,00%	3	18
Hire purchase agreement denominated in ZAR	Settled in November 2019	South African prime less 1,70%	–	9
Hire purchase agreement denominated in ZAR	Settled in September 2019	Fixed interest rate of 10%	–	5
<b>Total interest-bearing borrowings</b>			<b>1 883</b>	<b>2 145</b>

\* These loans are in terms of the Second Amended and Restated Common Terms of Agreement (CTA) and the signed amendment letter on 27 August 2019 with the South African Banking Group. Subsequent to year end, a debt restructuring and recapitalisation of Aveng Limited was required in order to increase the likelihood of a sustainable outcome for all stakeholders. The restructuring and deferral of the payments of the above facilities were agreed upon on the basis that the Group, SA lenders and the largest shareholder sign an irrevocable credit approved term sheet. Refer to note 4: Going Concern and note 17: Events after the reporting period for the details relating to the restructuring and details of the restructured facilities.

### Unutilised borrowing facilities

At 30 June 2020, the Group had available R483 million, (including bank overdraft facilities of R181 million) (2019: R302 million) of unutilised borrowing facilities.



## 11. BORROWINGS AND OTHER LIABILITIES continued

### 11.1 Borrowings held at amortised cost continued

#### Asset-backed financing arrangements

##### Construction and Engineering: Australasia and Asia

The operating segment entered into asset-backed finance arrangements to fund the acquisition of various items of plant and machinery.

The total asset-backed finance facilities amounted to AUD10 million (2019: AUD13 million). The amount outstanding on these facilities as at year end was AUD10 million (2019: AUD13 million) and is equivalent to R122 million (2019: R129 million). These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R123 million (2019: R69 million).

##### Mining

The operating segment entered into various asset-backed finance lease agreements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in August 2022. The total amount outstanding on these facilities amounted to R53 million (2019: R178 million). Equipment with a net carrying amount of R224 million (2019: R321 million) has been pledged as security for the facility.

The following is summarised financial information of the Group's asset-backed financing arrangements:

	2020 Rm	2019 Rm
Asset-backed financing arrangements are payable as follows:		
<b>Minimum payments due</b>		
– within one year	93	203
– in two to five years	94	125
Less: Future finance charges	(12)	(21)
<b>Present value of minimum payments</b>	<b>175</b>	307

### 11.2 Lease liabilities

The table below represents only the lease liabilities not Held for Sale, recognised for the first time under *IFRS 16 Leases*. Refer to *note 10: Assets and liabilities classified as Held for Sale* for disclosure of the disposal groups' lease liabilities classified as Held for Sale.

	2020 Rm	2019 Rm
Lease liabilities are payable as follows:		
<b>Minimum lease payments due</b>		
– within one year	208	–
– in two to five years	287	–
– more than five years	106	–
Less: Future finance charges	(104)	–
<b>Present value of minimum lease payments</b>	<b>497</b>	–
Non-current lease liabilities	323	–
Current lease liabilities	174	–

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## 12. CONTINGENT LIABILITIES AND ASSETS

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

	2020 Rm	2019 Rm
<b>South Africa and rest of Africa</b>		
Guarantees and bonds (ZARm)	<b>1 018</b>	1 491
Parent company guarantees (ZARm)	<b>30</b>	30
	<b>1 048</b>	1 521
<b>Australasia and Asia</b>		
Guarantees and bonds (AUDm)	<b>290</b>	270
Parent company guarantees (AUDm)	<b>22</b>	44
	<b>312</b>	314

### Claims and legal disputes in the ordinary course of business

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

### 13. DISPOSAL OF SUBSIDIARIES

#### *Manufacturing and Processing* disposal group

On 30 September 2019, the Group concluded the sale of the following subsidiaries for R44 million cash:

- ▼ Vent-O-Mat Australia Proprietary Limited (Australia)
- ▼ Aveng Indústria E Comércio De Válvulas Do Brasil Limitada (Brazil)
- ▼ RF Valves Osakeyhtiö (Finland)
- ▼ RF Valves, Incorporated (USA).

All of the subsidiaries formed part of the *Manufacturing and Processing* disposal group. The subsidiaries were neither considered an operating segment nor a separate major line of business or geographical area.

30 June 2020	Vent-O-Mat Australia Proprietary Limited Rm	Aveng Indústria E Comércio Do Brasil Limitada Rm	RF Valves Osakeyhtiö Rm	RF Valves, Incorporated Rm
<b>Net cash impact of sale</b>				
<b>Total assets (excluding cash and bank balances)</b>	<b>25</b>	<b>3</b>	<b>20</b>	<b>97</b>
Property, plant and equipment, net of accumulated depreciation and impairment losses	2	*	1	20
Inventories	17	3	13	44
Trade and other receivables, net of provisions	6	–	6	33
<b>Cash and bank balances</b>	*	*	*	*
<b>Total liabilities</b>	<b>(24)</b>	<b>(4)</b>	<b>(13)</b>	<b>(59)</b>
Trade and other payables	(13)	(4)	(4)	(12)
Lease liabilities	(2)	*	–	(15)
Provision for unallocated fair value adjustment	(9)	–	(9)	(32)
<b>Net assets sold</b>	<b>1</b>	<b>(1)</b>	<b>7</b>	<b>38</b>
Gain / (loss) on disposal of subsidiary	7	1	1	(10)
<b>Net proceeds received in cash</b>	<b>8</b>	<b>–</b>	<b>8</b>	<b>28</b>
Total proceeds received in cash	8	–	8	28
Less: Transaction costs paid**	*	*	*	*

\* Amounts less than R1 million.

\*\* Transaction costs incurred relating to this transaction were expensed.

# Notes to the summarised consolidated annual financial statements

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## 13. DISPOSAL OF SUBSIDIARIES continued

### **Construction and Engineering: South Africa and rest of Africa disposal group**

On 1 December 2019, the Group concluded the sale of the following subsidiaries for R72 million cash:

- ▼ Grinaker-LTA Proprietary Limited
- ▼ Grinaker-LTA (Botswana) Proprietary Limited
- ▼ Aveng Namibia Proprietary Limited.

Grinaker-LTA Proprietary Limited owned 100% of Grinaker-LTA (Botswana) Proprietary Limited and Aveng Namibia Proprietary Limited. These were sold as part of the sale. All these subsidiaries formed part of the *Construction and Engineering: South Africa and rest of Africa disposal group*. The subsidiaries were neither considered an operating segment nor a major line of business or geographical area.

30 June 2020	Grinaker-LTA Proprietary Limited Rm	Grinaker-LTA (Botswana) Proprietary Limited Rm	Aveng Namibia Proprietary Limited Rm
<b>Net cash impact of sale</b>			
<b>Total assets (excluding cash and bank balances)</b>	<b>154</b>	<b>23</b>	<b>9</b>
Property, plant and equipment, net of accumulated depreciation and impairment losses	12	–	3
Inventories	1	–	–
Taxation receivable	–	4	–
Amounts due from contract customers	138	19	6
Trade and other receivables, net of provisions	3	–	*
<b>Cash and bank balances</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>(106)</b>	<b>(19)</b>	<b>–</b>
Amounts due to contract customers	(13)	(12)	–
Trade and other payables	(73)	(6)	1
Employee-related payables	(20)	(1)	(1)
<b>Net assets sold</b>	<b>48</b>	<b>4</b>	<b>9</b>
Gain on disposal of subsidiary	9	–	2
<b>Net proceeds received in cash</b>	<b>57</b>	<b>4</b>	<b>11</b>
Total proceeds received in cash	57	4	11
Less: Transaction costs paid**	*	*	*

\* Amounts less than R1 million.

\*\* Transaction costs incurred relating to this transaction were expensed.

## 13. DISPOSAL OF SUBSIDIARIES continued

**Construction and Engineering: South Africa and rest of Africa disposal group** continued

On 25 June 2019, Aveng Water Proprietary Limited was sold for R61 million cash. Aveng Water Proprietary Limited formed part of the *Construction and Engineering: South Africa and rest of Africa* disposal group. The subsidiary was neither considered an operating segment nor a separate major line of business or geographical area.

30 June 2019	Aveng Water Proprietary Limited Rm
<b>Net cash impact of sale</b>	
<b>Total assets (excluding cash and bank balances)</b>	20
Property, plant and equipment, net of accumulated depreciation and impairment losses	*
Inventories	6
Amounts due from contract customers	15
Trade and other receivables, net of provisions	(1)
<b>Cash and bank balances</b>	*
<b>Total liabilities</b>	(34)
Amounts due to contract customers	2
Trade and other payables	(36)
<b>Net assets sold</b>	(14)
Gain on disposal of subsidiary	41
<i>Add back: Associated obligation</i>	34
<b>Net proceeds received in cash</b>	61
Total proceeds received in cash	63
<i>Less: Transaction costs paid**</i>	(2)

\* Amounts less than R1 million.

\*\* Transaction costs incurred relating to this transaction were expensed.

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## 14. TAXATION

	2020 Rm	2019 Rm
<b>Major components of the taxation expense</b>		
<b>Current taxation</b>		
Local income taxation – current period	1	56
Local income taxation – recognised in the current taxation for prior periods	14	(1)
Foreign income taxation or withholding taxation – current period	49	36
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	(4)	23
	<b>60</b>	114
<b>Deferred taxation</b>		
Deferred taxation – current period	71	130
Deferred taxation – arising from prior period adjustments	(62)	–
Deferred taxation – foreign tax rate change	–	1
	<b>9</b>	131
	<b>69</b>	245

South African income taxation is calculated at 28% (2019: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

## 15. NON-CASH AND OTHER MOVEMENTS

	2020 Rm	2019 Rm
Impairment loss on goodwill, property, plant and equipment and intangible assets	147	241
Impairment loss on equity-accounted investments	21	–
Claims write-down	227	–
Gain on sale of assets Held for Sale	(24)	(203)
Gain on sale of subsidiaries	(10)	(41)
Gain on disposal of property, plant and equipment	(61)	(36)
Fair value adjustment on properties and disposal groups classified as Held for Sale	13	51
Unrealised foreign exchange losses on borrowings and other liabilities	(5)	1
Realised foreign exchange gain	(12)	–
Movements in foreign currency translation	(212)	(44)
Derecognition of components included in property, plant and equipment	69	124
Increase in long-term loan receivable	(43)	–
Movement in equity-settled share-based payment reserve	–	1
Gain on redemption of convertible bond	–	(102)
	<b>110</b>	(8)

## 16. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- ▾ Infrastructure investments
- ▾ Forward exchange contracts (FECs).

### Infrastructure investments

The Group measures its remaining infrastructure investment, Dimopoint Proprietary Limited at fair value through profit or loss. The investments in Imvelo Concession Company Proprietary Limited and Firefly Investments 238 Proprietary Limited were classified as Held for Sale in the prior year – refer to *note 10: Non-current assets and liabilities classified as Held for Sale*.

#### (i) Dimopoint Proprietary Limited (Dimopoint)

##### Methodology

The value of the Group's share in Dimopoint was determined on the basis of the underlying long-term contractual rental streams. The fair value was determined based on the underlying investment property portfolio. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows. The valuation takes into consideration the selling price, escalations per year, rental income escalation per year and risk-adjusted discount rates.

##### Valuation parameters and assumptions

The following parameters and assumptions were considered in arriving at the valuation:

- ▾ In estimating the fair value of the properties, the highest and best use of the properties is taken into account
- ▾ Free cash flows based on the underlying long-term contractual rental streams
- ▾ Market comparable yields applicable to the underlying investment property portfolio.

#### (ii) Imvelo Concession Company Proprietary Limited (Imvelo)

##### Methodology

The value of the Group's share in Imvelo was determined by calculating the present value of the projected equity cash flows related to the Group's 30% shareholding. A risk-adjusted discount rate of 17,0% was applied. The projected equity cash flows comprise dividends, shareholder loan interest and principal payments and advances of equity. The cash flows were sourced from the independently audited and lender approved base case financial model. The financial model is based upon a 27-year concession term in accordance with the unitary payment, indexation and other provisions of the Public Private Partnership Agreement with the Department of Environmental Affairs.

##### Valuation parameters and assumptions

The following parameters and assumptions were considered in arriving at the valuation:

- ▾ In estimating the fair value of Imvelo, a discount rate of 17,0% was applied
- ▾ Free cash flows based on the underlying long-term contractual equity distributions (dividends) and shareholder loan interest and principal repayments.

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## 16. FAIR VALUE OF ASSETS AND LIABILITIES continued

### Infrastructure investments continued

#### (iii) Firefly Investments 238 Proprietary Limited (Firefly)

##### Methodology

The value of the Group's share in Firefly was determined on the basis of the long-term contractual operations and maintenance fees charged by Firefly. The fair value was determined by performing a discounted cash flow valuation over a contract term of approximately 20 years.

##### Valuation parameters and assumptions

The following parameters and assumptions were considered in arriving at the valuation:

- ▾ In estimating the fair value of Firefly, a discount rate of 14,8% was applied
- ▾ Free cash flows based on the underlying long-term contractual revenue streams and operating cost forecasts
- ▾ Long-term revenue and cost indexation (ZAR based) of 2,1% and 1,2% (EUR based) respectively.

### Forward exchange contracts (FECs)

#### Valuation methodology

Fair value of FECs is determined using mark-to-market rates. Market prices are based on actively traded similar contracts and are obtained from the financial institution with which the contracts are held.

#### Fair value hierarchy

The table below sets out the Group's fair value hierarchy and carrying amounts of assets and liabilities:

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices level 1 Rm	Valuation based on observable inputs level 2 Rm	Valuation based on unobservable inputs level 3 Rm
<b>2020</b>					
Assets and liabilities recognised at fair value					
<b>Assets</b>					
Infrastructure investments	259	259	–	–	259
FECs	10	10	–	10	–
FECs (Held for Sale)	9	9	–	9	–
<b>2019</b>					
Assets and liabilities recognised at fair value					
<b>Assets</b>					
Infrastructure investments	142	142	–	–	142
Infrastructure investments (Held for Sale)	119	119	–	–	119
<b>Liabilities</b>					
FECs	1	1	–	1	–
FECs (Held for Sale)	1	1	–	1	–



**16. FAIR VALUE OF ASSETS AND LIABILITIES continued****Fair value hierarchy continued**

The Group uses level 2 valuation techniques to measure foreign exchange contracts and level 3 valuation techniques to measure infrastructure investments. Valuation techniques used are appropriate in the circumstances and for which sufficient data was available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

There were no transfers between the different levels during the period.

There have been no gains and losses recognised attributable to changes in unrealised gains or losses during the year.

**Sensitivity analysis: Financial assets valuations using observable and unobservable inputs**

The following table shows the sensitivity of significant unobservable inputs used in measuring the fair value of infrastructure investments:

	Significant unobservable input %	Reasonably possible changes to significant unobservable inputs %	Potential effect recorded directly in profit or loss	
			Increase Rm	Decrease Rm
<b>Infrastructure investments</b>				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	16,0%	0,5%	(4)	4
– Invelo Concessions Company Proprietary Limited	17,0%	0,5%	(2)	2
– Firefly Investments 238 Proprietary Limited	14,8%	0,5%	(2)	2

**17. EVENTS AFTER THE REPORTING PERIOD**

The directors are not aware of any significant matter or circumstance arising after the reporting date up to the date of this report except as stated below:

**17.1 Sale of non-core businesses and assets**

Subsequent to year end, disposals were concluded in respect of GEL, Duraset, REHM Grinaker, Infraset Pietermaritzburg and various properties totalling R54 million. These disposals did not require separate disclosure in terms of the JSE Listings Requirements.

**17.2 Settlement of Majuba power station claim**

On 11 September 2020, the High Court in Johannesburg ordered Eskom SOC to pay R40 million plus interest and legal costs to the Group for its work on a rail yard and coal offloading facility at Majuba power station in Mpumalanga. Payment was received in October 2020.

# Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2020

## 17. EVENTS AFTER THE REPORTING PERIOD continued

### 17.3 Supreme Court ruling on N2 Mtentu River bridge project

On 13 November 2020, the Supreme Court of Appeals (SCA) dismissed the application to prevent the South African National Roads Agency SOC Limited (SANRAL) from claiming guarantees from the joint venture between Aveng Africa Proprietary Limited and Strabag International GmbH (ASJV) in respect of the Mtentu River Bridge project. This ruling relates to the guarantees only and has not established any entitlement to retain the proceeds of any guarantee call. Subsequently, SANRAL claimed guarantees amounting to R267 million on 23 November 2020. Aveng will be liable for 50% of the guarantee value. This project remains the subject of litigious matters against SANRAL following from the well-publicised disruptions to the contract by local communities that led to the termination of the contract. The ASJV remains confident that its decision to terminate the contract was contractually valid and also the right thing to do in the circumstances faced at Mtentu, particularly in light of the persistent indications that the unrest had not abated at the time of termination.

Further, on 1 September 2020 a unanimous full bench of the Mthatha High Court upheld the ASJV's appeal against an order obtained by SANRAL in 2019 against the ASJV, whereby SANRAL had attempted to prevent the removal of plant and equipment from the construction site by the ASJV and other contractors. Ultimately the ASJV was vindicated on appeal, with the full bench of the Mthatha High Court finding that in light of the uncontested evidence presented by the ASJV, the order that SANRAL had sought against the ASJV was not appropriate.

### 17.4 Restructuring and recapitalisation

Aveng has engaged with various stakeholders, including its South African lenders, the holders of notes issued through iNguza Investments (RF) Limited, its largest shareholder and others over the course of the 2020 calendar year. Following the year-end, the Company reached an agreement on a restructure that will result in the introduction of a minimum R300 million new capital, the restructure of the CTA debt package into a smaller restructured term and overdraft facility with a maturity of three years and the settlement of the balance thereof by way of a cash settlement or a specific issuance of new ordinary shares and the early settlement of the iNguza notes by way of a cash settlement at a discount or the participation in the restructured term debt. The agreements to give effect to the transaction were signed by the parties on 27 November 2020, including:

- ▶ the largest shareholder executing the recapitalisation term sheet including a commitment to fully underwrite a rights offering of new equity at 1.5 cents per share, up to R300 million;
- ▶ the South African lenders executing the recapitalisation term sheet, including the restructured debt and the settlement of R570 million by way of an issue of shares at 5 cents per share or the cash settlement of 31 cents for every R1 held subject to the shareholders approving a new issuance of shares at the upcoming AGM;
- ▶ the holders of the requisite majority of iNguza notes executing irrevocable letters of undertaking in support of early redemption of the iNguza notes by way of a cash settlement of 31 cents for every R1 held or participation in the South African lenders restructured debt; and
- ▶ SA lenders executing an extension letter, to extend its existing CTA facilities to 30 June 2022. It is expected that this agreement will be superseded by the restructured term and overdraft facilities described above once the restructure and recapitalisation transaction has received the necessary shareholder approval and has been implemented.

# Notice of virtual annual general meeting

## AVENG LIMITED

(Incorporated in the Republic of South Africa)  
 (Registration number: 1944/018119/06)  
 ISIN: ZAE000111829  
 Share code: AEG  
 (Aveng, the Company or the Group)

**For the safety of our stakeholders, the national restrictions regarding public gatherings and measures for social distancing will be applied to the forthcoming 76th annual general meeting (AGM) of Aveng Limited, scheduled for Wednesday, 20 January 2021 at 10:00 as per this notice of the meeting. The virtual AGM will be held through electronic communication, as permitted by the JSE Limited, the provisions of the Companies Act, and Aveng Limited's memorandum of incorporation. The virtual AGM will be hosted on an interactive electronic platform, in order to facilitate voting and remote participation by shareholders. Further details, including how to submit votes by proxy before the meeting, are contained in the following notice of the virtual AGM.**

Notice is hereby given that the 76th AGM of the shareholders of Aveng Limited will be held virtually, on Wednesday, 20 January 2021 at 10:00 to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008 (the Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements), which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 15 January 2021.

Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide

reasonably satisfactory identification before being entitled to participate in or vote at the virtual AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences, and passports.

In terms of the provisions of the Act and the Company's memorandum of incorporation, ordinary resolutions require the approval of more than 50% of the votes cast by shareholders present or represented by proxy at the virtual AGM while special resolutions require approval by at least 75% of such votes. Shareholders are also referred to the explanatory notes on the virtual AGM on pages 72 to 74.

## PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements of the Group, Company, and its subsidiaries, incorporating the reports of the auditors, the audit and risk committee, and the directors for the year ended 30 June 2020 have been distributed as required and will be presented to shareholders as required in terms of section 30(3)(d) of the Act.

## REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

In accordance with Companies Regulation 43(5)(c), issued in terms of the Act, the chairperson of the social, ethics and transformation committee or, in his absence, any member of the committee, will present a report to shareholders at the virtual AGM.

### Ordinary resolution 1: Election of director

To elect directors who were appointed subsequent to the previous AGM. The director eligible for election is:

1.1 Ms Bridgette Modise

# Notice of virtual annual general meeting continued

## Ordinary resolutions 2.1 to 2.3: Re-election of directors

To re-elect, by way of separate resolutions, directors who are retiring by rotation in terms of the provisions of the Company's memorandum of incorporation. The directors retiring by rotation are:

- 2.1 Mr Adrian Macartney
- 2.2 Mr Philip Hourquebie
- 2.3 Ms May Hermanus

Ms May Hermanus who retires voluntarily owing to her long tenure on the Board (longer than nine years), being eligible offers herself for re-election. The Board has assessed her independence and is confident she remains independent. This is in the interest of best practices and good corporate governance.

## Ordinary resolutions 3.1 to 3.3: Appointment of audit and risk committee

To elect, by way of separate resolutions, the following independent non-executive directors as members of the audit and risk committee from the end of this virtual AGM until the conclusion of the next AGM in terms of section 94(2) of the Act:

- 3.1 Ms Bridgette Modise
- 3.2 Mr Mike Kilbride
- 3.3. Ms May Hermanus

## Ordinary resolution 4: Reappointment of auditors

To reappoint, on the recommendation of the current audit and risk committee, Ernst & Young Inc. as independent auditors of the Company, the auditor meeting the requirements of section 90(2) of the Act, until the conclusion of the next AGM.

## Ordinary resolution 5: Approval of remuneration policy

To approve, through a non-binding advisory vote, the remuneration policy of the Company as set out on pages 60 to 76 of the integrated report at [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

## Ordinary resolution 6: Approval of remuneration report

To approve, through a non-binding advisory vote, the remuneration report of the Company as set out on pages 60 to 76 of the integrated report at [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

## Special resolution 1: General authority to repurchase shares

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, by way of a special resolution, that the mandate given to the Company in terms of its memorandum of incorporation (or one of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the Company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide subject to the JSE Listings Requirements, be extended, subject to the following:

- ▶ This general authority be valid until the Company's next AGM provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this resolution (whichever period is shorter)
- ▶ The repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty
- ▶ Repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected
- ▶ An announcement being published as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial

number of issued share capital, and for each 3% (three percent) in aggregate of the initial number of issued share capital repurchased thereafter, containing full details of such repurchases

- ▶ The number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) of the Company's issued share capital as at the date of passing of this special resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company
- ▶ The Company and / or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period
- ▶ At any point in time, the Company only appointing one agent to effect any repurchases on its behalf. The Board of directors passing a resolution that they authorised the repurchase and that the Company passed the solvency and liquidity test set out in section 4 of the Companies Act of 2008 and that since the test was done there have been no material changes to the financial position of the Group.

The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the virtual AGM and at the actual date of the repurchase:

- ▶ the Company and the Group will be able, in the ordinary course of business, to pay its debts
- ▶ the working capital of the Company and the Group will be adequate for ordinary business purposes
- ▶ the assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the Company and the Group
- ▶ the Company's and the Group's ordinary share capital and reserves will be adequate for ordinary business purposes.

### Special resolution 2: Non-executive directors' remuneration

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, as a special resolution:

- ▶ that the Company be and is hereby authorised to pay remuneration to its non-executive directors for their services as directors, as contemplated in section 66(8) and 66(9) of the Companies Act of 2008
- ▶ that the remuneration structure and amounts as set out below, be and are hereby approved, for implementation from the period commencing 1 January 2021 until such time as rescinded or amended by shareholders by way of a special resolution.

# Notice of virtual annual general meeting continued

Board / Committee	Category	2020 fee R	2021 proposed increase %	2021 proposed fee <sup>1</sup> R
Main board	Chairperson	1 034 560	–	<sup>2</sup>
	Lead independent	477 000	–	477 000
	Director	340 680	–	340 680
	Ad hoc meetings <sup>3</sup>	29 890	–	29 890
Subsidiary boards	Director	181 050	–	181 050
	McConnell Dowell travel allowances <sup>4</sup>	82 680	–	82 680
Remuneration and nomination committee	Chairperson	229 600	–	229 600
	Member	91 270	–	91 270
Safety, health and environmental committee	Chairperson	198 220	–	198 220
	Member	85 650	–	85 650
Social, ethics and transformation committee	Chairperson	198 220	–	198 220
	Member	85 650	–	85 650
Audit and risk committee	Chairperson	303 580	–	303 580
	Member	170 870	–	170 870
	Subsidiaries member	92 540	–	92 540
Investment committee	Chairperson <sup>4</sup>	12 080	–	12 080
	Member <sup>4</sup>	9 220	–	9 220
Tender risk committee	Member <sup>4</sup>	11 870	–	11 870
Ad hoc committee meetings	Member / invitee <sup>5</sup>	19 400	–	19 400
Extra ordinary services rendered	Per hour fee <sup>6</sup>	4 770	–	4 770

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

<sup>2</sup> Refer to 2021 proposal for non-resident and non-executive directors.

<sup>3</sup> Per meeting attended in excess of the five scheduled meetings per year.

<sup>4</sup> Per meeting attended.

<sup>5</sup> Directors who are not members of a Board committee are sometimes requested on an ad hoc basis to attend meetings of certain committees. The proposed fee structure as set out above includes a fee payable under these circumstances. The meeting attendance fee to directors who are not members of the relevant committee will only be paid if attendance is based on a formal invitation from the committee chairperson.

<sup>6</sup> Per hour.

Category	Fees type	2020 fee £	2021 proposed increase %	2021 proposed fee <sup>1</sup> £
Non-resident UK-based	Composite fee <sup>2</sup>	83 040	20,42	100 000
Independent Board chairperson	Ad hoc meeting fee <sup>3</sup>	2 606	–	2 606

<sup>1</sup> The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate. Mr Philip Hourquebie (a UK-based non-executive director) was appointed chairperson of the Board with effect from 17 June 2020. His director's fees were subsequently reviewed, and an increase was proposed by the Board in line with his new position.

<sup>2</sup> The fees are for the attendance at Aveng Board meetings and attendance as chairperson of the Aveng Board and investment committees and attendance as a member of three other committees (being the SET, remuneration and nomination, safety health and environment committees) and a standing invitee to the audit and risk committee.

<sup>3</sup> The fee paid for any additional ad hoc Board or committee meetings attended.

The Board fees noted above exclude any VAT which is authorised to be paid, in addition to the above-board fees, to qualifying non-executive directors.

### Special resolution 3: Financial assistance to related and inter-related companies

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

“RESOLVED, by way of a special resolution, that the authority of the directors of the Company as previously approved by shareholders as required in terms of sections 44 and / or 45(2) of the Companies Act of 2008 and the Company's memorandum of incorporation to provide financial assistance to all related and inter-related companies within the Aveng Group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, be and is hereby renewed, such authority to remain in place until rescinded by way of a special resolution passed at a duly constituted virtual AGM of the Company.”

### Ordinary resolution 7: Signing authority

To authorise any one director or the secretary of the Company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the virtual AGM at which this ordinary resolution will be considered and approved at such meeting.

### ADDITIONAL INFORMATION

The following additional information, some of which may appear in the integrated report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the Company's shares set out in special resolution 1:

- ▶ Directors and management – [www.aveng.co.za/financials/annual\\_reports](http://www.aveng.co.za/financials/annual_reports)
- ▶ Major shareholders – [www.aveng.co.za/financials/annual\\_reports](http://www.aveng.co.za/financials/annual_reports)
- ▶ Directors' interests in ordinary shares – [www.aveng.co.za/financials/annual\\_reports](http://www.aveng.co.za/financials/annual_reports)
- ▶ Share capital of the Company – [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports)
- ▶ Directors' report – [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

# Notice of virtual annual general meeting continued

## LITIGATION STATEMENT

The directors in office, whose names appear on page 72, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, other than disclosed in the AFS that may have, or have had, in the recent past, being at least the previous 12 (twelve) months from the date of this integrated report, a material effect on the Group's financial position.

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors in office, whose names appear on page 72, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the JSE Listings Requirements.

## MATERIAL CHANGES

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year-end and the date of signature of the integrated report.

## DIRECTORS' INTENTION REGARDING THE GENERAL AUTHORITY TO REPURCHASE THE COMPANY'S SHARES

The directors have no specific intention, at present, for the Company to repurchase any of its shares but consider that such a general authority should be put in place should an

opportunity present itself to do so during the year which is in the best interests of the Company and its shareholders.

## PROXIES AND VOTING

Certificated shareholders and dematerialised shareholders with "own-name" registration, participating via electronic communication, are urged to submit their votes by proxy prior to the meeting. Dematerialised shareholders, other than "own-name", participating via electronic communication, should contact their Central Securities Depository Participant (CSDP) or broker with instructions on how they wish to vote.

Certificated shareholders, "own-name" dematerialised shareholders and dematerialised shareholders other than "own-name", who have requested a letter of representation from their CSDP or broker in order to vote during the meeting and who have provided the transfer secretary with their details and email address will be provided with the necessary instructions on how to vote.

It is requested that forms of proxy be forwarded to the transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; Private Bag X9000, Saxonwold, 2132), by no later than 48 (forty-eight) hours before the commencement of the virtual AGM for administrative purposes. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to participate via electronic communication do not deliver forms of proxy to the transfer secretaries by the relevant time, such



shareholders will nevertheless be entitled to lodge the form of proxy in respect of the virtual AGM immediately prior to the virtual AGM, in accordance with the instructions therein, with the company secretary via email: [edinah.mandizha@avenggroup.com](mailto:edinah.mandizha@avenggroup.com) or may use the electronic voting system provided.

**SHAREHOLDERS OR THEIR PROXIES WHO WISH TO PARTICIPATE AND VOTE IN THE VIRTUAL AGM THROUGH THE ELECTRONIC PARTICIPATION PLATFORM, MUST EITHER:**

1. register online using the online registration portal at [www.smartagm.co.za](http://www.smartagm.co.za); or
2. apply to Computershare, by sending a request to [proxy@computershare.co.za](mailto:proxy@computershare.co.za) so as to be received by Computershare by no later than Monday, 18 January 2021.

On a show of hands, every shareholder virtually present or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder participating via electronic communication or represented by proxy and entitled to vote shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

Shareholders or proxies are advised that they will be required to present reasonably satisfactory identification in order to participate in the virtual AGM as required in terms of section 63(1) of the Act. Forms of identification that will be accepted include original and valid identity documents, driver's licences, and passports.

For the purpose of resolutions proposed in terms of the JSE Listings Requirements wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

Any shareholder or appointed proxy participating in the virtual AGM is eligible to ask questions.

By order of the Board



**Edinah Mandizha**

*Group company secretary*

Melrose Arch

15 December 2020

## Explanatory notes: virtual annual general meeting

### PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

At the virtual AGM, the directors must present the annual financial statements for the year ended 30 June 2020 to shareholders, together with the reports of the directors, the audit and risk committee, and the auditors. These are contained at [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

### PRESENTATION OF REPORT BY SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

In terms of Regulation 43(5)(c), one of the statutory functions of a social and ethics committee constituted in terms of the Act is to report to shareholders at the Company's AGM on the matters within the committee's mandate. The report of the group social and ethics committee for the year ended 30 June 2020 is reported in the sustainability report and is accessible on the Group's website at [www.aveng.co.za/financials/annual-reports](http://www.aveng.co.za/financials/annual-reports).

### RESOLUTIONS

#### Ordinary resolution 1: Election of director

To elect, by way of a separate resolution, directors who were appointed subsequent to the previous AGM. The director eligible for election is:

1.1 Ms Bridgette Modise

The profile of the director up for election is contained at [www.aveng.co.za/group/directors/board\\_of\\_directors](http://www.aveng.co.za/group/directors/board_of_directors).

#### Ordinary resolutions 2.1 to 2.3: Re-election of directors

To re-elect, by way of separate resolutions, directors who are retiring by rotation in terms of the provisions of the Company's memorandum of incorporation. The directors retiring by rotation are:

2.1 Mr Adrian Macartney

2.2 Mr Philip Hourquebie

2.3 Ms May Hermanus

Ms May Hermanus who retires voluntarily owing to her long tenure on the Board (longer than nine years), being eligible offers herself for re-election. The Board has assessed her independence and is confident she remains independent. This is in the interest of best practices and good corporate governance.

The profiles of the directors up for re-election are contained at [www.aveng.co.za/group/directors/board\\_of\\_directors](http://www.aveng.co.za/group/directors/board_of_directors).

#### Ordinary resolutions 3.1 to 3.3: Appointment of audit and risk committee

To elect, by way of separate resolutions, the following independent non-executive directors as members of the audit and risk committee from the end of this AGM until the conclusion of the next AGM in terms of section 94(2) of the Act:

3.1 Ms Bridgette Modise

3.2 Mr Mike Kilbride

3.3 Ms May Hermanus

The Board of directors of the Company is satisfied that the proposed members of the audit and risk committee meet all relevant requirements.

#### **Ordinary resolution 4: Reappointment of auditors**

Ernst & Young Inc. external auditor of the Company has indicated its willingness to continue in office and ordinary resolution 3, based on the recommendation of the audit and risk committee, proposes the reappointment of that firm as the Company's auditors until the conclusion of the next AGM.

#### **Ordinary resolution 5: Approval of remuneration policy**

King IV on Corporate Governance™\* for South Africa, recommends that the remuneration philosophy of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the Company.

#### **Ordinary resolution 6: Approval of remuneration report**

King IV on Corporate Governance for South Africa, recommends that the remuneration report of the Company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration report of the Company.

#### **Special resolution 1: General authority to repurchase shares**

Section 48 of the Act authorises the Board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings

Requirements require the shareholders of the Company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the virtual AGM for special resolution 1 to become effective.

#### **Special resolution 2: Non-executive directors' remuneration**

In terms of section 66(8) and section 66(9) of the Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the memorandum of incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the Company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the Company.

Pursuant to the binding rulings of the South African Revenue Service, a non-executive director who earns in excess of R1 million in non-executive directors' fees from all appointments in any 12-month consecutive period is required to register for VAT, and charge VAT on such fees, subject to certain exceptions. Accordingly, the amounts noted within the tables represent the Board fees exclusive of VAT which will be charged by any qualifying non-executive director, at the prevailing rate.

#### **Special resolution 3: Financial assistance to related and inter-related companies**

Section 45(2) of the Act authorises the Board to provide direct or indirect financial assistance to a related or inter-related

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## Explanatory notes: virtual annual general meeting continued

company, subject to subsections (3) and (4) of section 45 of the Act and unless otherwise provided in the Company's memorandum of incorporation. In terms of section 45(3) of the Act, a special resolution of shareholders is required in these instances. The main purpose of the special resolution as set out in the notice of the virtual meeting is to approve the granting of inter-company loans, a recognised and well-known practice, details of which are also set out in the notes to the annual financial statements.

### **Ordinary resolution 7: Signing authority**

Authority is required to do all such things and sign all documents and take all such action

as necessary to implement the resolutions set out in the notice and approved at the virtual AGM. It is proposed that the company secretary and / or directors be authorised accordingly.

### **GENERAL**

Shareholders and proxies attending the virtual AGM on behalf of shareholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

# Form of proxy

## AVENG LIMITED

(Incorporated in the Republic of South Africa)  
 (Registration number: 1944/018119/06)  
 ISIN: ZAE000111829  
 Share code: AEG  
 (Aveng, the Company or the Group)

For use by the registered holders of certificated Aveng shares and the holders of dematerialised Aveng shares in their own name at the virtual AGM of the Company to be held in Melrose Arch, on Wednesday, 20 January 2021 at 10:00.

Holders of Aveng shares (whether certificated or dematerialised) through a nominee must not complete this form of proxy, but should timeously make the necessary arrangements with that nominee or, if applicable, CSDP or broker, to enable them to attend and vote at the virtual AGM or to enable their votes in respect of their Aveng shares to be cast at the virtual AGM by that nominee or a proxy or a representative.

I/We

(please print)

of (address)

(please print)

being the registered holder(s) of \_\_\_\_\_ ordinary shares in the capital of the Company do hereby appoint:

1. \_\_\_\_\_ or failing him / her,

2. \_\_\_\_\_ or failing him / her,

the chairperson of the virtual AGM, as my / our proxy to vote on my / our behalf at the virtual AGM which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed at the virtual AGM and at each adjournment of the virtual AGM and to vote for or against the special and ordinary resolutions or to abstain from voting in respect of the shares in the issued share capital of the Company registered in my / our name / s, in accordance with the following instructions (see note 2):

Proposed resolutions	For	Against	Abstain
1. Ordinary resolution 1.1: Election of director – Ms Bridgette Modise			
2. Ordinary resolution 2.1: Re-election of director – Mr Adrian Macartney			
Ordinary resolution 2.2: Re-election of director – Mr Philip Hourquebie			
Ordinary resolution 2.3: Re-election of director – Ms May Hermanus			
3. Ordinary resolution 3.1: Election of audit and risk committee member – Ms Bridgette Modise			
Ordinary resolution 3.2: Election of audit and risk committee member – Mr Mike Kilbride			
Ordinary resolution 3.3: Election of audit and risk committee member – Ms May Hermanus			
4. Ordinary resolution 4: Reappointment of external auditors			
5. Ordinary resolution 5: Approval of remuneration policy			
6. Ordinary resolution 6: Approval of remuneration report			
7. Special resolution 1: General authority to repurchase shares			
8. Special resolution 2: Non-executive directors' remuneration			
9. Special resolution 3: Financial assistance to related and inter-related companies			
10. Ordinary resolution 7: Signing authority			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2020

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Each member is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in place of that member at the virtual AGM.

**Please read the notes on the reverse side hereof.**

## Notes to the form of proxy

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space(s) provided, with or without deleting "the chairperson of the virtual AGM" but any such deletion must be initialled by the member. The person whose name appears first on the form of proxy and who is present at the virtual AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the virtual AGM as he / she deems fit. A member may instruct the proxy to vote fewer than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the virtual AGM.
3. Forms of proxy must be lodged with or posted to the Company's share registrar, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) to be received by no later than 10:00 on Monday, 18 January 2021 for administrative purposes. Alternatively, such forms of proxy may be handed to the company secretary (edinah.mandizha@avenggroup.com) before the appointed proxy exercises any of the relevant shareholder's rights at the virtual AGM.
4. The completion and lodging of this form of proxy will not preclude the member from attending the virtual AGM and speaking and voting in person thereat to the exclusion of any proxy appointment in terms thereof, should each member wish to do so.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (eg for a company, close corporation, trust, pension fund, deceased estate) must be attached to this form of proxy unless previously recorded by the Company's share registrar or waived by the chairperson of the virtual AGM.
6. An alteration or correction made to this form of proxy must be initialled by the signatory or signatories.
7. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrar of the Company.
8. Where there are joint holders of shares in the Company, any one of such persons may, alone, sign this form of proxy in respect of such shares as if such person was the sole holder but, if more than one of such joint holders submits a form of proxy, the form of proxy, if accepted by the chairperson of the virtual AGM, submitted by the holder whose name appears first in the Company's share register will be accepted to the exclusion of any other forms of proxy submitted by any other joint holder / s.
9. The chairperson of the virtual AGM may accept any form of proxy which is completed other than in accordance with these notes if the chairperson of the virtual AGM is satisfied as to the manner in which the member wishes to vote.
10. A proxy need not be a member of the Company.
11. On a show of hands every shareholder present virtually or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he / she represents or holds.
12. On a poll, every shareholder present in person or represented by proxy or a duly authorised representative shall have one vote for every share held by such shareholder.
13. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the virtual AGM. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

# Shareholders' analysis

as at 26 June 2020

## Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	1 979	22,05	611 577	0,00
1 001 – 10 000 shares	1 809	20,15	8 027 312	0,04
10 001 – 100 000 shares	2 364	26,34	102 184 662	0,53
100 001 – 1 000 000 shares	2 004	22	751 621 638	3,88
1 000 001 shares and above	820	9,14	18 532 053 031	95,55
<b>Total</b>	<b>8 976</b>	<b>100,00</b>	<b>19 394 498 560</b>	<b>100,00</b>

## Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Private investor	5 660 515 174	29,19
Hedge fund	3 931 365 387	20,27
Unit trusts/mutual fund	3 804 786 546	19,62
Trading position	3 244 149 312	16,73
Pension funds	928 439 091	4,79
Corporate holding	265 001 000	1,37
Foreign government	111 975 137	0,58
University	68 394 212	0,35
Custodians	40 276 495	0,21
Insurance companies	20 768 596	0,11
ESOP LTIP	18 046 763	0,09
Investment trust	13 000 000	0,07
Black economic empowerment	8 586 593	0,04
Employees	6 018 386	0,03
Exchange-traded fund	5 700 000	0,03
Charity	5 539 788	0,03
Remainder	1 261 935 740	6,51
<b>Total</b>	<b>19 394 498 560</b>	<b>100,00</b>

## Shareholders' analysis continued

as at 26 June 2020

### Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	6	0,06	34 097 077	0,18
Directors	1	0,01	129 999	0,00
Aveng Limited Share Purchase Trust	1	0,01	6 018 386	0,03
Aveng Management Company Proprietary Limited	1	0,01	788 684	0,00
Aveng LTIP	1	0,01	18 046 763	0,09
Aveng LTIP	1	0,01	526 652	0,00
Aveng Community Investment Trust	1	0,01	8 586 593	0,04
Public shareholders	8 970	99,94	19 360 401 143	99,82
<b>Total</b>	<b>8 976</b>	<b>100,00</b>	<b>19 394 498 560</b>	<b>100,00</b>

### Beneficial shareholders holding more than 3%

Beneficial shareholdings	Total shareholding	%
1992 Tactical Credit Fund	3 698 756 984	19,07
ATON GmbH	1 359 584 404	7,01
Allan Gray Balanced Fund	969 530 966	5,00
Corolife Managed Portfolio Suplaf	672 967 783	3,47
<b>Total</b>	<b>6 700 840 137</b>	<b>34,55</b>

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

#### Investment management shareholdings

Investment manager	Total shareholding	%
Highbridge Capital Management LLC	3 698 756 984	19,07
Coronation Asset Management Proprietary Limited	2 663 691 702	13,73
ATON GmbH	1 359 584 404	7,01
Allan Gray Proprietary Limited	969 530 966	5,00
Ninety One Plc	634 076 028	3,27
Personal Trust International	629 530 200	3,27
<b>Total</b>	<b>9 955 170 284</b>	<b>48,08</b>



### Geographic split of investment managers and company-related holdings

Region	Total shareholding	% of issued capital
South Africa	12 776 665 444	65,88
United States of America and Canada	3 728 292 109	19,22
United Kingdom	765 513 820	3,95
Rest of Europe	1 391 406 273	7,17
Rest of World <sup>1</sup>	732 620 574	3,78
<b>Total</b>	<b>19 394 498 560</b>	<b>100,00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions.

### Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	12 889 331 932	66,46
United States of America and Canada	3 728 292 109	19,22
United Kingdom	765 513 820	3,95
Rest of Europe	1 391 406 273	7,17
Rest of World	619 954 086	3,20
<b>Total</b>	<b>19 394 498 560</b>	<b>100,00</b>

## Corporate information

### Directors

PA Hourquebie\*\* (Chair),  
SJ Flanagan (Group CEO),  
AH Macartney (Group FD),  
MA Hermanus (Lead independent director)\*\*,  
MJ Kilbride\*\*  
Bridgette Modise\*\*

\*Non-executive #Independent

### Company secretary

Edinah Mandizha

### Business address and registered office

3rd Floor, 10 The High Street, Melrose Arch,  
Johannesburg, 2076, South Africa  
Telephone +27 (0) 11 779 2800

### Company registration number

1944/018119/06

### Share codes

Share code: AEG  
Share ISIN: ZAE 000111829

### Website

[www.aveng.co.za](http://www.aveng.co.za)

### Auditor

Ernst & Young Inc  
Registration number: 2005/002308/21  
102 Rivonia Road  
Sandton, Johannesburg, 2196  
Private Bag X14  
Northlands, 2146  
South Africa  
Telephone +27 (0) 11 772 3000

### Principal bankers

Absa Bank Limited  
FirstRand Bank Limited  
HSBC Bank plc  
Investec Bank Limited  
Nedbank Limited  
The Standard Bank of South Africa Limited  
United Overseas Bank Limited

### Corporate legal advisers

Baker & McKenzie  
Pinsent Masons

### Sponsor

UBS South Africa Proprietary Limited  
Registration number: 1995/011140/07  
64 Wierda Road East  
Wierda Valley, Sandton 2196  
PO Box 652863  
Benmore, 2010  
South Africa  
Telephone +27 (0) 11 322 7000

### Registrars

Computershare Investor Services Proprietary  
Limited  
Registration number: 2004/003647/07  
Rosebank Towers, 15 Biermann Avenue  
Rosebank 2196, South Africa  
PO Box 61051  
Marshalltown, 2107  
South Africa  
Telephone +27 (0) 11 370 5000





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