AVENG

Providing a better life


# Creating value

Notice of virtual annual general meeting 2021

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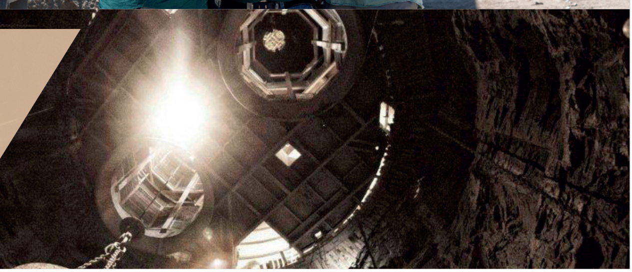


# LETTER TO SHAREHOLDERS

## Dear shareholder

We present to you our 2021 results through an extract from our summarised financial results.

In addition to the extract of the summary of our audited financial statements, this document contains the detailed notice to our 77th annual general meeting (AGM) to be held entirely by electronic communication at 09:00 (SAST) on Wednesday, 10 November 2021(the virtual AGM).

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.

If you are unable to attend the virtual AGM, you may vote by proxy in accordance with the instruction on the virtual AGM notice and the form of proxy. The enclosed form of proxy, which is also available on our website at 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; or
2. Apply to Computershare, by sending a request to proxy@computershare.co.za so as to be received by Computershare by no later than Monday, 8 November 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 on 12 October 2021. 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.

Yours sincerely

**Edinah Mandizha**
*Group company secretary*

12 October 2021

# SHAREHOLDERS' DIARY

| | |
|---|---|
| Financial year end | 30 June |
| Annual general meeting | 10 November 2021 |

## Publication of results

| | |
|---|---|
| – Half-year ended 31 December 2021 | 22 February 2022 |
| – Year ended 30 June 2022 | 24 August 2022 |

# 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 Aveng's values and the promise to hold 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 continue to be 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, timeous and courteous **communication** with all stakeholders.

# SALIENT FEATURES – FINANCIAL PERFORMANCE
## for the year ended 30 June 2021

### Core revenue (McConnell Dowell and Moolmans)
**R20,9 billion**
Increase from R14,2 billion

### Work in hand
**R25,3 billion**
Compared to R26,8 billion at June 2020

### Operating earnings
**R536 million**
Increase from R532 million loss for the period ended June 2020

### Operating free cash flow
**R1,5 billion inflow**
June 2020: R5 million outflow

### Interest-bearing borrowings held at amortised cost
**R879 million**
Decreased by R1 billion from R1,9 billion in June 2020

### Net cash position
**R1,1 billion**
Net debt position of R1,0 billion at 30 June 2020

### Earnings attributable to equity holders of the parent
**R990 million**
Increase from R1,1 billion loss for the period ended 30 June 2020

### Headline earnings
**R751 million**
Increase from R950 million loss at 30 June 2020

### Earnings per share
**2,7 cents**
Improvement from 4,6 cents loss per share (restated) at 30 June 2020

### Headline earnings per share
**2,0 cents**
Improvement of 6,0 cents from 4,0 cents loss per share at 30 June 2020

# SALIENT FEATURES

**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 2021

- **Group revenue increased to R25,7 billion (June 2020: R20,9 billion), with core revenue increasing by 47%**
- **Significant turnaround in operating earnings to R536 million (June 2020: R532 million loss)**
- **Headline earnings substantially improved to R751 million (June 2020: R950 million headline loss)**
- **Equity raised of R873 million**

### RESULTS FOR THE YEAR ENDED 30 JUNE 2021

Aveng has recorded its first full-year profit and headline earnings since June 2014. The positive results reflect the successful implementation of the Group's strategy. Core objectives to the strategy included the disposal of non-core assets, the reduction of unsustainable debt levels and the improvement in the operational performance of the core businesses, McConnell Dowell and Moolmans.

The Group recorded an operating earnings of R536 million due to strong operational performance in McConnell Dowell, Moolmans and Trident Steel, coupled with improved performances in Aveng Manufacturing. Both McConnell Dowell and Moolmans delivered growth in operating earnings and generated positive cash flows.

This improved operational performance resulted in operating free cash flow of R1,5 billion and coupled with a reduction in debt from R2,4 billion to R1,4 billion, has resulted in a significantly improved net cash position of R1,1 billion from a net debt position of R1 billion in June 2020.

The turnaround of the Group is underpinned by our commitment to our purpose of Providing a Better Life and our values of Safety and Care, Honesty and Integrity, Customer Focus, Working Together and Performance Excellence. These values inform and guide the way in which we operate across all levels of the Group. Our success

- **Generated operating free cash flow of R1,5 billion (June 2020: R5 million outflow)**
- **Group debt reduced from R2,4 billion to R1,4 billion**
- **Net cash position of R1,1 billion (June 2020: R1 billion net debt)**
- **Work in hand of R25,3 billion (June 2020: R26,8 billion)**
- **Earnings per share of 2,7 cents (June 2020: 4,6 cents loss per share, restated)**
- **Headline earnings per share of 2,0 cents (June 2020: 4,0 cents loss per share, restated)**

is ultimately driven by the behaviours and actions of our people. Over the last year we have continued to ensure that our businesses are led and resourced by people with the appropriate skills and experience who demonstrate behaviours in line with these values.

## COVID-19

COVID-19 remained a threat to our operations as governments continued to impose varying lockdown restrictions at city, state, province and country levels in their attempt to manage the spread of the virus. Although these restrictions add complexity to the management of our businesses, our leadership teams proactively monitor and respond to challenges to minimise impacts on our people and operations. The Group's agile, resilient and diverse business model across customers, geographies, industry sectors and commodities serves as a key factor in minimising COVID-19 impacts. All of this has been brought about by our people who have demonstrated resilience, flexibility and a willingness to adapt personal and professional lives to meet the requirements of this new normal.

As at 26 August 2021, the Group had 846 confirmed COVID-19 cases, mainly in Indonesia, Singapore and South Africa with a 90% recovery rate for Group employees to date. Whilst the vast majority of our people have recovered, we think of our colleagues who are currently in hospital or recovering at home. Formal and informal engagements with employees continue in order to address the rising mental health concerns.

Sadly, 10 of our colleagues have to date succumbed to this dreadful virus and the Board and management once again extend their sincere condolences to the families and colleagues of those who have lost their lives.

Aveng supports the view of most governments around the world that the implementation of a vaccination programme is the route to a sustainable future and strongly recommends that everybody who medically can and has access to the vaccine should be vaccinated as soon as possible.

Aveng is monitoring the rollout of the vaccination process in its operating jurisdictions and where appropriate and in line with local protocols, is facilitating access to a vaccine for all its employees. To date, the Group have procured vaccines in Southeast Asia which are being made available to staff and their families. In South Africa, interventions are in place to facilitate the vaccination of employees at remote sites.

The Group continues to adapt its response to the ongoing uncertainty and potential impacts of COVID-19 as the situation evolves.

## DERISKING THE BALANCE SHEET

The recapitalisation and debt restructure was successfully completed during the year ended 30 June 2021 raising R492 million of new capital. This followed from the Fourth Amended and Restated Common Terms Agreement (CTA) entered into with the SA Banking Group on 11 February 2021. The debt restructure was executed on 19 March 2021 using proceeds of the rights offer. This resulted in the Group improving its net cash position by R1 billion from December 2020 including a R260 million cash injection of additional liquidity after settlement of debt.

The first repayments of the term debt, amounting to R55 million, were made on 30 June 2021, including R25 million early settled.

The restructuring and recapitalisation transaction has allowed the Group to reset its capital structure, deleveraging the balance sheet by more than R1 billion, extending the Group's debt maturity profile to three years, and simultaneously materially improving the Group's South African liquidity pool.

In addition to lower on-balance sheet borrowings, Aveng has significantly reduced its contingent liability exposure in South Africa through a reduction in guarantees from R3,8 billion at June 2017 to R554 million at June 2021. Subsequent to year end this has reduced by a further R76 million to R478 million.

## NON-CORE ASSET DISPOSALS

The following disposals were concluded during the year:

- Ground Engineering, Duraset, Infraset Pietermaritzburg, Infraset Swaziland, Infraset Brakpan and De Aar factories and various properties amounting to R120 million with proceeds received during the year.
- The sale of the investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited and Aveng Automotive Controls & Solutions (ACS) were subject to conditions precedent and were sold for a combined value of R80 million. We expect all conditions precedent to be met in the next reporting period.

These individual disposals to unrelated parties did not require separate disclosure in terms of the JSE Listings Requirements.

## OPERATIONAL PERFORMANCE

### McConnell Dowell

McConnell Dowell achieved 50% growth in revenue to AUD1,5 billion and the gross profit margin increased from 5,8% in June 2020 to 7,0%, despite COVID-19 challenges. Operating earnings of AUD28 million recorded in the current year represent a AUD22 million increase from the prior period normalised earnings of AUD6 million (after adding back the AUD19 million impact of non-cash impairment on settlement of two legacy claims).

Disciplined and consistent project delivery underpinned McConnell Dowell's strong results, with 91% of projects profitable. A small number of projects did not meet expectations and McConnell Dowell has applied key learnings to avoid repetition.

Australia remained the primary driver of McConnell Dowell's growth, with revenue and operating profits more than doubling year-on-year as new projects were secured in all Australian states and across McConnell Dowell's specialist capabilities. New contract awards include Kidston Pumped Hydro Storage and BHP Mitsubishi Alliance's Hay Point Coal Terminal projects in Queensland; Lake Way and Karlawinda gas pipeline and Murrin pipeline projects in Western Australia; Healesville to Kooweerup Bypass in Victoria; Overseas Passenger Terminal in New South Wales and Granite Island Causeway Renewal in South Australia. The Australia operations also secured additional works packages on the Western Program Alliance in Victoria, and the Public Transport Program Alliance and Water Framework infrastructure development programmes in South Australia.

Revenue in Southeast Asia grew by 24%, despite COVID-19 restrictions. The operations were awarded the full scope of work on the Jurong Regional Line (J108) project for Singapore's Land Transport Authority, the Batangas LNG Gas Importation Terminal in the Philippines and additional works on the Palembang Wastewater Treatment Plant in Indonesia.

Built Environs increased its operating earnings despite a decrease in revenue. This was due to strong performances on projects such as the Oval Hotel in Adelaide, the Modbury Hospital upgrade and the Auckland City Mission Home Ground. The restructuring of Built Environs and key leadership appointments paved the way for entry into the Victorian market where the business unit secured its first project for the Victorian Schools Building Authority at Beaumaris Secondary School. Expansion into New Zealand gained momentum with the award of the Puhinui Station upgrade and the Otahuhu logistics project in Auckland.

The revenue of New Zealand and Pacific Islands operations decreased primarily due to COVID-19 delays in several key project awards. Despite this, the business unit improved its profitability and liquidity. The complex pipe-jacking projects at St Mary's Bay and Snells-Algies were successfully delivered during the year and the completion on schedule of the landmark Wynyard Edge redevelopment ahead of the successful 2021 America's Cup defence by Team New Zealand, was another highlight. New project awards included the strategically important Pakakura to Pukekohe Rail Electrification project for state-owned KiwiRail; re-establishment of the fuel line works at Auckland International Airport; and the American Samoa Power Authority (ASPA) asphalt works and Futiga Concrete Road in American Samoa.

Work in hand of AUD1,9 billion is made up of quality projects across McConnell Dowell's target markets, sectors and customers. The value of preferred tender projects has grown to AUD1,7 billion, after projects worth

AUD900 million having converted to new work won during the period. McConnell Dowell currently has a further AUD8,8 billion in its FY22 tender pipeline.

McConnell Dowell enters the 2022 financial year with cash reserves of AUD172 million, minimal debt, undrawn credit lines and sufficient available guarantee facilities to meet its growth aspirations.

McConnell Dowell recorded a 12-month rolling lost-time injury frequency rate (LTIFR) of 0,06 (2020: 0,11), against a target of 0,09 and total recordable injury frequency rate (TRIFR) of 0,73 (2020: 0,69) against a target of 1,00. No serious environmental incidents were recorded.

### Moolmans

Moolmans met its profitability objective and recorded operating earnings of R239 million (June 2020: R38 million). Gross profit margin increased from 5,4% to 10,2%. Moolmans' turnaround and steady improvement over the past 24 months is largely attributable to the focused intervention by management to strengthen the leadership team and operational disciplines.

The year saw good performances from open cast operations at Sishen, Klipspruit, Gamsberg, Lefa and Nkomati as well as underground operations. However, this performance was partially offset by disappointing results at the Tshipi and Kolomela operations. Management has implemented remedial plans in consultation with customers.

Moolmans increased its operating free cash flow to R480 million and work in hand increased to R5,4 billion.

New contract awards included a R1,3 billion contract for open cast mining services at Seriti's Klipspruit mine and open-cast services contracts amounting to R1,5 billion at Vedanta's Gamsberg mine. A renewed focus on increasing work in hand has resulted in the business tendering for contracts for existing clients and new projects for new clients in South Africa and the rest of Africa.

Aveng's strengthened balance sheet allows Moolmans to embark on a heavy mining equipment (HME) renewal plan which will enhance Moolmans' value offering to its customers during a positive stage in the commodity cycle. The HME renewal plan will be implemented in a phased and disciplined manner to ensure an attractive return to shareholders.

In November 2021, Moolmans reported a confirmed fatality and a presumed fatality as a result of a slope failure at the Gamsberg mine. The Board and management extend their sincere condolences to the families and our employees affected by this tragic event and continue to offer ongoing support to them while continuing with the complex recovery operation which remains a top priority.

Moolmans recorded an improved 12-month rolling LTIFR of 0.14 (2020: 0,32), against a target of 0.26 and total recordable injury frequency rate TRIFR of 0.59 (2020: 0,61), against a target of 0,70. No major environmental issues were recorded.

## NON-CORE BUSINESSES

### Trident Steel

As part of the strategic intent to position Trident Steel as a steel service centre business, the tube and merchanting divisions were exited. Whilst this resulted in a reduction of revenue for the year to R3,1 billion (June 2020: R3,5 billion), Trident Steel recorded a substantial increase in operating earnings to R247 million (June 2020: R14 million). Operating free cash flow increased to

R567 million from R172 million due to increased profitability and the once-off sale of merchanting inventory.

### Aveng Manufacturing

*This consists of Aveng Automation & Controls Solutions (ACS) and Aveng Infraset.*

The manufacturing operating group recorded lower revenue of R1 billion (June 2020: R1,3 billion) following the disposal of various business units. The remaining business units achieved combined operational earnings of R24 million (June 2020: R55 million loss).

### Project management office

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. This primarily relates to Aveng Construction: South Africa.

## MARKET REVIEW

McConnell Dowell's core market sectors continue to grow driven largely by public sector investments particularly in Australia.

The Australian economy is rebounding from the impact of COVID-19. The infrastructure market is performing well and is underpinned by strategic government investments to stimulate the economy. The private sector market is starting to pick up on the back of strong commodity prices.

The New Zealand and Pacific Islands markets have slowed as a consequence of COVID-19. Government continues to invest in stimulus plans, however the lead time in awarding tenders has increased, resulting in lower market confidence.

Southeast Asia has been impacted by COVID-19 lockdowns and international border closures have impacted the economies in our operating countries. The Singaporean market remains strong and significant infrastructure projects are being delivered in Indonesia and the Philippines. The region's medium-term to long-term outlook remains promising, however opportunities continue to be tempered by current uncertainties.

The global mining industry market is on an upward trend on the back of a positive commodity price outlook for the medium and longer term. Global mining financing hit an eight-year high in 2020 and funds raised by junior and intermediate companies increased 35% year-on-year. All commodity groups benefited with gold up approximately 40% followed by base and other metals at 37%.

The South African market continues to underperform relative to its potential due to ongoing policy uncertainty and weak economic conditions.

## FINANCIAL PERFORMANCE

Aveng reported headline earnings of R751 million (June 2020: R950 million loss) for the first time since 2014, and net earnings of R988 million (June 2020: R1 116 million loss). The basic earnings per share was 2,7 cents (June 2020: 4,6 cents loss per share (restated for bonus element)) and the headline earnings per share was 2,0 cents (June 2020: 4,0 cents loss per share (restated for bonus element)).

### Statement of comprehensive earnings

**Group revenue** of R25,7 billion increased by 23% (June 2020: R20,9 billion) despite the impact from COVID-19 and non-core asset disposals. Core business revenue of R20,9 billion makes up 82% of total Group revenue (June 2020: 68%).

**Operating earnings** increased to R536 million (June 2020: R532 million loss) following improved performance from all businesses, both core and non-core.

**Impairment of PPE and long-term receivables** of R54 million in PPE and R187 million on right-of-use assets and R26 million in long-term receivables.

**Gain on early redemption of borrowings and other liabilities** of R486 million was recognised as part of the balance sheet restructuring, following the early settlement of debt at a significant discount.

**Fair value adjustment on disposal groups classified as Held for Sale** of a positive R611 million reversing a previously recognised impairment in order to reflect the fair value of the disposal group in the *Manufacturing and Processing* segment. The increase ensures that the CGU represents the fair value less costs to sell in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).*

Net finance charges reduced to R260 million excluding *IFRS 16 Leases (IFRS 16)* notional interest of R115 million (June 2020: R299 million excluding notional interest of R130 million). Finance expenses decreased in comparison to prior year due to the profile of debt and lower underlying interest rates.

## Statement of financial position

**Property, plant and equipment (PPE)** decreased by R380 million to R2,8 billion. Included in the amount is continuing operations right-of-use assets amounting to R337 million (June 2020: R439 million) after depreciation.

The Group incurred **capital expenditure**, including non-core assets, of R845 million (June 2020: R787 million), applying R828 million (June 2020: R781 million) to replace and R17 million (June 2020: R6 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- R170 million at McConnell Dowell, relating to specific projects across the various business units; and
- R649 million at Moolmans, primarily as a result of investment in existing fleet.

**Amounts due from contract customers** for the Group increased by R867 million to R3,4 billion (June 2020: R2,5 billion) due to increased revenue at McConnell Dowell and an increase in uncertified claims and variations (underclaims), a significant amount of which has been received post-year end.

**Assets Held for Sale** decreased by R320 million to R2,0 billion (June 2020: R2,3 billion) mainly due to the sale of non-core assets and the realisation of inventory at Trident Steel.

**Borrowings and other liabilities**, excluding *IFRS 16* lease liabilities, decreased by R1,0 billion to R879 million from June 2020 as a result of the balance sheet restructuring. Lease liabilities increased by R22 million to R519 million mainly due to new leases at core operations, with R154 million classified as current liabilities and R365 million classified as non-current liabilities at 30 June 2021.

**Amounts due to contract customers** increased by R367 million to R1,7 billion (June 2020: R1,3 billion) as a result of progress billings received (over-claims), which include upfront mobilisation payments in McConnell Dowell.

**Liabilities Held for Sale** decreased by R476 million to R1,6 billion (June 2020: R2,1 billion) due to the movement in working capital associated with non-core assets, the disposal of businesses and a fair value adjustment of R611 million in the Manufacturing and Processing segment to better align the carrying amount of the CGU at fair value less costs to sell in line with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5).*

Operating free cash flow amounted to an inflow of R1,5 billion (June 2020: R5 million outflow) due to:

- Cash inflow of R711 million (June 2020: R506 million inflow) in McConnell Dowell;
- Cash inflow of R480 million (June 2020: R191 million inflow) in Moolmans;
- Cash outflow of R79 million (June 2020: R545 million outflow) in Construction and Engineering: South Africa;
- Cash inflow of R567 million in Aveng Steel (June 2020: R172 million inflow);
- R120 million of proceeds on disposal of non-core assets;
- Net finance expenses paid of R326 million; and
- Taxation paid of R37 million.

Cash and bank balances (net of bank overdrafts) increased to R2,5 billion (June 2020: R1,3 billion) and the net debt position converted into a net cash position of R1,1 billion (June 2020: net debt position of R1 billion).

## POSTIONING FOR LONGER-TERM STRATEGIC GOALS

Aveng will focus on:

- Continued improvement of operational performance in Moolmans and McConnell Dowell
- Growing work in hand
- Resourcing for growth
- Completing the disposal of non-core assets
- Reducing debt
- Strengthening of the balance sheet
- Managing liquidity
- Share consolidation
- Renewing the Group's environment, social and governance (ESG) strategy in line with our purpose

## 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 August 2021

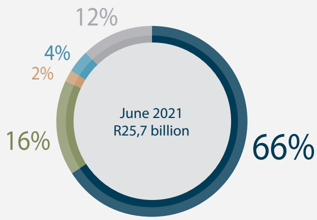
# SALIENT FEATURES – SEGMENTAL ANALYSIS
## for the year ended 30 June 2021

### Net operating earnings / (loss) – segmental analysis

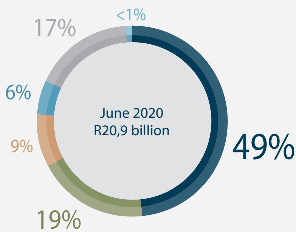
| | FY21 Rm | FY20 Rm | Change % |
|---|---|---|---|
| Construction and Engineering: Australia and Asia* | **312** | (162) | >100 |
| Mining | **239** | 38 | >100 |
| Construction and Engineering: South Africa and rest of Africa | **(164)** | (174) | 6 |
| Aveng Construction: South Africa | **(164)** | (174) | 6 |
| Manufacturing and Processing | **271** | (41) | >100 |
| Aveng Steel | **247** | 13 | >100 |
| Aveng Manufacturing | **24** | (54) | >100 |
| Other and Eliminations | **(122)** | (193) | 37 |
| **Net operating earnings / (loss)** | **536** | (532) | >100 |
| Earnings / (loss) attributable to equity-holders of the parent | **990** | (1 119) | >100 |
| **Headline earnings / (loss)** | **751** | (950) | >100 |

*Includes a claims write-down of R227 million in June 2020.*

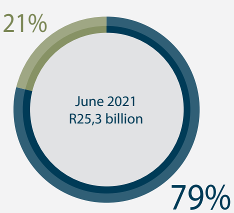
Revenue per operating group



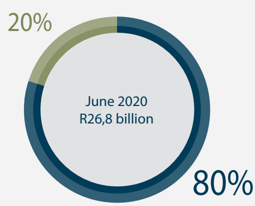

- McConnell Dowell
- Aveng Mining
- Aveng Construction: South Africa
- Aveng Manufacturing
- Aveng Steel
- Other and Eliminations




Work in hand per operating group




- McConnell Dowell
- Aveng Mining



# SUMMARISED STATEMENT OF FINANCIAL POSITION
## as at 30 June 2021

| | Notes | 2021 Rm | 2020 Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill arising on consolidation | | **100** | 100 |
| Intangible assets | | **11** | 15 |
| Property, plant and equipment | | **2 800** | 3 180 |
| Equity-accounted investments | | **30** | 35 |
| Infrastructure investments | | **257** | 259 |
| Derivative instruments | | **–** | 1 |
| Deferred taxation | | **725** | 813 |
| Lease receivables | | **38** | – |
| Long-term receivables | | **–** | 43 |
| | | **3 961** | 4 446 |
| **Current assets** | | | |
| Inventories | | **211** | 187 |
| Derivative instruments | | **–** | 9 |
| Amounts due from contract customers | 9 | **3 398** | 2 531 |
| Trade and other receivables | | **327** | 358 |
| Taxation receivable | | **37** | 41 |
| Lease receivables | | **3** | – |
| Cash and bank balances | | **2 519** | 1 755 |
| | | **6 495** | 4 881 |
| Assets Held for Sale | 10 | **1 989** | 2 309 |
| **TOTAL ASSETS** | | **12 445** | 11 636 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Stated capital | 11 | **4 747** | 3 874 |
| Other reserves | | **847** | 1 102 |
| Accumulated losses | | **(2 153)** | (3 143) |
| Equity attributable to equity-holders of parent | | **3 441** | 1 833 |
| Non-controlling interest | | **7** | 7 |
| **TOTAL EQUITY** | | **3 448** | 1 840 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred taxation | | **152** | 166 |
| Borrowings and other liabilities | 12 | **856** | 1 313 |
| Payables other than contract-related | | **94** | 104 |
| Employee-related payables | | **338** | 330 |
| | | **1 440** | 1 913 |
| **Current liabilities** | | | |
| Amounts due to contract customers | 9 | **1 657** | 1 290 |
| Borrowings and other liabilities | 12 | **542** | 1 067 |
| Payables other than contract-related | | **66** | 44 |
| Employee-related payables | | **276** | 243 |
| Trade and other payables | | **3 441** | 2 764 |
| Bank overdrafts | | **–** | 424 |
| | | **5 982** | 5 832 |
| Liabilities Held for Sale | 10 | **1 575** | 2 051 |
| **TOTAL LIABILITIES** | | **8 997** | 9 796 |
| **TOTAL EQUITY AND LIABILITIES** | | **12 445** | 11 636 |

# SUMMARISED STATEMENT OF COMPREHENSIVE EARNINGS
## for the year ended 30 June 2021

| | Notes | 2021 Rm | 2020 Rm |
|---|---|---|---|
| **Revenue** | | **25 709** | 20 878 |
| Continuing operations | | **21 511** | 14 185 |
| Discontinued operations | 5 | **4 198** | 6 693 |
| **Cost of sales** | | **(23 744)** | (19 907) |
| Continuing operations | | **(19 979)** | (13 305) |
| Discontinued operations | 5 | **(3 765)** | (6 602) |
| **Gross earnings** | | **1 965** | 971 |
| **Other earnings** | | **268** | 163 |
| Continuing operations | | **160** | 37 |
| Discontinued operations | 5 | **108** | 126 |
| **Operating expenses** | | **(1 675)** | (1 647) |
| Continuing operations | | **(1 405)** | (1 217) |
| Discontinued operations | 5 | **(270)** | (430) |
| Loss from equity-accounted investments* | | **(22)** | (19) |
| **Operating earnings / (loss)** | | **536** | (532) |
| Impairment loss on goodwill, intangible assets and property, plant and equipment | 7 | **(241)** | (147) |
| Impairment on equity-accounted investments | 7 | **–** | (21) |
| Impairment loss on long-term receivables | 7 | **(26)** | – |
| Gain on disposal of assets Held for Sale | | **28** | 24 |
| Gain on disposal of subsidiaries | 14 | **–** | 10 |
| Gain on disposal of property, plant and equipment and intangible assets | | **10** | 61 |
| Gain on early redemption of borrowings and other liabilities | | **486** | – |
| Fair value adjustment on properties and disposal groups classified as Held for Sale | 5 / 10 | **611** | (13) |
| **Earnings / (loss) before financing transactions** | | **1 404** | (618) |
| Interest earned on bank balances** | | **19** | 32 |
| Other finance expenses | | **(394)** | (461) |
| **Earnings / (loss) before taxation** | | **1 029** | (1 047) |
| Taxation | 15 | **(41)** | (69) |
| **Earnings / (loss) for the period** | | **988** | (1 116) |
| **Earnings / (loss) from continuing operations** | | **312** | (825) |
| **Earnings / (loss) from discontinued operations** | 5 | **676** | (291) |
| **Other comprehensive earnings** | | | |
| **Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):** | | | |
| Exchange differences on translating foreign operations | | **(265)** | 318 |
| **Other comprehensive (loss) / earnings for the period, net of taxation** | | **(265)** | 318 |
| **Total comprehensive earnings / (loss) for the period** | | **723** | (798) |
| **Total comprehensive earnings / (loss) for the period attributable to:** | | | |
| Equity-holders of the parent | | **723** | (798) |
| Non-controlling interest | | **–** | – |
| | | **723** | (798) |
| **Earnings / (loss) for the period attributable to:** | | | |
| Equity-holders of the parent | | **990** | (1 119) |
| Non-controlling interest | | **(2)** | 3 |
| | | **988** | (1 116) |
| **Other comprehensive (loss) / earnings for the period, net of taxation** | | | |
| Equity-holders of the parent | | **(267)** | 321 |
| Non-controlling interest | | **2** | (3) |
| | | **(265)** | 318 |

*This amount represents the loss from continuing and discontinued operations.

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

## SUMMARISED STATEMENT OF COMPREHENSIVE EARNINGS CONTINUED
for the year ended 30 June 2021

| | Notes | 2021 Rm | 2020 Rm |
|---|---|---|---|
| **Results per share (cents)** | | | |
| **From continuing and discontinued operations** | | | |
| Earnings / (loss) – basic | 8 | **2,7** | (4,6) |
| Earnings / (loss) – diluted | 8 | **2,4** | (4,6) |
| **From continuing operations** | | | |
| Earnings / (loss) – basic | 8 | **0,8** | (3,4) |
| Earnings / (loss) – diluted | 8 | **0,8** | (3,4) |
| **From discontinued operations** | | | |
| Earnings / (loss) – basic | 5/8 | **1,8** | (1,5) |
| Earnings / (loss) – diluted | 5/8 | **1,7** | (1,5) |
| **Number of shares (millions)*** | | | |
| In issue | 8 | **64 741,7** | 19 394,5 |
| Weighted average | 8 | **36 959,9** | 24 097,1 |
| Diluted weighted average | 8 | **40 447,9** | 24 097,1 |

The continuing and discontinued operations' earnings before interest, depreciation and amortisation for the Group, being net operating earnings before interest, tax, depreciation and amortisation, is R1 463 million. The earnings before interest, tax, depreciation and amortisation (EBITDA) for the Group in June 2020 was R362 million.

** As discussed in note 11: Stated capital, the Group undertook a renounceable rights offer to raise up to R300 million, to qualifying shareholders. The rights offer consisted of 20 000 000 000 rights offer shares in the ratio of 103,12203 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on Tuesday, 23 February 2021 and at a price of 1,5 cents per rights offer share. This included as many class A shares as required to be issued to the co-underwriters to secure the minimum required subscription per fund, in terms of the underwriting agreement. The total number of rights offer shares subscribed for and excess allocations applied for was 25 262 843 702 ordinary shares and 725 472 919 class A shares.*

*Further to this, the Group undertook a follow-on renounceable rights offer to raise up to R100 million, to qualifying shareholders. The rights offer consisted of 6 666 666 668 rights offer shares in the ratio of 11,47941 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on Friday, 21 May 2021 and at a price of 1,5 cents per rights offer share. The total number of rights offer shares subscribed for was 4 914 149 950 ordinary shares and 1 752 516 718 class A 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 |
|---|---|---|---|
| **Year ended 30 June 2020** | | | |
| **Balance at 1 July 2019 as previously reported** | 3 874 | 741 | 40 |
| Adoption of *IFRS 16* accounting standard* | – | – | – |
| **Balance at 1 July 2019** | 3 874 | 741 | 40 |
| (Loss) / earnings for the period | – | – | – |
| Other comprehensive earnings for the period (net of taxation) | – | 321 | – |
| **Total comprehensive loss for the period** | – | 321 | – |
| **Balance as at 30 June 2020** | 3 874 | 1 062 | 40 |
| **Year ended 30 June 2021** | | | |
| **Balance at 1 July 2020** | **3 874** | **1 062** | **40** |
| Loss for the period | **–** | **–** | **–** |
| Other comprehensive loss for the period (net of taxation) | **–** | **(267)** | **–** |
| **Total comprehensive earnings for the period** | **–** | **(267)** | **–** |
| Equity-settled share-based payments – shares granted | **–** | **–** | **20** |
| Equity-settled share-based payments – shares vested | **8** | **–** | **(8)** |
| Share issue – rights to qualifying shareholders (15 March 2021)** | **759** | **–** | **–** |
| Share issue – class A shares (15 March 2021)** | **11** | **–** | **–** |
| Share issue — rights to qualifying shareholders (7 June 2021) | **74** | **–** | **–** |
| Share issue – class A shares (7 June 2021) | **21** | **–** | **–** |
| **Total contributions and distributions recognised** | **873** | **–** | **12** |
| **Balance at 30 June 2021** | **4 747** | **795** | **52** |
| Note | 11 | | |

** The adoption of IFRS 16 has reduced the accumulated losses opening balance by R184 million. Prior year balances have not been restated.*

*** Inclusive of R23 million transaction costs capitalised.*

| Total other reserves Rm | Accumulated losses Rm | Total attributable to equity-holders of the parent Rm | Non-controlling interest Rm | Total equity Rm |
|---|---|---|---|---|
| | | | | |
| 781 | (2 208) | 2 447 | 7 | 2 454 |
| – | 184 | 184 | – | 184 |
| 781 | (2 024) | 2 631 | 7 | 2 638 |
| – | (1 119) | (1 119) | 3 | (1 116) |
| 321 | – | 321 | (3) | 318 |
| 321 | (1 119) | (798) | – | (798) |
| 1 102 | (3 143) | 1 833 | 7 | 1 840 |
| | | | | |
| **1 102** | **(3 143)** | **1 833** | **7** | **1 840** |
| **–** | **990** | **990** | **(2)** | **988** |
| **(267)** | **–** | **(267)** | **2** | **(265)** |
| **(267)** | **990** | **723** | **–** | **723** |
| **20** | **–** | **20** | **–** | **20** |
| **(8)** | **–** | **–** | **–** | **–** |
| **–** | **–** | **759** | **–** | **759** |
| **–** | **–** | **11** | **–** | **11** |
| **–** | **–** | **74** | **–** | **74** |
| **–** | **–** | **21** | **–** | **21** |
| **12** | **–** | **885** | **–** | **885** |
| **847** | **(2 153)** | **3 441** | **7** | **3 448** |

# SUMMARISED STATEMENT OF CASH FLOWS
## for the year ended 30 June 2021

| | Notes | 2021 Rm | 2020 Rm |
|---|---|---|---|
| **Operating activities** | | | |
| Cash retained / (utilised) from operations | | **1 369** | (624) |
| Non-cash and other movements | 16 | **(649)** | 110 |
| **Cash retained / (utilised) from operations after non-cash movements** | | **720** | (514) |
| Depreciation | | **923** | 885 |
| Amortisation | | **4** | 9 |
| **Cash generated by operations** | | **1 647** | 380 |
| **Changes in working capital:** | | | |
| (Increase) / decrease in inventories | | **(6)** | 28 |
| Increase in amounts due from contract customers | | **(627)** | (57) |
| Decrease / (increase) in trade and other receivables | | **43** | (85) |
| Increase in amounts due to contract customers | | **367** | 449 |
| Increase / (decrease) in trade and other payables | | **475** | (160) |
| Decrease / (increase) in derivative instruments | | **10** | (11) |
| Increase / (decrease) in payables other than contract-related | | **–** | 12 |
| Increase in employee-related payables | | **(20)** | 87 |
| Increase in working capital held for sale | | **386** | 103 |
| **Total changes in working capital** | | **628** | 366 |
| **Cash generated by operating activities** | | **2 275** | 746 |
| Finance expenses paid | | **(345)** | (449) |
| Finance earnings received | | **19** | 32 |
| Taxation paid | | **(37)** | (50) |
| **Cash inflow from operating activities** | | **1 912** | 279 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment – expansion | | **(9)** | (3) |
| Acquisition of property, plant and equipment – replacement | | **(810)** | (759) |
| Proceeds on disposal of property, plant and equipment | | **174** | 143 |
| Proceeds on disposal of assets Held for Sale | | **90** | 110 |
| Proceeds on disposal of subsidiaries | | **–** | 116 |
| **Capital expenditure net of proceeds on disposal** | | **(555)** | (393) |

| | 2021 Rm | 2020 Rm |
|---|---|---|
| Dividends received | **57** | 25 |
| Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale | **96** | 84 |
| **Cash outflow from investing activities** | **(402)** | (284) |
| **Operating free cash inflow / (outflow)** | **1 510** | (5) |
| **Financing activities with equity-holders** | | |
| Proceeds from shares issued | **865** | – |
| **Financing activities with debt-holders** | | |
| Repayment of external borrowings | **(870)** | (390) |
| Proceeds from external borrowings | **271** | 115 |
| Payment of capital portion of lease liabilities | **(262)** | (158) |
| Payment of capital portion of lease liabilities – Held for Sale | **(73)** | (57) |
| **Cash outflow from financing activities** | **(69)** | (490) |
| Net increase / (decrease) in cash and bank balances before foreign exchange movements | **1 441** | (495) |
| Foreign exchange movements on cash and bank balances | **(253)** | 221 |
| Cash and bank balances at the beginning of the period | **1 331** | 1 605 |
| **Total cash and bank balances at the end of the period** | **2 519** | 1 331 |
| Borrowings excluding bank overdrafts | **1 398** | 2 380 |
| Net cash / (debt) position | **1 121** | (1 049) |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

## 1. CORPORATE INFORMATION

The summarised consolidated financial statements (results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the period ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 27 August 2021.

### 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 Bradley Meyer was appointed as independent non-executive director with effect from 28 May 2021.

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

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

### Basis of preparation

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

The summarised 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 2020, except as disclosed in *note 4: Standards and interpretations effective and not yet effective* of the Group's summarised consolidated financial statements.

The summarised 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 2021, which are available on the Company's website, www.aveng.co.za.

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

The information disclosed in the summarised consolidated financial statements is derived from the information contained in the audited annual consolidated financial statements which includes the audit report detailing the key audit matters and does not contain full or complete disclosure details. Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements, which is available on the website.

### 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 qualitive and quantitative factors attached to each transaction or balance that is assessed.

### Changes to Group accounting policies

A number of other new standards and interpretations are effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

## 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 summarised statement of financial position.

#### 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.

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

### 3.1 Judgements and estimation assumptions continued

### 3.1.3 Loss-making and onerous contracts

In determining whether a contract is loss making or onerous, management applies its 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 Provision for expected credit losses

**Provision for expected credit losses – specific debtors**

The Group estimates the level of provision for expected credit losses for specific debtors on an ongoing basis based on historical experience, as well as other specific relevant factors.

**Provision for expected credit losses**

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

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

## 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 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 (an appropriate payment term as determined from an analysis of historical data). This assumption is based on the fact that it is customary for the Group's customers to pay within 90 days and any amounts due from contract customers exceeding 90 days are at risk of becoming impaired. The Group considers this period to be the number of days defined as default as it is the maximum contractual period over which the Group is exposed to risk.

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

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

#### 3.1.5 Fair value of assets and liabilities

Financial assets and non-financial assets

The fair values of the infrastructure investments recognised in the statement of financial position are measured using the discounted cash flow approach and the market comparable approach. The inputs to these models are sourced from independently audited investment specific project finance models and from observable markets, where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as forecasted revenues, operating costs, capital expenditure, risk adjusted discount rates and other relevant financial performance measures.

*Refer to note 17: Fair value of assets and liabilities for the detailed assumptions applied.*

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

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

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

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

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

### 3.1 Judgements and estimation assumptions continued

#### 3.1.7 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 and loss recognition include:

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

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

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers and executive management are 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 completion 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.

#### 3.1.8 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.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

### 3.1 Judgements and estimation assumptions continued

#### 3.1.8 Leases continued

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 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 fewer 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 its relative standalone price. 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.

#### 3.1.9 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.

#### 3.1.10 Impact of COVID-19 on operations

At 30 June 2021, the impact and duration of the current COVID-19 pandemic 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 reporting 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

### 3.1 Judgements and estimation assumptions continued

#### 3.1.11 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 delays 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 was revised during the year. The appropriate level of management remains committed to a plan to sell the CGUs and expects 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.

## 4. GOING CONCERN AND LIQUIDITY

As detailed in *note 2: Basis of preparation and changes to the Group accounting policies* and *note 18: 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 determining the appropriate basis of preparation of the financial statements, the Board is required to consider whether the Group and Company can continue in operational existence for the foreseeable future. The financial performance of the Company is dependent on the wider economic environment in which the Company operates.

## 4. GOING CONCERN AND LIQUIDITY continued

### 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 R120 million in the 2021 financial year, including *Aveng Duraset, Aveng Infraset Pietermaritzburg, De Aar, Brakpan and Swaziland factories, Ground Engineering Limited (GEL), and various properties;*
  - The sale of Aveng Automation & Control Systems (ACS) concluded during the year that is subject to the satisfaction or waiver of conditions precedent subsequent to year end, ongoing negotiations for the sale of Trident Steel and the remaining Infraset factories;
- Updated budget and business plans for the 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 SA Banking group, Australian banks or other financing agreements within the individual liquidity pools;
- The South African short-term liquidity forecast management process continues to be executed and monitored in all the South African operations;
- A successful conclusion of the rights offer, where shareholders demonstrated a much higher than anticipated interest, resulting in the raising of R392 million of new capital;
- Early partial settlement of an external and note debt and a debt restructure in March 2021 reduced the external debt from R2,1 billion at December 2020 to R1,0 billion in June 2021;
- A successful follow-up rights offer raising R100 million in June 2021; and
- An additional early debt repayment of R55 million at 30 June 2021.

Having dealt decisively with unsustainable debt levels, the Group has been provided with a new platform to pursue growth opportunities around its core businesses, McConnell Dowell and Moolmans. This brings to a culmination the restructuring announced on 25 November 2020.

In the 2021 financial year, the Group reported earnings for the period of R988 million, and an operating free cash inflow of R1,5 billion. The Group's available cash resources benefited from the performance. The Group continues to focus on improving operational performance, improving overhead efficiency 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 R2,5 billion (30 June 2020: R1,3 billion) at 30 June 2021, of which R412 million (30 June 2020: R429 million) is held in joint arrangements. Unutilised facilities amounted to R364 million (30 June 2020: R483 million).

## 4. GOING CONCERN AND LIQUIDITY continued

### COVID-19 pandemic

The Group's agile, resilient and diverse business model across customers, geographies, industry sectors and commodities continue to provide risk mitigation in the current circumstances. The Group proactively monitors and manages infection rates, restrictions and lockdowns to protect employees, operations, and our financial and liquidity position.

As reported previously, it is expected that the commercial impact of COVID-19-related matters will continue to impact the business due to the uncertainties posed by the pandemic and the related response by governments and societies around the globe.

### 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 receipt of advance payments and a growing order book. As a result, McConnell Dowell reported 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. Despite the continued lockdown regulations in South Africa, the South African operations produced an improvement in the liquidity position. The South African liquidity pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period. Following the completion of the rights offering, the recapitalisation and the planned settlement of debt, the position improved substantially.

Management updated the forecast for the 2022 financial year and the following year, 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 were reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. Notably, the preparation of budgets, plans and forecasts included 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 presents 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.

Following the transformational balance sheet restructure transaction which extended the Group's debt maturity profile to three years, which simultaneously improved the Group's South African liquidity pool, the Group's current assets of R6,5 billion exceeded its current liabilities of R6,0 billion at 30 June 2021.

## 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 contribute to the repayment of 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 2022 financial year and will contribute to the repayment of the debt and available liquidity.

The directors have considered all of the above, including detailed consideration of the current position of all core and non-core businesses, all business plans and forecasts, including all available information, 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 18: Events after the reporting period*.

## 5. DISCONTINUED OPERATIONS

### Identification and classification of discontinued operations

The Group structure comprises McConnell Dowell and Moolmans forming the core businesses of the Group, with Aveng Construction: South Africa (formerly Aveng Grinaker-LTA), Aveng Manufacturing and Trident Steel being deemed the non-core operating groups. As at 30 June 2021, management remained committed to its strategy to exit and dispose of the identified non-core operating groups.

### 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 its strategy. 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 of the remaining assets. Except for the sale of ACS and REHM (refer to *note 18: Events after the reporting period)*, the Group did not have 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 its strategy. 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.

## 5. DISCONTINUED OPERATIONS continued

### Extension of discontinued operations beyond 12 months continued

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), which forms part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment (refer to *note 6: Segmental report*) and Aveng Manufacturing and 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* and have been presented as discontinued operations in the Group's summarised 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 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 2021. The subsequent fair value measurement is detailed on the following page.

## 5. DISCONTINUED OPERATIONS continued

### The loss from discontinued operations is analysed as follows:

| | 2021 Rm | 2020 Rm |
|---|---|---|
| Revenue | **4 198** | 6 693 |
| Cost of sales | **(3 765)** | (6 602) |
| **Gross earnings** | **433** | 91 |
| Other earnings | **108** | 126 |
| Operating expenses | **(270)** | (430) |
| Loss from equity-accounted investments | **(13)** | (2) |
| **Operating earnings / (loss)** | **258** | (215) |
| Impairment loss on goodwill, intangible assets and property, plant and equipment | **(102)** | – |
| Gain on disposal of property, plant and equipment | **13** | 36 |
| Fair value adjustments on properties and disposal groups classified as Held for Sale | **611** | (13) |
| **Earnings / (loss) before financing transactions** | **780** | (192) |
| Net finance expenses | **(104)** | (110) |
| **Earnings / (loss) before taxation** | **676** | (302) |
| Taxation | **–** | 11 |
| **Earnings / (loss) for the period** | **676** | (291) |
| **Attributable to:** | | |
| Equity-holders of the parent | **676** | (291) |
| **Items by nature** | | |
| Capital expenditure | **26** | 25 |
| **Net operating earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)** | **258** | (215) |
| **Results per share (cents)** | | |
| Gain / (loss) – basic | **1,8** | (1,5) |
| Gain / (loss) – diluted | **1,7** | (1,5) |
| **Net cash flows in relation to discontinued operations:** | | |
| Cash inflow / (outflow) from operating activities | **167** | (313) |
| Cash inflow from investing activities | **96** | 108 |
| Cash outflow from financing activities | **(73)** | (57) |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

## 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 Group's strategy and as discussed in *note 10: Assets and liabilities classified as Held for Sale*, the *Manufacturing and Processing* reportable segment is presented and disclosed as discontinued operations. *The Construction and Engineering: Australasia and Asia, Mining, Construction and Engineering: South Africa and rest of Africa* 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 and corporate held investments, including properties and consolidation eliminations.

## 6. SEGMENTAL REPORT continued

### 6.1 Continuing operations continued

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

This segment includes Aveng Construction: South Africa (formerly Aveng Grinaker-LTA) and Aveng Capital Partners.

In the current year, the Group sold Aveng Construction: Ground Engineering (GEL), the remaining business unit within the segment. Following the sale of businesses in the current and prior year, the segment included only the assets and liabilities related to the close out of a limited number of historical contracts not sold as part of the *Aveng Construction: South Africa* disposal. The Group expects that these will be completed in the next 12 months. These projects continue to be classified as part of the continuing operations within *Construction and Engineering: South Africa and rest of Africa*.

### 6.2 Discontinued operations

#### 6.2.1 Manufacturing and processing

This segment comprises Aveng Manufacturing and Trident Steel.

The revenues from this segment comprise the supply of products, services and solutions to the mining, construction, Oil & Gas, water, power, automotive original equipment manufacturer 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 and Aveng Infraset.

During the current year, Aveng Duraset and a number of Aveng Infraset factories and assets were sold. In the prior year Aveng Dynamic Fluid Control (DFC) was sold.

#### 6.2.2 Investment in REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited

Equity-accounted investments (REHM Construction co Limited and REHM Grinaker Properties Co Limited (REHM)) were classified as Held for Sale during the prior year. These investments form part of the *Construction and Engineering: South Africa and rest of Africa* reportable segment. The carrying amount at 30 June 2021 amounted to Rnil (2020: R13 million) following a loss from equity-accounted investments in the current year of R13 million. The investment in REHM was sold subsequent to year end. Refer to *note 11: Events after the reporting period* for more information.

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 6. SEGMENTAL REPORT continued

| | Construction and Engineering: Australasia and Asia | | Mining | |
|---|---|---|---|---|
| | **2021 Rm** | 2020 Rm | **2021 Rm** | 2020 Rm |
| **Assets** | | | | |
| Goodwill arising on consolidation | **100** | 100 | **–** | – |
| Intangible assets | **–** | – | **11** | 15 |
| Property, plant and equipment | **709** | 837 | **2 074** | 2 263 |
| Equity-accounted investments | **3** | 2 | **4** | 3 |
| Infrastructure investments | **–** | – | **–** | – |
| Deferred taxation | **723** | 804 | **–** | – |
| Long-term receivables | **–** | – | **–** | – |
| Lease receivables | **–** | – | **–** | – |
| Derivative instruments | **–** | – | **–** | 10 |
| Inventories | **14** | 15 | **197** | 171 |
| Amounts due from contract customers | **2 963** | 2 084 | **396** | 369 |
| Trade and other receivables | **200** | 201 | **91** | 43 |
| Taxation receivable / (payable) | **25** | 39 | **(6)** | (16) |
| Cash and bank balances | **1 853** | 1 673 | **241** | 93 |
| Assets Held for Sale | **–** | – | **–** | – |
| **Total assets** | **6 590** | 5 755 | **3 008** | 2 951 |
| **Liabilities** | | | | |
| Deferred taxation | **144** | 155 | **238** | 197 |
| Borrowings and other liabilities | **287** | 436 | **183** | 217 |
| Payables other than contract related | **–** | – | **–** | – |
| Employee-related payables | **428** | 387 | **130** | 118 |
| Trade and other payables | **2 286** | 1 697 | **606** | 454 |
| Amounts due to contract customers | **1 558** | 1 159 | **94** | 103 |
| Bank overdraft | **–** | – | **–** | – |
| Liabilities Held for Sale | **–** | – | **–** | – |
| **Total liabilities** | **4 703** | 3 834 | **1 251** | 1 089 |

| Construction and Engineering: South Africa and rest of Africa | | Manufacturing and Processing | | Other and Eliminations | | Total | |
|---|---|---|---|---|---|---|---|
| **2021 Rm** | 2020 Rm | **2021 Rm** | 2020 Rm | **2021 Rm** | 2020 Rm | **2021 Rm** | 2020 Rm |
| **–** | – | **–** | – | **–** | – | **100** | 100 |
| **–** | – | **–** | – | **–** | – | **11** | 15 |
| **–** | 2 | **–** | – | **17** | 78 | **2 800** | 3 180 |
| **–** | – | **–** | – | **23** | 30 | **30** | 35 |
| **–** | 117 | **–** | – | **257** | 142 | **257** | 259 |
| **–** | – | **2** | – | **–** | 9 | **725** | 813 |
| **–** | – | **–** | – | **–** | 43 | **–** | 43 |
| **–** | – | **–** | – | **41** | – | **41** | – |
| **–** | – | **–** | – | **–** | – | **–** | 10 |
| **–** | 1 | **–** | – | **–** | – | **211** | 187 |
| **39** | 78 | **–** | – | **–** | – | **3 398** | 2 531 |
| **–** | 72 | **–** | – | **36** | 42 | **327** | 358 |
| **–** | – | **(3)** | 1 | **21** | 17 | **37** | 41 |
| **24** | 46 | **285** | 151 | **116** | (208) | **2 519** | 1 755 |
| **–** | 33 | **1 989** | 2 276 | **–** | – | **1 989** | 2 309 |
| **63** | 349 | **2 273** | 2 428 | **511** | 153 | **12 445** | 11 636 |
| **–** | – | **–** | – | **(230)** | (186) | **152** | 166 |
| **–** | – | **–** | – | **928** | 1 727 | **1 398** | 2 380 |
| **–** | – | **–** | – | **160** | 148 | **160** | 148 |
| **1** | 11 | **–** | – | **55** | 57 | **614** | 573 |
| **296** | 349 | **–** | – | **253** | 264 | **3 441** | 2 764 |
| **5** | 28 | **–** | – | **–** | – | **1 657** | 1 290 |
| **–** | – | **–** | – | **–** | 424 | **–** | 424 |
| **–** | 16 | **1 575** | 2 035 | **–** | – | **1 575** | 2 051 |
| **302** | 404 | **1 575** | 2 035 | **1 166** | 2 434 | **8 997** | 9 796 |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 6. SEGMENTAL REPORT continued

| | Construction and Engineering: Australasia and Asia | | Mining | |
|---|---|---|---|---|
| | 2021 Rm | 2020 Rm | 2021 Rm | 2020 Rm |
| Revenue | **16 911** | 10 297 | **4 009** | 3 955 |
| Construction contract revenue | **16 911** | 10 297 | **4 000** | 3 943 |
| Sale of goods | **–** | – | **1** | 1 |
| Other revenue | **–** | – | **8** | 11 |
| Transport revenue | **–** | – | **–** | – |
| Cost of sales | **(15 726)** | (9 704) | **(3 602)** | (3 741) |
| **Gross earnings / (loss)** | **1 185** | 593 | **407** | 214 |
| Other earnings | **42** | 42 | **12** | (31) |
| Operating expenses | **(912)** | (784) | **(180)** | (144) |
| Loss from equity-accounted investments | **(3)** | (13) | **–** | (1) |
| **Net operating earnings / (loss)** | **312** | (162) | **239** | 38 |
| Impairment loss on goodwill, intangible assets and property, plant and equipment | **–** | – | **(81)** | (132) |
| Impairment loss on equity-accounted investments | **–** | – | **–** | – |
| Impairment loss on long-term receivables | **–** | – | **–** | – |
| Gain / (loss) on disposal of property, plant and equipment | **–** | 45 | **–** | (5) |
| Gain on disposal of assets Held for Sale | **–** | – | **–** | – |
| Gain on disposal of subsidiaries | **–** | – | **–** | – |
| Gain on early redemption of borrowings | **–** | – | **–** | – |
| Fair value adjustments on properties and disposal groups classified as Held for Sale | **–** | – | **–** | – |
| **Earnings / (loss) before financing transactions** | **312** | (117) | **158** | (99) |
| Net finance income / (expenses) | **(34)** | (43) | **(24)** | (34) |
| **Earnings / (loss) before taxation** | **278** | (160) | **134** | (133) |
| Taxation | **(24)** | (36) | **(61)** | (5) |
| **Earnings / (loss) for the period** | **254** | (196) | **73** | (138) |
| Capital expenditure | **170** | 148 | **649** | 609 |
| **Net operating earnings / (loss)** | **312** | (162) | **239** | 38 |
| Depreciation | **304** | 280 | **611** | 600 |
| Amortisation | **–** | | **4** | 4 |
| **Net operating earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)** | **616** | 118 | **854** | 642 |

| Construction and Engineering: South Africa and rest of Africa | | Manufacturing and Processing | | Other and Eliminations | | Total | |
|---|---|---|---|---|---|---|---|
| **2021 Rm** | 2020 Rm | **2021 Rm** | 2020 Rm | **2021 Rm** | 2020 Rm | **2021 Rm** | 2020 Rm |
| **591** | 1 865 | **4 198** | 4 828 | **–** | (67) | **25 709** | 20 878 |
| **591** | 1 862 | **–** | – | **–** | (16) | **21 502** | 16 086 |
| **–** | – | **4 124** | 4 758 | **–** | (52) | **4 125** | 4 707 |
| **–** | 3 | **28** | 16 | **–** | 1 | **36** | 31 |
| **–** | – | **46** | 54 | **–** | – | **46** | 54 |
| **(747)** | (2 007) | **(3 765)** | (4 595) | **96** | 140 | **(23 744)** | (19 907) |
| **(156)** | (142) | **433** | 233 | **96** | 73 | **1 965** | 971 |
| **49** | 43 | **108** | 83 | **57** | 26 | **268** | 163 |
| **(38)** | (73) | **(270)** | (357) | **(275)** | (289) | **(1 675)** | (1 647) |
| **(19)** | (2) | **–** | – | **–** | (3) | **(22)** | (19) |
| **(164)** | (174) | **271** | (41) | **(122)** | (193) | **536** | (532) |
| **–** | – | **(102)** | – | **(58)** | (15) | **(241)** | (147) |
| **–** | – | **–** | – | **–** | (21) | **–** | (21) |
| **–** | – | **–** | – | **(26)** | – | **(26)** | – |
| **–** | 19 | **13** | 17 | **(3)** | (15) | **10** | 61 |
| **–** | – | **–** | – | **28** | 24 | **28** | 24 |
| **–** | – | **–** | – | **–** | 10 | **–** | 10 |
| **–** | – | **–** | – | **486** | – | **486** | – |
| **–** | – | **611** | (13) | **–** | – | **611** | (13) |
| **(164)** | (155) | **793** | (37) | **305** | (210) | **1 404** | (618) |
| **8** | 1 | **(104)** | (111) | **(221)** | (242) | **(375)** | (429) |
| **(156)** | (154) | **689** | (148) | **84** | (452) | **1 029** | (1 047) |
| **–** | 6 | **–** | 5 | **44** | (39) | **(41)** | (69) |
| **(156)** | (148) | **689** | (143) | **128** | (491) | **988** | (1 116) |
| **–** | – | **26** | 25 | **–** | 5 | **845** | 787 |
| **(164)** | (174) | **271** | (41) | **(122)** | (193) | **536** | (532) |
| **3** | – | **–** | – | **5** | 5 | **923** | 885 |
| **–** | – | **–** | – | **–** | 5 | **4** | 9 |
| **(161)** | (174) | **271** | (41) | **(117)** | (183) | **1 463** | 362 |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

| | 2021 Revenue Rm | 2020 Revenue Rm | 2021 Segment assets Rm | 2020 Segment assets Rm | 2021 Capital expenditure Rm | 2020 Capital expenditure Rm |
|---|---|---|---|---|---|---|
| South Africa | **8 507** | 10 019 | **5 399** | 6 485 | **667** | 638 |
| Rest of Africa including Mauritius | **291** | 509 | **158** | 201 | **8** | 1 |
| Australia | **12 631** | 6 129 | **4 512** | 3 632 | **46** | – |
| New Zealand | **2 350** | 2 751 | **1 215** | 741 | **40** | 70 |
| Southeast Asia | **1 930** | 1 417 | **1 122** | 534 | **84** | 45 |
| Other regions | **–** | 53 | **39** | 43 | **–** | 33 |
| | **25 709** | 20 878 | **12 445** | 11 636 | **845** | 787 |

## 7. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2021. 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 2018 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 is 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 2021:

**Manufacturing and Processing**

- Trident Steel
- Aveng Automation and Control Solutions (ACS)
- Aveng Infraset (remaining assets).

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

As at 30 June 2021, management determined the recoverable amounts of the CGUs within the *Manufacturing and Processing* segment to be fair value less cost of disposal.

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 Ground Engineering Limited (GEL)

**Manufacturing and Processing**

- Aveng Duraset Westonaria
- Aveng Duraset Alrode
- Aveng Infraset Pietermaritzburg factory
- Aveng Infraset De Aar and Brakpan factories
- Aveng Infraset Swaziland factory

During the year, the Group completed the sale of Aveng Automotive & Control Solutions (ACS) business as a going concern for R70 million, adjusted for working capital, that is subject to the satisfaction or waiver of conditions precedent subsequent to year end. Refer to *note 18: Events after the reporting period*.

As at 30 June 2021, management calculated the recoverable amount of the CGU Held for Sale to be fair value less cost of disposal. As at 30 June 2021, a fair value adjustment of R611 million was recognised in the *Manufacturing and Processing* segment to reflect the CGU at fair value less cost of disposal.

The CGU fair values were all categorised as Level 2 per the *IFRS 13 Fair Value Measurement* hierarchy based on the inputs used in the valuation techniques; directly observable market inputs (fair value less cost of disposal using an offer to purchase).

**Other individual assets in the scope of *IFRS 5 Assets Held for Sale and Discontinued Operations***

The Group performed an assessment on right-of-use land and buildings at Trident Steel, which is part of the *Manufacturing and Processing* reportable segment. As at 30 June 2021, the Group determined that an impairment of R102 million was required for Trident Steel relating to right-of-use land and buildings. 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.

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 7. IMPAIRMENT continued

### 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 Moolmans CGU at 30 June 2021. No impairment was required for this CGU at 30 June 2021. Moolmans falls under the *Mining* reportable segment.

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

An impairment assessment was performed on:

- Property, plant and equipment at Moolmans, which is part of the *Mining* reportable segment. As at 30 June 2021, the Group determined that there was an additional impairment of R54 million (30 June 2020: R132 million) required for Moolmans relating to owned equipment and vehicles, and an impairment of R27 million was required on right-of-use land and buildings within the scope of *IAS 36 Impairments*. The recoverable amounts 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.
- Right-of-use land and buildings are part of the *Other and Eliminations* segment. An impairment of R58 million was required. The recoverable amount of these individual assets was based on their fair values less costs of disposal. The fair value of these falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using prices of similar rentals in the market.
- Intangible assets accounted for in *Other and Eliminations* determined that no additional impairment (30 June 2020: R15 million) was required.

Impairment charges of R10 million were recognised in the prior year on the Group's investment in REHM Grinaker Property Co Limited and REHM Grinaker Construction Co Limited as these investments were classified as Held for Sale at 30 June 2020. The recoverable amount of these investments was determined using Level 2; directly observable market inputs (fair value less cost of disposal using an offer to purchase). An amount of R11 million was recognised on the Steeledale accounts receivable loan at 30 June 2020 as the Group no longer considers this amount to be recoverable.

## 7. IMPAIRMENT continued

### 7.3 Assets in the scope of *IFRS 9 Financial Instruments*

**Other individual assets in the scope of *IFRS 9 Financial Instruments***

Long-term receivables accounted for in *Other and Eliminations* determined that an impairment of R26 million (30 June 2020: Rnil) was required. The long-term receivable was determined to be unrecoverable and as such was written down to a recoverable amount of Rnil. The recoverable amount of this asset falls within Level 3 of the hierarchy identified in *IFRS 13* and was calculated based on the expectation that no amount will be received from the counterparty.

### 7.4 Total impairment losses for the year

The total impairment losses for the year per CGU and individual assets are summarised as follows:

| | **2021** | | 2020 | | |
|---|---|---|---|---|---|
| | **Property, plant and equipment Rm** | **Long-term receivables Rm** | Property, plant and equipment Rm | Intangible assets Rm | Equity-accounted investments Rm |
| **CGUs in the scope of *IFRS 5*** | | | | | |
| Trident Steel | **102** | **–** | – | – | – |
| **Other individual assets in the scope of *IAS 36*** | | | | | |
| Moolmans | **81** | **–** | 132 | – | – |
| Other and Eliminations | **58** | **–** | – | 15 | 11 |
| Aveng Capital Partners | **–** | **–** | – | – | 10 |
| **Other individual assets in the scope of *IFRS 9*** | | | | | |
| Other and Eliminations | **–** | **26** | – | – | – |
| | **241** | **26** | 132 | 15 | 21 |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 8. EARNINGS AND HEADLINE EARNINGS PER SHARE

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Number of shares** | **Weighted average number of shares** | Number of shares | Weighted average number of shares |
| Opening balance | **19 394 498 220** | **19 394 498 220** | 19 394 498 220 | 19 394 498 220 |
| Issue of shares – Rights offer (15 March 2021) | **37 955 034 249** | **15 596 036 981** | – | – |
| Issue of shares – class A shares (15 March 2021) | **725 472 919** | **298 102 813** | – | – |
| Issue of shares – rights offer (7 June 2021) | **4 914 149 950** | **332 269 984** | – | – |
| Issue of shares – class A shares (7 June 2021) | **1 752 516 718** | **118 496 323** | – | – |
| | **64 741 672 056** | **35 739 404 321** | 19 394 498 220 | 19 394 498 220 |
| *Less*: Treasury shares | | | | |
| Aveng Limited Share Purchase Trust | **(6 018 386)** | **(6 018 386)** | (6 018 386) | (6 018 386) |
| Aveng Management Company (Pty) Ltd | **(788 684)** | **(788 684)** | (788 684) | (788 684) |
| Equity-settled share-based payment plan | **(3 500 186 838)** | **(3 500 186 838)** | (18 046 763) | (18 046 763) |
| Total treasury shares | **(3 506 993 908)** | **(3 506 993 908)** | (24 853 833) | (24 853 833) |
| Rights issue – bonus element (15 March 2021)* | | **3 313 124 926** | | 3 313 124 926 |
| Rights issue – bonus element (7 June 2021)** | | **1 414 367 482** | | 1 414 367 482 |
| **Weighted average number of shares** | **61 234 678 148** | **36 959 902 821** | 19 369 644 387 | 24 097 136 795 |
| ***Add:* Shares issuable in terms of the equity-settled share-based payment plan** | **3 488 000 000** | **3 488 000 000** | – | – |
| **Diluted weighted average number of shares** | **64 722 678 148** | **40 447 902 821** | 19 369 644 387 | 24 097 136 795 |
| Note | **11** | | 11 | |

* *This item is in relation to the bonus element of the rights issue that was issued on 15 March 2021. The bonus element resulted due to the exercise price being less than the fair value of the share on 15 March 2021.*

** *This item is in relation to the bonus element of the rights issue that was issued on 7 June 2021. The bonus element resulted due to the exercise price being less than the fair value of the share on 7 June 2021.*

## 8. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Gross of taxation Rm** | **Net of taxation Rm** | Gross of taxation Rm | Net of taxation Rm |
| **Determination of headline earnings / (loss)** | | | | |
| Earnings / (loss) for the period attributable to equity holders of parent | | **990** | | (1 119) |
| Impairment of intangible assets | **–** | **–** | 15 | 15 |
| Impairment of property, plant and equipment | **139** | **139** | 132 | 132 |
| Impairment of property, plant and equipment – Held for Sale | **102** | **102** | – | – |
| Impairment of equity-accounted investments | **–** | **–** | 21 | 21 |
| Gain on disposal of assets Held for Sale | **(28)** | **(28)** | (24) | (24) |
| Gain on disposal of subsidiaries | **–** | **–** | (10) | (10) |
| Gain on disposal of property, plant and equipment | **(10)** | **(10)** | (61) | (47) |
| Loss on derecognition of components | **169** | **169** | 69 | 69 |
| Fair value adjustment on properties and disposal groups classified as Held for Sale | **(611)** | **(611)** | 13 | 13 |
| Headline earnings / (loss) | | **751** | | (950) |
| Diluted headline loss | | **751** | | (950) |
| **HEPS from continuing and discontinued operations** | | | | |
| Headline earnings / (loss) per share – basic (cents) | | **2,0** | | (4,0) |
| Headline earnings / (loss) per share – diluted (cents) | | **1,9** | | (4,0) |
| Issued shares | | **64 741,7** | | 19 394,5 |
| Weighted average shares | | **36 959,9** | | 24 097,1 |
| Diluted shares | | **40 447,9** | | 24 097,1 |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

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

| | 2021 Rm | 2020 Rm |
|---|---|---|
| Uncertified claims and variations (underclaims)*[1] | **817** | 652 |
| Contract contingencies | **(50)** | (290) |
| Progress billings received (including overclaims)[2] | **(1 656)** | (1 285) |
| **Uncertified claims and variations less progress billings received** | **(889)** | (923) |
| Contract receivables[3] | **2 582** | 2 121 |
| Provision for expected credit loss | **(1)** | (1) |
| Retention receivables[4] | **50** | 49 |
| | **1 742** | 1 246 |
| Amounts received in advance[5] | **(1)** | (5) |
| **Net amounts due from contract customers** | **1 741** | 1 241 |
| **Disclosed on the statement of financial position as follows:** | | |
| Uncertified claims and variations*[1] | **817** | 652 |
| Contract contingencies | **(50)** | (290) |
| Contract and retention receivables | **2 632** | 2 170 |
| Provision for expected credit losses | **(1)** | (1) |
| Amounts due from contract customers | **3 398** | 2 531 |
| Progress billings received | **(1 656)** | (1 285) |
| Amounts received in advance | **(1)** | (5) |
| **Amounts due to contract customers** | **(1 657)** | (1 290) |
| **Net amounts due from contract customers** | **1 741** | 1 241 |

** Provisions have been netted off against uncertified claims and variations.*
[1] *Includes revenue not yet certified – recognised over time / measurement and agreed variations, less provisions and deferred contract costs.*
[2] *Progress billings are amounts billed for work performed above revenue recognised.*
[3] *Amounts invoiced still due from customers.*
[4] *Retentions are amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified. These conditions are anticipated to be fulfilled within the following 12 months.*
[5] *Advances are amounts received from the customer before the related work is performed.*

The balances included in the table above relate only to continuing operations. 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 R 266 million (2020: R297 million) which is subject to protracted legal proceedings.

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

### Expected credit losses

#### Amounts due from contract customers

As at 30 June 2021, the Group has amounts due from contract customers of R1 741 million (2020: R1 241 million) which is net of the provision for expected credit loss of R1 million (2020: R1 million).

#### Trade receivables

As at 30 June 2021, the Group has trade receivables of R4 million (2020: R6 million). The provision for expected credit loss relating to trade receivables is less than R1 million (2020: R3 million).

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

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

| | **2021 Rm** | 2020 Rm |
|---|---|---|
| **Provision for expected credit losses** | | |
| Opening balance | **4** | 1 |
| Movement in the current year | **(3)** | * |
| Classified as Held for Sale – transferred in | **–** | 3 |
| | **1** | 4 |
| Attributable to: | | |
| Amounts due from contract customers | **1** | 1 |
| Trade receivables | ***** | 3 |
| | **1** | 4 |
| **Provision for expected credit losses – specific debtors** | | |
| Opening balance | **26** | 4 |
| Movement in the current year | **(10)** | 22 |
| | **16** | 26 |
| Attributable to: | | |
| Trade receivables | **16** | 26 |
| | **16** | 26 |

** 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*).

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

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

### Initial recognition

At initial recognition, the disposals were expected to occur within the succeeding 12 months; the assets and liabilities were classified as Held for Sale. The assets and liabilities of the disposal groups were allocated to their cash-generating units (CGUs) in the prior year and were subject to an impairment assessment prior to classification as Held for Sale. The recoverable amounts of all CGUs were assessed as the fair value less cost of disposal (refer to *note 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 the 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 and current years.

### Sales finalised in the current year

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

**Aveng Construction Ground Engineering (GEL)**

In June 2020, the Group 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.

#### Manufacturing and Processing

**Aveng Duraset Alrode**

In July 2020, the Group entered into a binding sale of business agreement with Carlmac Steel Proprietary Limited for the sale of Aveng Duraset Alrode as a going concern for R11 million with an effective date of 2 November 2020.

**Aveng Duraset Westonaria**

In September 2020, the Group entered into a binding sale of business agreement with Azkoyen Trading Proprietary Limited for the sale of Aveng Duraset Westonaria as a going concern for R8,5 million with an effective date of 2 November 2020.

**Aveng Infraset Pietermaritzburg factory**

In November 2020, the Group entered into a binding sale of business agreement with Rus Group Proprietary Limited for the sale of Infraset Pietermaritzburg factory as a going concern for R5 million with an effective date of 1 December 2020.

**Aveng Infraset Swaziland**

In February 2021, the Group entered into a binding sale of business agreement with Infracast Proprietary Limited for the sale of Infraset Swaziland as a going concern for R11,6 million with an effective date of 3 May 2021.

**Aveng Infraset Brakpan and De Aar factories**

In April 2021, the Group entered into a binding sale of business agreement with Colossal Africa Infrastructure Proprietary Limited for the sale of Infraset Brakpan and De Aar as a going concern for R32,7 million with an effective date of 1 June 2021.

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

### Sales not finalised in the current year

The Group has determined that unforeseen challenges (including the continued negative effects of COVID-19 on the sales process) outside the control of management have prevented the execution of the sales of the remaining assets. Due to the dynamic nature of these businesses and the complex environment in which they operate, these assets were not 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 is 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 the multiple lockdowns.

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 twelve 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.

### Assets transferred into assets Held for Sale

#### Construction and Engineering: South Africa and the 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 prior 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*).

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
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## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

### Sales finalised after the year end

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

Subsequent to year end, the Group completed the disposal of the investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

#### Manufacturing and Processing

Subsequent to the reporting date, the Group disposed of Aveng Automotive & Control Solutions (ACS) business, as a going concern for R70 million subject to a working capital adjustment.

Refer to *note 18: Events after reporting period* for additional information.

### Subsequent measurement

As envisaged in paragraph 9 of *IFRS 5: Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).*

Whilst there have been a number of unforeseen challenges, including, but not limited to, the effects of COVID-19 on the strategy and ability of potential purchasers to raise financing, 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 to the disposal plan previously announced. Management took necessary action to respond to the changes in circumstances and continues to market the assets and CGUs at prices that are reasonable. The overall plan to dispose of the assets remains, but the planned manner in which the assets will be disposed of was 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 2021 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.

In the case where the fair value less costs of disposal exceeds 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*.

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

### Subsequent measurement continued

As at 30 June 2021, management calculated the recoverable amount of the *Manufacturing and Processing* segment to be the fair value less cost of disposal. As at 30 June 2021, a fair value adjustment of R611 million was recognised in the *Manufacturing and Processing* segment to reflect the CGU at fair value less cost of disposal.

| | **Rm** | Rm |
|---|---|---|
| Assets Held for Sale | **1 989** | 2 309 |
| Liabilities Held for Sale | **(1 575)** | (2 051) |
| | **414** | 258 |
| Movement during the year | | |
| Opening balance | **258** | 407 |
| **Adoption of *IFRS 16* accounting standard:** | | |
| Non-current assets* | **–** | 926 |
| Non-current liabilities** | **–** | (926) |
| **Movements in:** | | |
| Non-current assets | **(90)** | (85) |
| Current assets | **29** | (1 276) |
| Non-current liabilities | **51** | 265 |
| Current liabilities | **(413)** | 965 |
| Sale of assets and liabilities Held for Sale | **(35)** | (111) |
| Adjustment to fair value less cost of disposal*** | **611** | (13) |
| **Transferred from / to:** | | |
| Transfer to assets classified as Held for Sale | **–** | 13 |
| Transfer from assets classified as Held for Sale | **3** | 93 |
| Net assets Held for Sale | **414** | 258 |

* *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.*

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

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

As at 30 June 2021, 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 2021 | Manufacturing and Processing – Disposal group Rm | Total Rm |
|---|---|---|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 7 | 7 |
| Property, plant and equipment | 776 | 776 |
| | 783 | 783 |
| Current assets | | |
| Inventories | 726 | 726 |
| Amounts due from contract customers | 5 | 5 |
| Trade and other receivables | 475 | 475 |
| | 1 206 | 1 206 |
| TOTAL ASSETS | 1 989 | 1 989 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings and other liabilities | 553 | 553 |
| Employee-related payables | 5 | 5 |
| | 558 | 558 |
| Current liabilities | | |
| Amounts due to contract customers | 4 | 4 |
| Borrowings and other liabilities | 120 | 120 |
| Employee-related payables | 33 | 33 |
| Trade and other payables | 833 | 833 |
| Derivative instruments | 1 | 1 |
| Provision for unallocated fair value adjustments | 26 | 26 |
| | 1 017 | 1 017 |
| TOTAL LIABILITIES | 1 575 | 1 575 |
| Net assets Held for Sale | 414 | 414 |

## 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE 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 the rest of Africa – Disposal group Rm | Manufacturing and Processing – Disposal group Rm | Total Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | – | 8 | 8 |
| Property, plant and equipment | 17 | 956 | 973 |
| Equity-accounted investments | 13 | – | 13 |
| | 30 | 964 | 994 |
| **Current assets** | | | |
| Inventories | – | 839 | 839 |
| Derivative instruments | – | 9 | 9 |
| Amounts due from contract customers | 2 | 6 | 8 |
| Trade and other receivables | 1 | 458 | 459 |
| | 3 | 1 312 | 1 315 |
| **TOTAL ASSETS** | 33 | 2 276 | 2 309 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings and other liabilities | – | 694 | 694 |
| Employee-related payables | 1 | 7 | 8 |
| | 1 | 701 | 702 |
| **Current liabilities** | | | |
| 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 |
| | 15 | 1 334 | 1 349 |
| **TOTAL LIABILITIES** | 16 | 2 035 | 2 051 |
| **Net assets Held for Sale** | 17 | 241 | 258 |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 11. STATED CAPITAL

| | 2021 Rm | 2020 Rm |
|---|---|---|
| **Authorised** | | |
| 180 882 034 263 ordinary shares (2020: 180 882 034 263 ordinary shares) | **9 044** | 9 044 |
| 500 000 000 000 class A** shares (2020: no class A shares) | **5 000** | – |
| **Issued** | | |
| 62 263 682 419 ordinary shares (2020: 19 394 498 220 ordinary shares) | **4 710** | 3 874 |
| 2 477 989 637 class A shares (2020: no class A shares) | **37** | – |
| **Stated capital** | **4 747** | 3 874 |
| **Treasury shares** | | |
| **Shares held by the Aveng Limited Share Purchase Trust** | | |
| – Number of shares | **6 018 386** | 6 018 386 |
| – Market value (Rm) | ***** | * |
| **Shares held by the Aveng Management Company Proprietary Limited** | | |
| – Number of shares | **788 684** | 788 684 |
| – Market value (Rm) | ***** | * |
| **Shares held in terms of equity-settled share-based payment plan** | | |
| – Number of shares | **3 500 186 838** | 18 046 763 |
| – Market value (Rm) | **52** | * |

| Reconciliation of number of shares issued | Number of shares | Number of shares |
|---|---|---|
| Opening balance | **19 394 498 220** | 19 394 498 220 |
| Share issue – Rights to qualifying shareholders (15 March 2021) | **37 955 034 249** | – |
| Share issue – Rights to qualifying shareholders (7 June 2021) | **4 914 149 950** | – |
| Share issue – class A shares (15 March 2021) | **725 472 919** | – |
| Share issue – class A shares (7 June 2021) | **1 752 516 718** | – |
| Closing balance | **64 741 672 056** | 19 394 498 220 |
| *Less*: treasury shares | **(3 506 993 908)** | (24 853 833) |
| **Number of shares in issue less treasury shares** | **61 234 678 148** | 19 369 644 387 |

* *Amounts less than R1 million.*
** *Aveng class A Shares rank pari passu with Aveng ordinary shares (save for voting rights).*

## 11. STATED CAPITAL continued

### Rights offer to qualifying shareholders (15 March 2021)

The Group undertook a fully co-underwritten renounceable rights offer to raise up to R300 million, to qualifying shareholders. The rights offer consisted of 20 000 000 000 rights offer shares in the ratio of 103,12203 rights offer shares for every 100 Aveng ordinary shares held at the close of trade on Tuesday, 23 February 2021 and at a price of 1,5 cents per rights offer share. This included as many class A shares as required to be issued to the co-underwriters to secure the minimum subscription in terms of the underwriting agreement. The total number of rights offer shares subscribed for and excess allocations applied for was 37 955 034 249 ordinary shares and 725 472 919 class A shares. On completion of the rights offer, the total number of Aveng shares in issue (including treasury shares) was 57 349 532 469 ordinary shares and 725 472 919 class A shares. An aggregate amount of R392 million was raised by the Company.

### Follow-up rights offer to qualifying shareholders (7 June 2021)

The Group undertook a follow-up renounceable rights offer to raise up to R100 million, to qualifying shareholders. The rights offer consisted of 6 666 666 668 rights offer shares in the ratio of 11,47941 rights offer shares for every 100 Aveng ordinary shares and class A shares held at the close of trade on Friday, 21 May 2021 and at a price of 1,5 cents per rights offer share. The total number of rights offer shares available was 6 666 666 668 shares and the number subscribed for was 4 574 843 251 Aveng ordinary shares and 1 393 374 057 Aveng class A shares, representing 90% of the available follow-up rights offer. The underwriters took up the remaining 698 449 360 shares in terms of the underwriting agreement split between 339 306 699 Aveng ordinary shares and 359 142 661 Aveng class A shares.

An aggregate amount of R100 million was raised by the Company as part of the follow-up rights issue.

On completion of the follow-up rights offer, the total number of Aveng shares in issue (including treasury shares) is 62 263 682 419 Aveng ordinary shares and 2 477 989 637 Aveng class A shares.

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 11. STATED CAPITAL continued

### Top 10 ordinary shareholders

| | Number of shares | % holding |
|---|---|---|
| **The top 10 shareholders (including class A shares) of the Group as at 30 June 2021 are entities (or clients of these entities in aggregate) listed below:** | | |
| Highbridge Capital Management LLC (US) | **13 890 545 216** | **21,5** |
| Whitebox Advisors LLC (US)** | **9 266 152 112** | **14,3** |
| Absa Bank Ltd (ZA)** | **4 579 956 861** | **7,1** |
| Steyn Capital Management (Pty) Ltd (ZA)** | **3 343 277 446** | **5,2** |
| Standard Bank Issuer Services Settle Acc (ZA)** | **3 093 551 753** | **4,8** |
| ATM Holding GmbH | **1 361 080 053** | **2,1** |
| J.P. Morgan Securities Plc (UK) | **1 357 621 950** | **2,1** |
| Personal Trust International (ZA)** | **864 625 934** | **1,3** |
| Investec (ZA)** | **792 450 520** | **1,2** |
| Legae Peresec (ZA)** | **680 902 208** | **1,1** |
| | **39 230 164 053** | **60,7** |
| **The top 10 ordinary shareholders of the Group as at 30 June 2020 are entities (or clients of these entities in aggregate) listed below:** | | |
| Highbridge Capital Management LLC (US) | 3 698 756 984 | 19,1 |
| Coronation Asset Management (Pty) Ltd (ZA)* | 2 663 691 702 | 13,7 |
| ATM Holding GmbH (DE)* | 1 359 584 404 | 7,0 |
| Allan Gray Pty Ltd (ZA)* | 969 530 966 | 5,0 |
| SBG Securities (Pty) Ltd (ZA)* | 894 428 635 | 4,6 |
| J.P. Morgan Securities Plc (UK) | 750 005 542 | 3,9 |
| Ninety One Plc (ZA)* | 634 076 028 | 3,3 |
| Personal Trust International (ZA) | 629 530 200 | 3,3 |
| Investec Securities (Pty) Limited* | 612 471 519 | 3,2 |
| Envisionit Stock Lending Solutions (ZA)** | 582 586 898 | 3,0 |
| | 12 794 662 878 | 66,1 |

* *Shareholder no longer in the top 10.*
** *Shareholder was not in the top 10 in prior year.*

## 12. BORROWINGS AND OTHER LIABILITIES

| | 2021 Rm | 2020 Rm |
|---|---|---|
| **Borrowings and other liabilities comprises:** | | |
| Interest-bearing borrowings held at amortised cost | **879** | 1 883 |
| Lease liabilities | **519** | 497 |
| **Total borrowings and other liabilities** | **1 398** | 2 380 |

### 12.1 Borrowings held at amortised cost

| | 2021 Rm | 2020 Rm |
|---|---|---|
| **Borrowings held at amortised cost comprises:** | | |
| Credit and term facilities | **828** | 1 708 |
| Asset-backed financing arrangements | **51** | 175 |
| **Total borrowings held at amortised cost** | **879** | 1 883 |
| **Payment profile** | | |
| – within one year | **388** | 893 |
| – between two and five years | **491** | 990 |
| | **879** | 1 883 |
| **Interest rate structure** | | |
| **Fixed and variable (interest rates)** | | |
| Fixed – long-term | **12** | 422 |
| Fixed – short-term | **31** | 72 |
| Variable – long-term | **479** | 568 |
| Variable – short-term | **357** | 821 |
| | **879** | 1 883 |

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 12. BORROWINGS AND OTHER LIABILITIES continued

### 12.1 Borrowings held at amortised cost continued

| Description | Terms | Rate of interest | 2021 Rm | 2020 Rm |
|---|---|---|---|---|
| **Credit and term facilities** | | | | |
| Restructured term facility*/** | Repayable September 2023 | 3M JIBAR + 4,78% | **628** | – |
| Restructured Super Senior Liquidity Facility*/** | Repayable June 2022 | 3M JIBAR + 3,98% | **200** | – |
| Term facility* | Settled March 2021 | 1M JIBAR + 5,02% | **–** | 623 |
| Revolving credit facility* | Settled March 2021 | 1M JIBAR + 4,89% | **–** | 558 |
| Revolving credit facility* | Settled March 2021 | Fixed rate of 13,986% | **–** | 316 |
| Term facility* | Settled March 2021 | 1M JIBAR + 5,02% | **–** | 195 |
| Term loan facility denominated in ZAR | Settled April 2021 | Fixed interest rate of 10,58% | **–** | 16 |
| **Asset-backed financing arrangements** | | | | |
| Facilities denominated in AUD | Monthly instalments ending in March 2023 | Fixed interest rate of 6,95% | **40** | 73 |
| Facilities denominated in AUD | Monthly instalments ending in February 2025 | Fixed range of 2,99% to 7,60% | **4** | 24 |
| Facilities denominated in ZAR | Monthly instalments ending in November 2022 | South African prime | **6** | 10 |
| Facility denominated in ZAR | Monthly instalments ending in February 2022 | Fixed interest rate of 8,00% | **1** | 2 |
| Hire purchase facility denominated in USD | Settled August 2020 | Fixed interest rate of 6,70% | **–** | 34 |
| Facility of AUD12 million | Settled November 2020 | Fixed interest rate of 4,60% | **–** | 25 |
| Hire purchase agreement denominated in ZAR | Settled April 2021 | Fixed interest rate of 12,27% | **–** | 4 |
| Hire purchase agreement denominated in ZAR | Settled August 2020 | South African prime plus 3,00% | **–** | 3 |
| **Total interest-bearing borrowings** | | | **879** | 1 883 |

* *On 19 March 2021, Aveng announced the successful conclusion of its rights offer and debt restructure. As part of the rights offer and debt restructure, Aveng used R232 million of the proceeds from the rights offer to partially settle debt at a significant discount. Certain lenders subscribed for R396 million of new equity at 5 cents per share (compared to the rights offer price of 1,5 cents per share) in a specific issue of shares for cash and the proceeds thereof were used to settle debt.*
*The settlement of the debt resulted in a gain of R486 million.*

** *These loans follow the debt restructure in terms of the fourth Amended and Restated Common Terms Agreement (CTA) and the signed implementation agreement entered into on 11 February 2021 with the different commercial banks.*

#### Unutilised borrowing facilities

At 30 June 2021, the Group had available R364 million (includes bank overdraft facilities of R205 million) (2020: R271 million( includes bank overdraft facilities of R181 million)) of unutilised borrowing facilities.

## 12. BORROWINGS AND OTHER LIABILITIES continued

### 12.1 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 AUD4 million (2020: AUD13 million). The amount outstanding on these facilities as at year end was AUD4 million (2020: AUD13 million) and is equivalent to R43 million (2020: R129 million). These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R78 million (2020: 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 November 2022. The total amount outstanding on these facilities amounted to R7 million (2020: R178 million). Equipment with a net carrying amount of R6 million (2020: R321 million) has been pledged as security for the facility.

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

| | 2021 Rm | 2020 Rm |
|---|---|---|
| Asset-backed financing arrangements are payable as follows: | | |
| **Minimum payments due** | | |
| – within one year | **40** | 93 |
| – in two to five years | **15** | 94 |
| *Less*: future finance charges | **(4)** | (12) |
| **Present value of minimum payments** | **51** | 175 |

### 12.2 Lease liabilities

The table below represents only the lease liabilities not Held for Sale. 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.

| | 2021 Rm | 2020 Rm |
|---|---|---|
| **Opening balance** | **497** | – |
| Adoption of *IFRS 16* | **–** | 557 |
| New leases | **243** | 98 |
| Lease instalments | **(377)** | (195) |
| Interest on lease liabilities | **115** | 37 |
| Classified as Held for Sale – transferred in* | **69** | – |
| Unrealised foreign exchange movements | **(28)** | – |
| **Closing balance** | **519** | 497 |

** Following the sale of assets in the Manufacturing and Processing segment in the current year, some lease liabilities were not sold. These liabilities no longer met the classification requirements of Held for Sale and were transferred from Assets Held for Sale in the current year. Refer to note 10: Assets and liabilities classified as Held for Sale.*

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 12. BORROWINGS AND OTHER LIABILITIES continued

### 12.2 Lease liabilities continued

| | 2021 Rm | 2020 Rm |
|---|---|---|
| **Maturity analysis** | | |
| Lease liabilities are payable as follows: | | |
| **Minimum lease payments due** | | |
| – within one year | **197** | 208 |
| – in two to five years | **353** | 287 |
| – more than five years | **80** | 106 |
| *Less*: future finance charges | **(111)** | (104) |
| **Present value of minimum lease payments** | **519** | 497 |
| Non-current lease liabilities | **365** | 323 |
| Current lease liabilities | **154** | 174 |

The total cash outflow related to leases for the year amounted to R563 million. This includes short-term leases and low-value leases.

## 13. 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:

| | 2021 Rm | 2020 Rm |
|---|---|---|
| **South Africa and rest of Africa** | | |
| Guarantees and bonds (ZARm) | **554** | 1 018 |
| Parent company guarantees (ZARm) | **82** | 30 |
| | **636** | 1 048 |
| **Australasia and Asia** | | |
| Guarantees and bonds (AUDm) | **352** | 290 |
| Parent company guarantees (AUDm) | **14** | 22 |
| | **366** | 312 |

**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. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are probable.

## 14. 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 not 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 De Válvulas Do Brasil Limitada Rm | RF Valves Osakeyhtiö Rm | RF Valves Incorporated Rm |
|---|---|---|---|---|
| **Net cash impact of sale** | | | | |
| **Total assets (excluding cash and bank balances)** | 25 | 3 | 20 | 97 |
| 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 |
| **Cash and bank balances** | – | – | – | – |
| **Total liabilities** | (24) | (4) | (13) | (59) |
| Trade and other payables | (13) | (4) | (4) | (12) |
| Lease liabilities | (2) | * | – | (15) |
| Provision for unallocated fair value adjustment | (9) | – | (9) | (32) |
| **Net assets sold** | 1 | (1) | 7 | 38 |
| Gain / (loss) on disposal of subsidiary | 7 | 1 | 1 | (10) |
| **Net proceeds received in cash** | 8 | – | 8 | 28 |
| 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 CONTINUED
for the year ended 30 June 2021

## 14. 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 the rest of Africa* disposal group. The subsidiaries were not 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 |
|---|---|---|---|
| **Net cash impact of sale** | | | |
| **Total assets (excluding cash and bank balances)** | 154 | 23 | 9 |
| 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 | – | * |
| **Cash and bank balances** | – | – | – |
| **Total liabilities** | (106) | (19) | – |
| Amounts due to contract customers | (13) | (12) | – |
| Trade and other payables | (73) | (6) | 1 |
| Employee-related payables | (20) | (1) | (1) |
| **Net assets sold** | 48 | 4 | 9 |
| Gain on disposal of subsidiary | 9 | – | 2 |
| **Net proceeds received in cash** | 57 | 4 | 11 |
| 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.*

## 15. TAXATION

| | 2021 Rm | 2020 Rm |
|---|---|---|
| **Major components of the taxation expense** | | |
| **Current taxation** | | |
| Local income taxation – current period | – | 1 |
| Local income taxation – recognised in the current taxation for prior periods | (2) | 14 |
| Foreign income taxation or withholding taxation – current period | 47 | 49 |
| Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods | (5) | (4) |
| | 40 | 60 |
| **Deferred taxation** | | |
| Deferred taxation – current period | 2 | 71 |
| Deferred taxation – arising from prior period adjustments | (1) | (62) |
| | 1 | 9 |
| | 41 | 69 |

South African income taxation is calculated at 28% (2020: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2021

## 16. NON-CASH AND OTHER MOVEMENTS

| | 2021 Rm | 2020 Rm |
|---|---|---|
| Impairment loss on goodwill, property, plant and equipment and intangible assets | **241** | 147 |
| Impairment loss on long-term receivables | **26** | – |
| Impairment loss on equity-accounted investments | **–** | 21 |
| Claims write-down | **–** | 227 |
| Gain on sale of assets Held for Sale | **(28)** | (24) |
| Gain on sale of subsidiaries | **–** | (10) |
| Gain on disposal of property, plant and equipment | **(10)** | (61) |
| Gain on early settlement of borrowings and other liabilities | **(486)** | – |
| Fair value adjustment on properties and disposal groups classified as Held for Sale | **(611)** | 13 |
| Non-cash working capital movement | **(4)** | – |
| Unrealised foreign exchange losses on borrowings and other liabilities | **(32)** | (5) |
| Realised foreign exchange gain | **–** | (12) |
| Movements in foreign currency translation | **66** | (212) |
| Equity-settled share-based payment expense | **20** | – |
| Increase in long-term receivables | **–** | (43) |
| Derecognition of components included in property, plant and equipment | **169** | 69 |
| | **(649)** | 110 |

## 17. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments; and
- 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; and
- 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.

# NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2021

## 17. 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 14,82% 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 4,9% and 1,9% (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 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Assets and liabilities recognised at fair value | | | | | |
| **Assets** | | | | | |
| Infrastructure investments | **257** | **257** | **–** | **–** | **257** |
| **Liabilities** | | | | | |
| FECs (Held for Sale) | **1** | **1** | **–** | **1** | **–** |
| **2020** | | | | | |
| Assets recognised at fair value | | | | | |
| **Assets** | | | | | |
| Infrastructure investments | 259 | 259 | – | – | 259 |
| FECs | 10 | 10 | – | 10 | – |
| FECs (Held for Sale) | 9 | 9 | – | 9 | – |

## 17. FAIR VALUE OF ASSETS AND LIABILITIES continued

### Fair value hierarchy continued

The Group uses Level 2 valuation techniques to measure FECs 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 and loss Increase Rm | Potential effect recorded directly in profit and loss Decrease Rm |
|---|---|---|---|---|
| **Infrastructure investments** | | | | |
| Risk-adjusted discount rate: | | | | |
| – Dimopoint Proprietary Limited | **16,0** | **0,5** | **(4)** | **4** |
| – Imvelo Concessions Company Proprietary Limited | **17,0** | **0,5** | **(2)** | **2** |
| – Firefly Investments 238 Proprietary Limited | **14,8** | **0,5** | **(2)** | **2** |

## 18. 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:

### 18.1 Sale of investment in REHM Construction Co Limited and REHM Grinaker Properties Co Limited

During the year, the Group entered into a sale of the investment of REHM Construction Co Limited and REHM Grinaker Properties Co Limited. Subsequent to year end, the remaining conditions within the contract were satisfied and the cash was received. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

### 18.2 Sale of Aveng Automotive & Control Solutions (ACS)

During the year, the Group completed the sale of the Aveng Automotive & Control Solutions (ACS) business as a going concern for R70 million, adjusted for working capital, that is subject to the satisfaction or waiver of conditions precedent subsequent to year end. This disposal did not require separate disclosure in terms of the JSE Listings Requirements.

### 18.3 Trident Steel customs dispute

In 2019, SARS issued a letter of demand to the Group for a portion of customs duty relating to “the value determination”. The Group disagreed with the letter of demand and referred the matter to the SARS Customs and Excise National Appeals Committee (CENAC). Subsequent to year end, CENAC ruled in favour of the Group and confirmation was received that the letter of demand had been withdrawn completely. The matter is therefore now finalised.

## 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)

Notice is hereby given that the 77th AGM of the shareholders of Aveng Limited will be held virtually, on Wednesday, 10 November 2021 at 09:00 (SAST) 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, 5 November 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 74 to 76.

## 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 2021 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 her 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 Mr Bradley Meyer

### 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 Sean Flanagan
2.2 Mr Michael Kilbride
2.3 Ms May Hermanus

Ms May Hermanus and Mr Michael Kilbride who retire voluntarily owing to their long tenure on the Board (longer than nine years), being eligible offer themselves for re-election. The Board has assessed their independence and is confident they remain independent. This is in the interest of best practices and good corporate governance.

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

To elect, by way of separate resolutions, the following independent non-executive directors as members of the audit committee from the end of this virtual AGM until the conclusion of the next AGM in terms of section 94(2) of the Act:
3.1 B Modise
3.2 B Meyer
3.3 M Kilbride

## Ordinary resolution 4: Appointment of auditors

The Board proposes, on recommendation of the current audit and risk committee, the appointment of KPMG Inc. as independent auditors of the Company, with Mr Fred von Eckardstein being the designated individual audit partner, who will undertake the audit for the financial year ending 30 June 2022.

### Reason for and effect

The change in external auditor is due to the audit and risk committee's decision to early adopt the Independent Regulatory Board of Auditors (IRBA) rule on mandatory audit firm rotation. Following a formal tender process, and on the recommendation of the audit and risk committee, the Board proposes the appointment of KPMG, with Fred von Eckardstein as the designated audit partner, to replace Ernst & Young Inc. (EY) as the Company external auditors with effect from the conclusion of the 2021 year-end audit.

In accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the audit and risk committee reviewed the credentials and accreditation information relating to KPMG and Mr Fred von Eckardstein to assess their suitability for appointment.

The audit and risk committee is comfortable that KPMG and Mr Fred von Eckardstein are suitable for appointment as the independent and designated auditor respectively of the Group for the ensuing year. The Board agrees with this assessment and accordingly proposes their appointment.

## 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.

## 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.

## Ordinary resolution 7: Adoption of the Aveng Limited Long-Term Incentive Plan (LTIP 2022)

"RESOLVED THAT, subject to the passing of special resolution 7, the Aveng Long-Term Incentive Plan (LTIP 2022), a copy of which has been labelled for identification purposes and tabled at the virtual AGM, be and is hereby approved. The salient features of the LTIP 2022 are set out in annexure B to this notice. Copies of the LTIP 2022 will be available for inspection during normal business hours at (i) the registered office of the Company from the date of issue of the 2021 integrated annual report and (ii) on Aveng's website at www.aveng.co.za/financials/annual-reports. The percentage of voting rights required for ordinary resolution 7 to be adopted: at least 75% (seventy-five percent) of the voting rights that are eligible to be exercised on this resolution."

## Special resolution 1: Consolidation of authorised and issued ordinary share capital of the Company

"RESOLVED THAT, subject to the passing of special resolution 2 and special resolution 3, the Company's authorised ordinary share capital be consolidated on the basis of 1-for-500 shares held, from an authorised ordinary share capital of 180 882 034 263 ordinary shares to 361 764 068 ordinary shares. The issued ordinary share capital of 62 263 682 419 ordinary shares to be consolidated to 124 527 364 ordinary shares."

Only ordinary shareholders will be entitled to vote on this resolution. The resolution requires at least 75% of the ordinary shareholders voting on it to be passed.

### Reason for and effect

The reason and effect of special resolution 1 is to consolidate the existing authorised and issued ordinary share capital to enable Aveng to restructure the ordinary share capital of the Company and reposition the Group going forward in order to attract new investment and improve tradability of the ordinary shares. The consolidation is being implemented for the following reasons:

(i) In the opinion of the Board, shares that trade below R 1.00 have a much higher spread between the bid-to-buy price and the offer-to-sell price which can result in significant movements in the share price on small volumes traded. This in turn causes instability in the market capitalisation of the Company and ultimately effects shareholder value. This may therefore discourage potential investors.
(ii) In the view of the Board, by consolidating the number of shares, it is expected that there will be a narrowing of the spread between the bid-to-buy price and the offer-to-sell price resulting in a more stable market capitalisation of the Company and allowing for increased liquidity in the shares.

This has the effect of:

(i) providing additional confidence to existing shareholders; and
(ii) increasing the attractiveness of the Company to potential investors.

### Special resolution 2: Consolidation of authorised and issued Aveng A class share capital of the Company

"RESOLVED THAT, subject to the passing of special resolution 1 and a special resolution 3, the Company's authorised class A share capital be consolidated on the basis of 1-for-500 shares held, from an authorised A class share capital of 500 000 000 000 A class shares to 1 000 000 000 class A shares. The issued class A share capital of 2 477 989 637 class A shares to be consolidated to 4 955 979 class A shares."

Only Aveng class A shareholders will be entitled to vote on this resolution. The resolution requires at least 75% of the Aveng class A shareholders voting on it to be passed.

### Reason for and effect

Class A shares are unlisted redeemable non-participating, non-voting convertible shares that rank *pari passu* with the ordinary shares in all other respects, therefore class A shares are treated the same as ordinary shares. The reasons set out in relation to special resolution 1 are equally applicable to special resolution number 2.

### Special resolution 3: Amendment of memorandum of incorporation

"RESOLVED THAT, subject to the passing of special resolution 1 and special resolution 2, clause 7.1.1 and clause 7.1.3 of the Company's memorandum of incorporation be amended to give effect to the implementation of the consolidation approved in terms of special resolution 1 and special resolution 2."

Only ordinary shareholders will be entitled to vote on this resolution. The resolution requires at least 75% of the ordinary shareholders voting on it to be passed.

### Reason for and effect

The reason and effect of this resolution is for the ordinary shareholders to also approve (to the extent required) the amendment of the Company's memorandum of incorporation to implement the consolidation approved in terms of (i) special resolution 1; and (ii) special resolution 2.

### Special resolution 4: 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; and
- At any point in time, the Company is 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; and
- The Company's and the Group's ordinary share capital and reserves will be adequate for ordinary business purposes.

## Special resolution 5: 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 Company is hereby authorised to pay top up fees to Mr Bradley Meyer, a USA based NED.
- That the remuneration structure and amounts as set out below, be and are hereby approved, for implementation from the period commencing 1 January 2022 until such time as rescinded or amended by shareholders by way of a special resolution."

| Board / Committee | Category | 2021 fee R | 2022 proposed fee[1] % | 2022 proposed increase R |
|---|---|---|---|---|
| Main Board | Chairperson | (2) | (2) | (2) |
| | Lead independent | 477 000 | 512 775 | 7,5 |
| | Director | 340 680 | 366 231 | 7,5 |
| | Ad hoc meetings[3] | 29 890 | 32 132 | 7,5 |
| Subsidiary Boards | Director | 181 050 | 194 629 | 7,5 |
| | McConnell Dowell travel allowance | 82 680 | 88 881 | 7,5 |
| Remuneration and nomination committee | Chairperson | 229 600 | 246 820 | 7,5 |
| | Member | 91 270 | 98 115 | 7,5 |
| Safety, health and environmental committee | Chairperson | 198 220 | 213 086 | 7,5 |
| | Member | 85 650 | 92 074 | 7,5 |
| Social, ethics and transformation committee | Chairperson | 198 220 | 213 086 | 7,5 |
| | Member | 85 650 | 92 074 | 7,5 |
| Audit committee | Chairperson | 303 580 | 326 348 | 7,5 |
| | Member | 170 870 | 183 685 | 7,5 |
| | Subsidiaries | 92 540 | 99 480 | 7,5 |
| Risk committee | Chairperson | – | 246 820 | – |
| | Member | – | 98 115 | – |
| Investment committee | Chairperson[4] | 12 080 | 12 986 | 7,5 |
| | Member[4] | 9 220 | 9 911 | 7,5 |
| Tender risk committee | Member[4] | 11 870 | 12 760 | 7,5 |
| Ad hoc committee meetings | Member / invitee[5] | 19 400 | 20 855 | 7,5 |
| Extra ordinary services rendered | Per hour fee[6] | 4 770 | 5 128 | 7,5 |

*[1] The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.*
*[2] Refer to 2022 proposal for non-resident non-executive directors.*
*[3] Per meeting in excess of the four scheduled meetings per year.*
*[4] Per meeting attended.*
*[5] 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.*
*[6] Per hour, capped at 1.5 of the annual fees earned.*

For 2022, a 1,5% cost of living adjustment is recommended in respect of the non-resident UK-based Chairman of the Board, as the Chairman's fees were benchmarked in the prior year. A new non-resident US-based director was appointed during the year and the proposed 2022 fees are set out below.

| Category | Fees | 2021 fee | 2022 proposed fee[1] | 2022 proposed increase % change |
|---|---|---|---|---|
| Non-resident UK-based non-executive (£) | Composite fee[2] | 100 000 | 101 500 | 1,5 |
| | Ad hoc meeting fee[3] | 2 606 | 2 645 | 1,5 |
| In the event that we have an SA based Chairman (ZAR) | | 1 034 560 | 1 112 152 | 7,5 |
| Non-resident US-based non-executive (USD) | Composite fee[4] | 75 000 | 75 000 | – |
| | Ad hoc meeting fee[3] | 2 000 | 2 000 | – |

[1] *The proposed fees exclude VAT which will be charged by any qualifying non-executive director, at the prevailing rate.*
[2] *Composite fee paid for Chairman role inclusive of all committee fees.*
[3] *Fee paid for any additional ad hoc Board or committee meetings attended.*
[4] *Composite fee paid for all Board and committee meetings attended.*

Mr Meyer was appointed to the Aveng Board with effect from 27 May 2021, and it was agreed that his remuneration will be a composite fee of USD 75 000 annually, for attending the Board, remuneration and nomination committee and the audit and risk committee. Since his fees were not approved by the shareholders, Mr Meyer was remunerated as per the framework approved at the last AGM, converting the ZAR amount to USD at the time when payment became due to him. He was paid to the maximum amount allowed in terms of the approved framework which is substantially less than his USD fee. A top up of his fees will be paid, subject to obtaining the necessary shareholder approval.

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 6: 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."

### Special resolution 7: Approvals for the implementation of the LTIP 2022

"RESOLVED THAT, subject to the passing of ordinary resolution 7, the shareholders be and hereby authorise and approve, as a special resolution, for all purposes under the Companies Act (including, but not limited to, sections 41(1), 44(2) and 45(2) of the Companies Act) the adoption and implementation of LTIP 2022.

### Explanation for and effect

This resolution seeks to obtain approval from the shareholders of the Company to enable the Company to adopt, authorise and fully implement the LTIP 2022, which includes shareholder approval by way of special resolution under the Companies Act (including, but not limited to (i) section 41(1) as the LTIP 2022 contains rights exercisable for shares and such rights may be issued to related and interrelated persons (such as executive directors and prescribed officers of the Company and the Group) who qualify as participants under the LTIP 2022); and (ii) sections 44(2) and 45(2) as the LTIP 2022 may involve the giving of financial assistance to directors and prescribed officers.

### Ordinary resolution 8: 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 or desirable 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 4:

- Directors and management – www.aveng.co.za/board-of-directors.php
- Major shareholders – page 80
- Directors' interests in ordinary shares – www.aveng.co.za/results-announcements.php
- Share capital of the Company – www.aveng.co.za/results-announcements.php
- Directors' report – www.aveng.co.za/results-announcements.php

## LITIGATION STATEMENT

The directors in office, whose names appear on the corporate information page, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, other than disclosed in the annual financial statements 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 the corporate information page, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 4 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 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; or
2. apply to Computershare, by sending a request to proxy@computershare.co.za so as to be received by Computershare by no later than Monday, 8 November 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
12 October 2021

# 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 2021 to shareholders, together with the reports of the directors, the audit and risk committee, and the auditors. These are contained www.aveng.co.za/results-announcements.php

## 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 2021 is reported in the sustainability report and is accessible on the Group's website at https://www.aveng.co.za/annual-reports.php

## 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 Mr Bradley Meyer

The profile of the director up for election is contained at www.aveng.co.za/board-of-directors.php

### 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 Sean Flanagan
2.2 Mr Michael Kilbride
2.3 Ms May Hermanus

Ms May Hermanus and Mr Michael Kilbride who retire voluntarily owing to their long tenure on the Board (longer than nine years), being eligible offers themselves for re-election. The Board has assessed their independence and is confident they remain independent. This is in the interest of best practices and good corporate governance.

The profile of the director up for election is contained at www.aveng.co.za/board-of-directors.php

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

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

3.1 B Modise
3.2 B Meyer
3.3 M Kilbride

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

### Ordinary resolution 4: Appointment of auditors

Following the introduction of mandatory audit firm rotation by the Independent Regulatory Board for Auditors, the Company has resolved to early adopt the policy and has conducted a formal tender process to appoint a new firm of external auditors. Pursuant to paragraph 3.75 of the JSE Listings Requirements, the Group audit and risk committee has recommended and the Board has approved, the proposed appointment of KPMG Incorporated ("KPMG") as the external auditor of the Group with effect from the financial year ending 30 June 2022.

### Ordinary resolution 5: Approval of remuneration policy

King IV on Corporate Governance™* for South Africa, recommends that the remuneration policy 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.

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### 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.

### Ordinary resolution 7: Adoption of the Aveng Limited Long-Term Incentive Plan (LTIP 2022)

This resolution seeks to obtain approval from the shareholders of the Company to enable the Company to adopt, authorise and fully implement the LTIP 2022.

### Special resolution 1: Consolidation of authorised and issued ordinary share capital of the Company

The reason and effect of special resolution 1 is to consolidate the existing authorised and issued ordinary share capital to enable Aveng to restructure the ordinary share capital of the Company and reposition the Group going forward in order to attract new investment and improve tradability of the shares. Refer to annexure A.

### Special resolution 2: Consolidation of authorised and issued Aveng A class share capital of the Company

The reason and effect of special resolution 2 are to consolidate the existing authorised and issued class A share capital to enable Aveng to restructure the class A share capital of the Company and reposition the Group going forward in order to attract new investment and improve tradability of the shares. Refer to annexure A.

### Special resolution 3: Amendment of memorandum of incorporation

Aveng's existing memorandum of incorporation will consequently have to be amended to reflect the relevant changes to the Company's ordinary share capital structure. Refer to annexure A.

### Special resolution 4: 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 4 to become effective.

### Special resolution 5: 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.

# EXPLANATORY NOTES: VIRTUAL ANNUAL GENERAL MEETING

CONTINUED

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 6: 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 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.

### Special resolution 7: Approvals for the implementation of the LTIP 2022

This resolution seeks to obtain approval from the shareholders of the Company to enable the Company to adopt, authorise and fully implement the LTIP 2022, which includes shareholder approval by way of special resolution under the Companies Act (including, but not limited to (i) section 41(1).

### Ordinary resolution 8: Signing authority

Authority is required to do all such things and sign all documents and take all such action as necessary or desirable 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 on, Wednesday, 10 November 2021 at 09:00.

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: Election of director Mr Bradley Meyer | | | |
| 2. | Ordinary resolution 2.1: Re-election of director – Mr Sean Flanagan | | | |
| | Ordinary resolution 2.2: Re-election of director – Mr Michael Kilbride | | | |
| | Ordinary resolution 2.3: Re-election of director – Ms May Hermanus | | | |
| 3. | Ordinary resolution 3.1: Election of audit committee chair – Ms Bridgette Modise | | | |
| | Ordinary resolution 3.2: Election of audit committee member – Mr Bradley Meyer | | | |
| | Ordinary resolution 3.3: Election of audit committee member – Mr Michael Kilbride | | | |
| 4. | Ordinary resolution 4: Appointment of external auditors | | | |
| 5. | Ordinary resolution 5: Approval of remuneration policy | | | |
| 6. | Ordinary resolution 6: Approval of remuneration report | | | |
| 7. | Ordinary resolution 7: Adoption of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) | | | |
| 8. | Special resolution 1: Consolidation of authorised and issued ordinary share capital of the Company: | | | |
| 9. | Special resolution 2: Consolidation of authorised and issued Aveng A class share capital of the Company | | | |
| 10. | Special resolution 3: Amendment of memorandum of incorporation | | | |
| 11. | Special resolution 4: General authority to repurchase shares | | | |
| 12. | Special resolution 5: Non-executive directors' remuneration | | | |
| 13. | Special resolution 6: Financial assistance to related and inter-related companies | | | |
| 14. | Special resolution 7: Approvals for the implementation of the LTIP 2022 | | | |
| 15. | Ordinary resolution 8: Signing authority | | | |

Signed at on 2021

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 09:00 on Monday, 8 November 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 (example, 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
## for the year ended 30 June 2021

### Registered shareholder spread

| Shareholder spread | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| 1 – 1 000 shares | 10 826 | 31,30 | 2 989 654 | 0,00 |
| 1 001 – 10 000 shares | 8 679 | 25,09 | 33 411 459 | 0,05 |
| 10 001 – 100 000 shares | 7 535 | 21,78 | 279 121 725 | 0,45 |
| 100 001 – 1 000 000 shares | 5 091 | 14,72 | 1 743 429 384 | 2,80 |
| 1 000 001 shares and above | 2 462 | 7,11 | 60 204 730 196 | 96,70 |
| **Total** | 34 593 | 100,00 | 62 263 682 419 | 100,00 |

### Beneficial shareholder categories

| Category | Total shareholding | % of issued capital |
|---|---|---|
| Hedge fund | 24 064 882 501 | 38,65 |
| Private investor | 17 369 767 545 | 27,90 |
| Trading position | 7 175 917 381 | 11,53 |
| Custodians | 3 520 347 779 | 5,65 |
| Unit trusts | 1 627 850 115 | 2,61 |
| Mutual funds | 571 740 690 | 0,92 |
| Pension funds | 456 602 531 | 0,73 |
| Corporate holding | 265 001 000 | 0,43 |
| Charity | 113 843 124 | 0,18 |
| Stockbrokers | 58 874 201 | 0,09 |
| Investment trust | 15 528 785 | 0,02 |
| Black economic empowerment | 8 586 593 | 0,01 |
| Exchange-traded fund | 1 179 079 | 0,00 |
| Remainder | 7 013 561 095 | 11,28 |
| **Total** | 62 263 682 419 | 100,00 |

# SHAREHOLDERS' ANALYSIS CONTINUED
## for the year ended 30 June 2021

### Public and non-public shareholdings

| Shareholder type | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| **Non-public shareholders** | 9 | 0,03 | 4 473 273 864 | 7,18 |
| Directors and prescribed officers | 5 | 0,01 | 843 995 375 | 1,36 |
| Aveng Limited Share Purchase Trust | 1 | 0,00 | 6 018 386 | 0,01 |
| Aveng Management Company Proprietary Limited | 1 | 0,00 | 788,684 | 0,00 |
| Aveng LTIP | 1 | 0,00 | 3 610 389 174 | 5,80 |
| Community Investment Trust | 1 | 0,00 | 12 082 245 | 0,02 |
| **Public shareholders** | 34 584 | 99.97 | 57 790 408 554 | 92.82 |
| **Total** | 34 593 | 100,00 | 62 263 682 419 | 100,00 |

### Beneficial shareholders holding more than 3%

| Beneficial shareholdings | Total shareholding | % |
|---|---|---|
| Highbridge Tactical Credit | 7 592 261 786 | 12,19 |
| Milpro Proprietary Ac (custodian) – Highbridge | 3 820 293 793 | 6,14 |
| Whitebox Multi-Strategy Partners, L.P. | 3 708 903 000 | 5,96 |
| Steyn Capital Equity Fund | 3 343 277 446 | 5,37 |
| Whitebox Caja Blanca Fund, L.P. | 2 165 000 000 | 3,48 |
| **Total** | 16 809 442 232 | 33,14 |

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

### Investment management shareholdings

| Investment manager | Total shareholding | % |
|---|---|---|
| Highbridge Capital Management LLC | 11 412 555 579 | 18,33 |
| Whitebox Advisors LLC | 9 266 152 112 | 14,88 |
| Steyn Capital Management (Pty) Ltd | 3 343 277 446 | 5,37 |
| **Total** | 24 021 985 137 | 38,58 |

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

| Region | Total shareholding | % of issued capital |
|---|---|---|
| South Africa | 37 493 394 232 | 60,22 |
| United States of America and Canada | 20 695 186 770 | 33,24 |
| United Kingdom | 1 410 556 143 | 2,27 |
| Rest of Europe | 1 796 363 511 | 2,89 |
| Rest of World[1] | 868 181 762 | 1,39 |
| **Total** | 62 263 682 418 | 100,00 |

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

### Geographic split of beneficial shareholders

| Region | Total shareholding | % of issued capital |
|---|---|---|
| South Africa | 36 341 835 462 | 58,37 |
| United States of America and Canada | 7 445 106 205 | 11,96 |
| United Kingdom | 1 516 595 708 | 2,44 |
| Rest of Europe | 1 796 363 511 | 2,89 |
| Rest of World | 15 163 781 532 | 24,35 |
| **Total** | 62 263 682 418 | 100,00 |

### Class A shares

| Beneficial shareholdings | Total shareholding | % of issued capital |
|---|---|---|
| Highbridge Capital | 2 477 989 637 | 100,00 |

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

The definitions and interpretations commencing on page 6 of this circular apply mutatis mutandis to this cover.

**ACTION REQUIRED BY AVENG SHAREHOLDERS**

- Aveng shareholders are referred to page 2 of this circular, which sets out the action required of them with regards to matters set out in this circular.
- If you are in any doubt as to what action you should take, you should consult your CSDP, broker, banker, legal advisor, accountant or other professional advisor immediately.
- If you have disposed of all of your shares, please forward this circular together with the notice of general meeting, to the purchaser of your shares, or the CSDP or broker or agent through whom the disposal was effected.
- The annual general meeting of Aveng, at which the resolutions regarding the capital restructuring in terms of which the proposals contained in this circular will be implemented and will be held entirely by electronic communication at 09:00 on Wednesday, 10 November 2021. The last day to trade and the record date on which an individual must be registered as a shareholder in the company's register for purposes of being entitled to attend and vote at the general meeting are Tuesday, 2 November 2021 and Friday, 5 November 2021, respectively.

**If you hold dematerialised shares which are registered in your name or if you are the registered holder of certificated shares** as at the record date, you may attend and participate in the meeting electronically. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected by using the form of proxy attached to the notice of the virtual annual meeting (to which this circular is attached as **Annexure A**) and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the form of proxy.

**If you hold dematerialised shares which are NOT registered in your name** as at the voting record date:

- and wish to attend and participate at the meeting, you must obtain the necessary letter of representation to represent the registered shareholder of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the form of proxy.

**All participants at the meeting will be required to provide prior identification in accordance with section 61(3) of the Companies Act 71 of 2008.**

Copies of this circular, the Notice of Annual General Meeting and Integrated Report, in English, are available online at the following link: https://www.aveng.co.za/annual-reports.php; and, upon request, can be obtained from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the "Corporate information and advisers" section of this circular.

**Aveng does not accept responsibility, and shall not be held liable, for any action of, or omission by, any CSDP or broker or agent including, without limitation, any failure on the part of CSDP or broker or agent of any beneficial owner of ordinary shares to notify such beneficial owner of the details set out in this circular.**

**AVENG LIMITED**

(Incorporated in the Republic of South Africa)
(Registration number 1944/018119/06)
Share code on the JSE: AEG ISIN: ZAE 000111829
("**Aveng**" or "**the Company**")

# CIRCULAR TO AVENG SHAREHOLDERS

relating to:

- **the restructuring of Aveng's authorised and issued share capital by consolidating its authorised and issued share capital on the basis of 1-for-500 by the consolidation of every 500 shares into 1 share;**

incorporating:

- **a form of surrender for the consolidation (to be used by certificated shareholders only).**

The directors, whose names are given on page 1 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no other facts that have been omitted which would make any statement in this circular false or misleading; and that all reasonable enquiries to ascertain such facts have been made and that this circular contains all information required by law and the Listings Requirements. All the advisers, whose names and reports are included in this circular, have given and have not withdrawn, prior to the publication of this circular, their written consents for the inclusion of their names and reports in the form and context in which they appear.

| JSE Sponsor | Legal Advisor to Aveng |
|---|---|
| UBS | ALCHEMY LAW |

Date of issue: Tuesday, 12 October 2021

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# CORPORATE INFORMATION AND ADVISORS

**Directors**
Sean Flanagan (Group CEO)
Adrian Macartney (Group FD)
Philip Hourquebie (Independent Non-Executive Director)
May Hermanus (Lead independent Non-Executive Director)
Michael Kilbride (Independent Non-Executive Director)
Bridgette Modise (Independent Non-Executive Director)
Bradley Meyer (Independent Non-Executive Director)*

** Australian citizen*

**Company secretary**
Edinah Mandizha
3rd Floor
10 the High Street
Melrose Arch
Gauteng, 2076
(PO Box 6062, Rivonia, 2128)

**Transfer Secretaries**
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X 9000, Saxonwold, Johannesburg, Gauteng, 2132)

**Sponsor**
UBS South Africa Proprietary Limited
144 Oxford Road
8th Floor South Wing
Melrose
Johannesburg
2196
(PO Box 522194, Saxonwold, Rosebank, 2196)

**Date of incorporation:** 22 November 1944
**Place of incorporation:** South Africa

*This circular is available in English only. Copies may be obtained from the registered office of the company and the transfer secretaries at the addresses set out above. Shareholders will be able to access the circular at https://www.aveng.co.za.*

**Registered office and business address**
3rd Floor
10 The High Street
Melrose Arch
Gauteng, 2076

**Legal advisors**
Alchemy Law Africa
Block A
7 Eton Road
Sandhurst
Johannesburg, 2196

# ACTION REQUIRED BY SHAREHOLDERS

If you are in any doubt as to what action you should take, you should consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

**ACTION REQUIRED BY CERTIFICATED SHAREHOLDERS**

**1. THE ANNUAL GENERAL MEETING BEING HELD ENTIRELY BY ELECTRONIC COMMUNICATION**

**1.1** Aveng is permitted in terms of the Companies Act and Article 20 of Aveng's Memorandum of Incorporation to hold a shareholders' meeting entirely by electronic communication.

**1.2** The decision has been taken by the board that it is appropriate to hold the general meeting entirely by electronic communication in accordance with the provisions of Article 20 of Aveng's Memorandum of Incorporation read with section 63(2) of the Companies Act.

**1.3** For further information in respect of the annual general meeting being held entirely by electronic communication, please see the notice and the explanatory notes relating to the annual general meeting contained in the notice.

**2. ALL SHAREHOLDERS**

If you have disposed of all your shares, please forward this circular, together with the notice, form of proxy, and form of surrender, to the purchaser of such shares or the broker, CSDP or other agent through whom you disposed of such shares.

**3. IF YOU HAVE DEMATERIALISED YOUR SHARES WITHOUT "OWN NAME" REGISTRATION**

**3.1 Voting at the general meeting**

(a) Your CSDP or broker is obliged to contact you in the manner stipulated in the agreement concluded between you and your CSDP or broker to ascertain how you wish to cast your vote at the meeting and thereafter to cast your vote in accordance with your instructions.

(b) If you have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP or broker and furnish them with your voting instructions.

(c) If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP or broker.

(d) You must **NOT** complete the form of proxy.

**3.2 Attendance and representation at the general meeting**

In accordance with the agreement between you and your CSDP or broker, you must advise your CSDP or broker if you wish to attend the meeting electronically, or if you wish for a proxy to represent you at the meeting and your CSDP or broker will issue the necessary letter of representation for you or your proxy to attend the meeting.

**4. IF YOU HAVE DEMATERIALISED YOUR SHARES WITH "OWN NAME" REGISTRATION**

**4.1 Voting, attendance and representation at the meeting**

(a) You may attend and vote at the meeting electronically.

(b) Alternatively, you may appoint a proxy to represent you at the meeting by completing the form of proxy in accordance with the instructions it contains and returning it to the transfer secretaries, to be received by 09:00 on Monday, 8 November 2021, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairman of the general meeting at any time before the appointed proxy exercises any shareholder rights at the general meeting.

## 5. IF YOU HAVE NOT DEMATERIALISED YOUR SHARES

### 5.1 Voting, attendance and representation at the meeting

(a) You may attend and vote at the meeting electronically.

(b) Alternatively, you may appoint a proxy to represent you at the meeting by completing the form of proxy in accordance with the instructions it contains and returning it to the transfer secretaries, to be received by 09:00 on Monday, 8 November 2021.

### 5.2 Recall of share certificates from certificated shareholders

Subject to the passing of the special resolutions necessary for the implementation of the consolidation (and the registration of the relevant special resolutions by CIPC), it is necessary to recall the share certificates from certificated shareholders in order to replace them with certificates reflecting the consolidation and the new ISIN.

**If you wish to dematerialise your shares, please contact your CSDP or broker.**

# SALIENT DATES AND TIMES OF THE CONSOLIDATION

The definitions and interpretations commencing on page 6 of this circular apply, *mutatis mutandis,* to this section (unless specifically defined where used or the context indicates a contrary meaning).

| | 2021 |
|---|---|
| Record date to be eligible to receive this circular and the notice of the annual general meeting | Friday, 1 October |
| Announcement providing details of the consolidation, giving salient dates, advising of the distribution of this circular and giving the date and place of the annual general meeting released on SENS on | Tuesday, 12 October |
| Circular, notice of annual general meeting, form of proxy and form of surrender, and Integrated Report distributed to shareholders | Tuesday, 12 October |
| Last day to trade to be on the register to be able to attend, participate in and vote at the electronic annual general meeting | Tuesday, 2 November |
| Record date in order to be eligible to attend, participate in and vote at the annual general meeting | Friday, 5 November |
| Last day for lodging forms of proxy in respect of the annual general meeting by 09:00 on | Monday, 8 November |
| Forms of proxy not lodged with transfer secretaries to be handed to the chairman of the annual general meeting, at any time before the proxy exercises any rights of the shareholder at the annual general meeting | Wednesday, 10 November |
| Electronic annual general meeting of shareholders to be held at 09:00 on | Wednesday, 10 November |
| Results of annual general meeting released on SENS on | Wednesday, 10 November |
| Special resolutions to be filed with the CIPC | Thursday, 11 November |

**PLEASE NOTE THAT THE DATES PROVIDED BELOW RELATING TO THE CONSOLIDATION ARE SUBJECT TO SPECIAL RESOLUTIONS BEING REGISTERED BY CIPC AND THE JSE BEING PROVIDED WITH A CERTIFIED COPY OF THE SPECIAL RESOLUTIONS AS REGISTERED BY CIPC. THE TIMETABLE BELOW IN RESPECT OF THE CONSOLIDATION WILL HAVE TO BE AMENDED SHOULD REGISTRATION OF THE RESOLUTIONS BY CIPC NOT HAVE BEEN RECEIVED BY THIS DATE.**

| | 2021 |
|---|---|
| Expected date of special resolutions registered by the CIPC by no later than | Monday, 29 November |
| Expected publication of finalisation announcement on SENS | Tuesday, 30 November |
| Expected last day to trade under the present share capital prior to the consolidation | Tuesday, 7 December |
| Expected date for trading in consolidated shares on the new ISIN ZAE000302618 and suspension of trading in shares on the old ISIN ZAE000111829 | Wednesday, 8 December |
| Announcement released on SENS in respect of the cash payment applicable to fractional entitlements, based on the volume weighted average price of consolidated shares traded on Wednesday, 8 December 2021, less 10%, by 11:00 am on | Thursday, 9 December |
| Forms of surrender for new certificates to be received by the transfer secretaries in order for previously certificated shareholders to have their entitlements credited to their account with Computershare Nominees on Monday, 13 December 2021, by 12:00 on | Friday, 10 December |
| Expected record date | Friday, 10 December |
| Dematerialised shareholders will have their accounts at their CSDP or broker updated and will receive fraction allocation payments on | Monday, 13 December |
| Date that previously certificated shareholders will have their entitlements credited to their accounts within Computershare Nominees | Monday, 13 December |

**Notes:**

1. The specified dates and times are South African and are subject to amendment. Any such amendment will be released on SENS and published in the South African press.
2. Shares in the consolidated form may not be dematerialised after the last day to trade prior to the consolidation, expected to be Tuesday, 7 December 2021.

# DEFINITIONS AND INTERPRETATIONS

Throughout this circular, unless the context indicates otherwise, the words in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include the plural and vice versa, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

| | |
|---|---|
| "**authorised dealer**" | a person authorised to deal in foreign exchange as contemplated in the exchange control regulations; |
| "**authorised share capital**" | 180,882,034,263 ordinary shares and 500,000,000,000 Aveng class A shares; |
| "**Aveng**" or "**company**" | Aveng Limited, registration number 1944/018119/06; |
| "**Aveng class A share**" | an unlisted A class, no par value, redeemable, non-participating, non-voting convertible share in the share capital of Aveng, that ranks *pari passu* with the ordinary shares in all other respects; |
| "**Aveng class A shareholder**" | the registered holder of an Aveng class A share as at the voting record date; |
| "**board**" | the board of directors, which, as at the last practicable date, comprised the persons whose names appear on page 1 of this circular; |
| "**business day**" | any day other than Saturday, Sunday or any official public holiday in South Africa; |
| "**certificated shareholders**" | holders of certificated shares; |
| "**certificated shares**" | ordinary shares or Aveng class A shares that have not been dematerialised, the title to which is represented by a share certificate or other document of title; |
| "**CIPC**" | Companies and Intellectual Property Commission; |
| "**circular**" | this bound document, dated Tuesday, 12 October 2021, including the form of surrender attached hereto; |
| "**common monetary area**" | consists of Lesotho, Namibia, South Africa and eSwatini; |
| "**the consolidation**" | the consolidation of the authorised and issued share capital of the company on the basis of 1-for-500, which consolidation is expected to become effective on Wednesday, 8 December 2021; |
| "**consolidation declaration date**" | the date on which the consolidation was announced, namely Tuesday, 12 October 2021; |
| "**consolidation last day to trade**" | close of business on Tuesday, 7 December 2021, expected to be the last day to trade to be recorded as a shareholder under the present Aveng share capital by the consolidation record date; |
| "**consolidation record date**" | close of business on Tuesday, 7 December 2021, expected to be the record date to determine those shareholders whose shares will be subject to the consolidation; |
| "**CSDP**" | a central securities depository participant, being a participant as defined in section 1 of the Financial Markets Act, appointed by a shareholder for purposes of, and in regard to, dematerialisation and to hold and administer securities or an interest in securities on behalf of a shareholder; |

| | |
|---|---|
| "**dematerialisation**" or "**dematerialised**" | the process by which certificated shares are converted to or held in electronic form as uncertificated securities and recorded in a sub-register of securities holders maintained by a CSDP, after the documents of title have been validated and cancelled by the transfer secretaries and captured onto the Strate system by the selected CSDP or Broker, and the holding of securities is recorded electronically; |
| "**dematerialised shareholders**" | holders of dematerialised shares; |
| "**dematerialised shares**" | shares which have been through the dematerialisation process; |
| "**directors**" | directors of Aveng, being both non-executive and executive directors; |
| "**documents of title**" | share certificates, certified transfer deeds, balance receipts, or any other documents of title to shares; |
| "**exchange control regulations**" | Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act No 9 of 1933, as amended; |
| "**Financial Markets Act**" | Financial Markets Act No 19 of 2012, as amended; |
| "**form of proxy**" | for purposes of the annual general meeting, the form of proxy attached to the notice for use only by certificated shareholders and own-name dematerialised shareholders; |
| "**form of surrender**" | the form of surrender for use by certificated shareholders in order for such shareholders to exchange their existing documents of title for new documents of title reflecting the consolidation; |
| "**general meeting**" or "**the meeting**" or "**annual general meeting**" | the annual general meeting of shareholders to be held electronically on Wednesday, 10 November 2021; |
| "**group**" | collectively, Aveng and its subsidiaries; |
| "**Integrated Report**" | the Integrated Report for the year ended 30 June 2021 which is available on https://www.aveng.co.za/annual-reports.php; |
| "**JSE**" | the stock exchange operated by the JSE Limited; |
| "**JSE Limited**" | JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the laws of South Africa and which is licensed to operate an exchange in terms of the Financial Markets Act; |
| "**last practicable date**" | Tuesday, 5 October 2021, being the last practicable date prior to the finalisation of this circular; |
| "**Listings Requirements**" | Listings Requirements of the JSE, as amended from time to time by the JSE; |
| "**notice**" | the notice of the virtual annual general meeting to be held electronically on Wednesday, 10 November 2021, to which this circular is attached as **Annexure A**; |
| "**ordinary share**" | an ordinary no par value share in the share capital of Aveng; |
| "**ordinary shareholder**" | the registered holder of an ordinary share as at the voting record date; |
| "**participant**" | a shareholder or proxy who has been furnished with a user name and unique nine-digit code reflecting the number of shares entitled to vote and who is accordingly entitled to participate at the general meeting; |

| | |
|---|---|
| "**participate**" or "**participation**" | attending, asking questions electronically and / or making one or more comments electronically and / or voting electronically at the general meeting; |
| "**register**" | the register of certificated shareholders maintained by Aveng and the sub-registers of dematerialised shareholders maintained by the relevant CSDPs; |
| "**SENS**" | Stock Exchange News Service of the JSE; |
| "**shareholders**" | ordinary shareholders and Aveng class A shareholders; |
| "**shares**" or "**Aveng shares**" | ordinary shares and / or Aveng A class shares in the authorised and issued share capital of Aveng; |
| "**South Africa**" | the Republic of South Africa; |
| "**Strate**" | the settlement and clearing system used by the JSE, managed by Strate Proprietary Limited (registration number 1998/022242/07), a limited liability private company duly incorporated in South Africa; |
| "**transfer secretaries**" | Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa; |
| "**VAT**" | Value Added Tax, payable in terms of the Value Added Tax Act, 1991 (Act 89 of 1991), as amended; |
| "**voting record date**" | Friday, 5 November 2021, expected to be the record date to be recorded as a shareholder to be able to participate and vote at the general meeting; |
| "**VWAP**" | volume-weighted average price. |

# AVENG LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1944/018119/06)
Share code on the JSE: AEG ISIN: ZAE 000111829
("Aveng" or "the Company")

# CIRCULAR TO AVENG SHAREHOLDERS

## 1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

**1.1.** On Tuesday, 12 October 2021 Aveng announced the proposed restructuring of the company's authorised and issued share capital. This circular contains information on the consolidation of share capital which requires the approval of shareholders in a meeting as follows:

1.1.1. in relation to the consolidation of the ordinary shares, the approval by way of a special resolution of the ordinary shareholders only;

1.1.2. in relation to the consolidation of the Aveng class A shares, the approval by way of a special resolution of the Aveng class A shareholders only; and

1.1.3. in relation to the amendment to the Memorandum of Incorporation of Aveng to give effect to consolidation of the (i) ordinary shares, and (ii) Aveng class A Shares, by way of a special resolution of the ordinary shareholders only.

**1.2.** The effects of the resolutions are to consolidate the share capital of Aveng on the basis of 1-for-500 shares, from an authorised share capital of 180,882,034,263 ordinary shares and 500,000,000,000 Aveng A class shares to 361,764, 068 ordinary shares and 1,000,000,000 Aveng A class shares and an issued share capital of 62,263,682,419 ordinary shares and 2,477,989,637 Aveng A class shares to 124,527,364 ordinary shares and 4,955,979 Aveng A class shares.

**1.3.** A table of entitlement in respect of the consolidation has been included as **Annexure 1** to this circular.

**1.4.** The purpose of this circular is to provide shareholders with the details of the consolidation, including the salient terms and all the relevant information for the implementation of the consolidation of the company's share capital on the basis of 1-for-500 ordinary shares and a change of the value per share from 5 cents each to 2,500 cents each.

## 2. RATIONALE FOR THE CONSOLIDATION

The consolidation is being proposed for the following reasons:

**2.1.** In the opinion of the Board, shares that trade below R 1.00 have a much higher spread between the bid-to-buy price and the offer-to-sell price which can result in significant movements in the share price on small volumes traded. This in turn causes instability in the market capitalisation of the company and ultimately effects shareholder value. This may therefore discourage potential investors.

**2.2.** In the view of the Board, by consolidating the number of shares, it is expected that there will be a narrowing of the spread between the bid-to-buy price and the offer-to-sell price resulting in a more stable market capitalisation of the company and allowing for increased liquidity in the shares.

**2.3.** This has the effect of:

2.3.1. providing additional confidence to existing shareholders; and

2.3.2. increasing the attractiveness of the company to potential investors.

## 3. THE CONSOLIDATION

**3.1.** Salient dates and procedures to be followed by shareholders

3.1.1. Subject to the approval and implementation of the consolidation (the latter of which is dependent on the registration of the relevant special resolutions by CIPC), the attention of shareholders is drawn to the following proposed closing dates:

3.1.1.1. the results of the general meeting will be released on SENS on Wednesday, 10 November 2021;

3.1.1.2. the last day to trade in Aveng shares on the JSE in order to be recorded as a shareholder by the consolidation record date is expected to be Tuesday, 7 December 2021;

3.1.1.3. trading in the shares under the new consolidated share capital is expected to commence on Wednesday, 8 December 2021; and

3.1.1.4. the record date for purposes of determining those shareholders whose shares will be subject to the consolidation is expected to be Tuesday, 7 December 2021.

### 3.2. Further details relating to the consolidation

3.2.1. Subject to the approval and implementation of the consolidation:

3.2.1.1. fractions of consolidated shares will not be issued. In the case of fractional entitlements, all allocations of shares will be rounded down to the nearest whole number resulting in allocations of whole shares;

3.2.1.2. the consolidation will be effective on Wednesday, 8 December 2021;

3.2.1.3. theoretically, the consolidation will increase Aveng's market price, earnings and net asset value per share by the consolidation factor of 500. On the last practicable date, Aveng's closing share price on the JSE was 5 cents per share. Consequently, Aveng's theoretical closing share price after the consolidation should be 2,500 cents per share. Accordingly, as a consequence of the consolidation, Aveng's theoretical aggregate market capitalisation should not change.

### 3.3. Fractions

3.3.1. In terms of the Listings Requirements, the applicable cash payment in respect of fractional entitlements will be determined with reference to the VWAP of consolidated shares traded on the JSE on Wednesday, 8 December 2021, less 10%.

3.3.2. The above value to be used for calculating cash payments for fractional entitlements will be announced on SENS on Thursday, 9 December 2021, by 11:00.

### 3.4. Recall of share certificates from certificated shareholders

3.4.1. Subject to the passing of the special resolutions necessary for the consolidation (and the registration of the relevant special resolutions by CIPC), it is necessary to recall the share certificates from certificated shareholders in order to replace them with certificates reflecting the consolidation.

3.4.2. Certificated shareholders are requested to complete the attached form of surrender for the consolidation in accordance with the instructions it contains and return it to the transfer secretaries.

3.4.3. To facilitate the timeous receipt by certificated shareholders of replacement share certificates, certificated shareholders who wish to anticipate the implementation of the consolidation and who do not wish to deal in their existing shares prior to the consolidation, are requested to surrender their share certificates to the transfer secretaries by completing the attached form of surrender for the consolidation in accordance with the instructions it contains and return it to the transfer secretaries.

3.4.4. Share certificates so received will be held by the transfer secretaries pending the consolidation being approved by shareholders at the meeting. In the event that the consolidation is not approved, the transfer secretaries will, within five business days thereafter, return the certificates to the certificated shareholders concerned, by post, at the risk of such shareholders.

3.4.5. In the event that the consolidation is approved by shareholders, the special resolutions are registered by CIPC, the transfer secretaries will, within five business days after receipt thereof, but not earlier than 12:00, Friday, 10 December 2021, place the certificated shareholders in a nominee account with the transfer secretaries' CSDP, under a non-tradeable class exactly the same as the current share certificates, at the risk of such shareholders. All rights and entitlements will remain those of the previously certificated shareholders. The previously certificated shareholders will not be able to trade until they either provide their broker/CSDP details or open an account with the transfer secretaries' CSDP.

3.4.6. In the event that certificated shareholders do not complete the attached form of surrender for the consolidation and who later wish to obtain a share certificate at the consolidation value, such shareholders will be required to return their share certificates to the transfer secretaries together with certified copies of identity documents, if in own name, or if otherwise, certified copies of company/trust documents.

3.4.7. If any documents of title of shareholders have been lost or destroyed and the shareholder concerned produces evidence to this effect to the satisfaction of Aveng, then the company may dispense with the surrender of such existing documents of title against provision of an acceptable indemnity.

3.4.8. Shareholders holding shares in certificated form are reminded that they may only deal in their shares on the JSE once their shares have been dematerialised.

**3.5. Exchange Control Regulations**

In the case of certificated shareholders whose registered addresses in the company's share register in South Africa are outside the common monetary area, or where the relevant certificates are restrictively endorsed in terms of the exchange control regulations, the following will apply:

3.5.1. ***Non-residents who are emigrants from the common monetary area***

The replacement share certificate reflecting the consolidation will be restrictively endorsed in terms of the exchange control regulations and will be sent to the shareholders' authorised dealer in foreign exchange in South Africa controlling their blocked assets.

3.5.2. ***All other non-residents***

The replacement share certificate reflecting the consolidation will be restrictively endorsed "non-resident" in terms of the exchange control regulations.

**3.6. Dematerialised shareholders**

Shareholders holding dematerialised shares must not do anything as their accounts at their CSDP or broker will be automatically updated.

**3.7. Amendment of the MOI**

3.7.1. If shareholders approve the consolidation, Aveng's Memorandum of Incorporation will have to be amended to reflect the relevant changes to the company's share capital structure.

Ordinary shareholders will accordingly be requested to also approve the requisite special resolution to amend the Memorandum of Incorporation of Aveng.

## 4. SHARE CAPITAL

In order to restructure the share capital of the company, it is intended that the authorised and issued share capital of Aveng be consolidated on the basis of 1 share for every 500 shares held. The authorised and issued share capital, before and after the consolidation is shown below:

| **Before the consolidation** | **R'm** |
|---|---|
| ***Authorised*** | |
| 180,882,034,263 ordinary shares of no par value | 9 044 |
| 500,000,000,000 class A shares of no par value | 5 000 |
| ***Issued*** | |
| 62,263,682,419 ordinary shares of no par value | 4 710 |
| 2,477,989,637 A shares of no par value | 37 |

| **After the consolidation** | **R'm** |
|---|---|
| ***Authorised*** | |
| 361,764,068 ordinary shares of no par value | 9 044 |
| 1,000,000,000 A shares of no par value | 5 000 |
| ***Issued*** | |
| 124,527,364 ordinary shares of no par value | 4 710 |
| 4,955,979 A shares of no par value | 37 |

The JSE has granted approval for the amendment of Aveng's listing and the effective date for the alteration to the share capital is expected to be Wednesday, 8 December 2021.

## 5. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 1 of this circular, individually and collectively, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in this circular false or misleading and that all reasonable enquiries to ascertain such facts have been made. This circular, together with the information relating to this circular contained in the notice, contains all information required by law and the Listings Requirements.

## 6. ADVISERS' CONSENTS

The sponsor, corporate law adviser and the transfer secretaries have all consented, in writing, to act in the capacities stated and to their names being used in this circular and have not withdrawn their consents prior to the publication of this circular.

## 7. ANNUAL GENERAL MEETING AND VOTING

**7.1.** The annual general meeting of shareholders of Aveng will be held electronically on Wednesday, 10 November 2021 at 09:00. One of the purposes of the meeting is to obtain the necessary approvals required to give effect to the consolidation

**7.2.** The notice of the general meeting to which this circular is attached as **Annexure A** forms part of this circular and contains the resolutions to be considered at the annual general meeting.

**7.3.** At the general meeting:

7.3.1. ordinary shareholders will be asked to consider and approve, *inter alia,* a special resolution authorising the consolidation of the authorised and issued ordinary share capital of Aveng on a 1-for-500 basis; and

7.3.2. Aveng class A shareholders will be asked to consider and approve, *inter alia,* a special resolution authorising the consolidation of the authorised and issued Aveng A class share capital of Aveng on a 1-for-500 basis; and

7.3.3. ordinary shareholders will be asked to consider and approve, *inter alia,* a special resolution to amend the memorandum of incorporation of Aveng to give effect to the consolidation of (i) the ordinary shares; and (ii) Aveng class A shares as provided for above.

**7.4.** The last day to trade and the record date which an individual must be registered as a shareholder in the company's register for purposes of being entitled to attend and vote at the meeting is Tuesday, 2 November 2021, and Friday, 5 November 2021, respectively.

**7.5.** **If you are a registered shareholder as at the voting record date,** you may attend the meeting electronically. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be affected by using the form of proxy, and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the form of proxy.

**7.6.** **If you are a beneficial shareholder and not a registered shareholder as at the voting record date:**

7.6.1. and wish to attend the meeting, you must obtain the necessary letter of representation to represent the registered shareholder of your shares from your CSDP or broker:

7.6.2. and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions,

7.6.3. you must **not** complete the form of proxy.

**7.7.** All participants at the meeting will be required to provide a valid passport, identity card/document, driver's licence or other form of identification reasonably satisfactory to the chairman of the meeting.

## 8. RESOLUTIONS PERTAINING TO THE CONSOLIDATION

### 8.1. Special Resolution 1 – Consolidation of authorised and issued ordinary share capital of the company:

*"RESOLVED THAT , subject to the passing of Special Resolution 2 and Special Resolution 3, the company's authorised ordinary share capital be consolidated on the basis of 1-for-500 shares held, from an authorised ordinary share capital of 180,882,034,263 ordinary shares to 361,764,068 ordinary shares. The issued ordinary share capital of 62,263,682,419 ordinary shares to be consolidated to 124,527,364 ordinary shares."*

Only ordinary shareholders will be entitled to vote on this resolution. The resolution requires at least 75% of the ordinary shareholders voting on it to be passed.

### 8.2. Reason for and effect

The reason and effect of special resolution 1 is to consolidate the existing authorised and issued ordinary share capital to enable Aveng to restructure the ordinary share capital of the company and reposition the group going forward in order to attract new investment and improve tradability of the ordinary shares. The consolidation is being implemented for the following reasons:

(i) In the opinion of the Board, shares that trade below R 1.00 have a much higher spread between the bid-to-buy price and the offer-to-sell price which can result in significant movements in the share price on small volumes traded. This in turn causes instability in the market capitalisation of the company and ultimately effects shareholder value. This may therefore discourage potential investors.

(ii) In the view of the Board, by consolidating the number of shares, it is expected that there will be a narrowing of the spread between the bid-to-buy price and the offer-to-sell price resulting in a more stable market capitalisation of the company and allowing for increased liquidity in the shares.

This has the effect of:

(i) providing additional confidence to existing shareholders; and

(ii) increasing the attractiveness of the company to potential investors.

### 8.3. Special Resolution 2 – Consolidation of authorised and issued Aveng A class share capital of the company:

*"RESOLVED THAT, subject to the passing of Special Resolution 1 and a Special Resolution 3, the Company's authorised class A share capital be consolidated on the basis of 1-for-500 shares held, from an authorised A class share capital of 500,000,000,000 A class shares to 1,000,000,000 class A shares. The issued class A share capital of 2,477,989,637 class A shares to be consolidated to 4,955,979 class A shares."*

Only Aveng class A shareholders will be entitled to vote on this resolution. The resolution requires at least 75% of the Aveng class A shareholders voting on it to be passed.

**8.4. Reason for and effect**

Class A shares are unlisted redeemable non-participating, non-voting convertible shares that rank *pari passu* with the ordinary shares in all other respects, therefore class A shares are treated the same as ordinary shares. The reasons set out in paragraph 8.2, are equally applicable to Special Resolution 2.

**8.5. Special Resolution 3 – Amendment of the Aveng Memorandum of Incorporation**

*"RESOLVED THAT, subject to the passing of Special resolution 1 and Special Resolution 2, clause 7.1.1 and clause 7.1.3 of the Company's Memorandum of Incorporation be amended to give effect to the implementation of the consolidation approved in terms of Special Resolution 1 and Special Resolution 2."*

Only ordinary shareholders will be entitled to vote on this resolution. The resolution requires at least 75% of the ordinary shareholders voting on it to be passed.

**Reason for and effect**

The reason and effect of this resolution is for the ordinary shareholders to also approve (to the extent required) the amendment of the Company's Memorandum of Incorporation to implement the consolidation approved in terms of (i) Special Resolution 1; and (ii) Special Resolution 2.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by shareholders electronically at the following link: https://www.aveng.co.za/annual-reports.php; and, upon written request by any of the shareholders, at the registered office of the company, during normal business hours from the date of posting this circular up to and including the general meeting (both days inclusive):

**9.1.** the MOI;

**9.2.** the written consents of the advisers referred to in paragraph 6; and

**9.3.** a copy of this circular.

**SIGNED AT JOHANNESBURG ON 12 OCTOBER 2021 BY ADRIAN MACARTNEY ON BEHALF OF ALL THE DIRECTORS OF AVENG LIMITED, IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS**

**Adrian Macartney**

Sean Flanagan
Philip Hourquebie
May Hermanus
Michael Kilbride
Bridgette Modise
Bradley Meyer

# TABLE OF ENTITLEMENT

In the case of fractional entitlements, all allocations of Shares will be rounded down to the nearest whole number resulting in allocations of whole shares together with a cash payment for the fraction to be paid out to Shareholders. The table of entitlement of Shareholders, based on the consolidation ratio of 500 Shares to 1 Share held on the record date, is set out below:

| Number of shares held | Number of shares entitled | Number of shares held | Number of shares entitled | Number of shares held | Number of shares entitled |
|---|---|---|---|---|---|
| 1 | – | 42 | – | 83 | – |
| 2 | – | 43 | – | 84 | – |
| 3 | – | 44 | – | 85 | – |
| 4 | – | 45 | – | 86 | – |
| 5 | – | 46 | – | 87 | – |
| 6 | – | 47 | – | 88 | – |
| 7 | – | 48 | – | 89 | – |
| 8 | – | 49 | – | 90 | – |
| 9 | – | 50 | – | 91 | – |
| 10 | – | 51 | – | 92 | – |
| 11 | – | 52 | – | 93 | – |
| 12 | – | 53 | – | 94 | – |
| 13 | – | 54 | – | 95 | – |
| 14 | – | 55 | – | 96 | – |
| 15 | – | 56 | – | 97 | – |
| 16 | – | 57 | – | 98 | – |
| 17 | – | 58 | – | 99 | – |
| 18 | – | 59 | – | 100 | – |
| 19 | – | 60 | – | 200 | – |
| 20 | – | 61 | – | 400 | – |
| 21 | – | 62 | – | 500 | 1 |
| 22 | – | 63 | – | 525 | 1 |
| 23 | – | 64 | – | 550 | 1 |
| 24 | – | 65 | – | 575 | 1 |
| 25 | – | 66 | – | 600 | 1 |
| 26 | – | 67 | – | 1 000 | 2 |
| 27 | – | 68 | – | 2 000 | 4 |
| 28 | – | 69 | – | 3 000 | 6 |
| 29 | – | 70 | – | 5 000 | 10 |
| 30 | – | 71 | – | 10 000 | 20 |
| 31 | – | 72 | – | 50 000 | 100 |
| 32 | – | 73 | – | 100 000 | 200 |
| 33 | – | 74 | – | 500 000 | 1 000 |
| 34 | – | 75 | – | 1 000 000 | 2 000 |
| 35 | – | 76 | – | 5 000 000 | 10 000 |
| 36 | – | 77 | – | 10 000 000 | 20 000 |
| 37 | – | 78 | – | 50 000 000 | 100 000 |
| 38 | – | 79 | – | 100 000 000 | 200 000 |
| 39 | – | 80 | – | 500 000 000 | 1 000 000 |
| 40 | – | 81 | – | 1 000 000 000 | 2 000 000 |
| 41 | – | 82 | – | 5 000 000 000 | 10 000 000 |

# AVENG LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1944/018119/06)
Share code on the JSE: AEG ISIN: ZAE 000111829
("Aveng" or "the Company")

# FORM OF SURRENDER FOR THE CONSOLIDATION

(For completion by shareholders who have not dematerialised their shares)

Expressions used in this form of surrender shall, unless the context requires otherwise, bear the same meanings as in the circular to shareholders, dated Tuesday, 12 October 2021.

## 1. INSTRUCTIONS

1.1. Subject to the passing of the special resolution necessary for the consolidation, it is necessary to recall the share certificates from certificated shareholders in order to replace them with certificates reflecting the consolidation.

1.2. To facilitate the timeous receipt by certificated shareholders of replacement share certificates, certificated shareholders who wish to anticipate the implementation of the consolidation and who do not wish to deal in their existing shares prior to the consolidation, are requested to surrender their share certificates to the transfer secretaries by completing this form of surrender in accordance with the instructions it contains and return it to the transfer secretaries:

**Computershare Investor Services Proprietary Limited**
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(Private Bag X 9000, Saxonwold, Johannesburg, Gauteng, 2132)

1.3. Share certificates so received will be held by the transfer secretaries pending the consolidation being approved by shareholders at the general meeting. In the event that the consolidation is not approved, the transfer secretaries will, within five business days thereafter, return the certificates to the certificated shareholders concerned, by registered post, at the risk of such shareholders.

1.4. In the event that the consolidation is approved and implemented, the transfer secretaries will, within five business days after receipt thereof, but not earlier than 12:00 on Friday, 10 December 2021 (which date is subject to the registration of the special resolution in respect of the consolidation by CIPC and the proof of registration having been provided to the JSE by Monday, 29 November 2021) or such later date as may be approved by the JSE and notified to shareholders by way of a release on SENS, place the certificated shareholders in a nominee account with the transfer secretaries' CSDP under a non-tradeable class exactly the same as the current share certificates, at the risk of such shareholders. All rights and entitlements will remain those of the previously certificated shareholders. The previously certificated shareholders will not be able to trade until they either provide their broker/CSDP details or open an account with the transfer secretaries' CSDP.

1.5. In the event that certificated shareholders do not complete this form of surrender and who later wish to obtain a share certificate at the consolidation value, such shareholders will be required to return their share certificates to the transfer secretaries together with certified copies of identity documents, if in own name, or if otherwise, certified copies of company/trust documents.

1.6. If any documents of title of shareholders have been lost or destroyed and the shareholder concerned produces evidence to this effect to the satisfaction of Aveng, then the company may dispense with the surrender of such existing documents of title against provision of an acceptable indemnity.

1.7. **Part 1 must be completed by shareholders who have not dematerialised their shares.**

1.8. **Part 2 must be completed by shareholders who have not dematerialised their shares and who are emigrants from or non-residents of the common monetary area.**

**PART 1 – To be completed by ALL shareholders who have not dematerialised their shares or who hold "own name" dematerialised shares.**

I/We surrender and enclose the undermentioned documents of title:

**1 Documents of title**

| Certificate numbers | Number of shares covered by each certificate |
|---|---|
| | |
| | |
| | |
| | |
| **Total** | |

I/We irrevocably and in *rem suam* authorise you to produce the signature of such documents that may be necessary to complete the replacement of the shares with new shares under the new consolidated share capital.

I/We hereby instruct you to forward the new consolidated share certificate to the following address (if different from registered address).

________________________________________

________________________________________

________________________________________

| **Signature of shareholder** | **Stamp and address of agent lodging this form (if any)** |
|---|---|
| Assisted by me (if applicable) | |
| (State full name and capacity) | |
| Date | |
| Telephone number (Home) (     ) | |
| Telephone number (Work) (     ) | |
| Cell phone number | |
| Postal address | |
| Email address | |

Holders are to also attach a certified copy of their identity document when returning this form of surrender.

**INSTRUCTIONS**

1. A receipt will not be issued for this form of surrender, or the documents lodged with it. Lodging agents who require special transaction receipts are requested to prepare such receipts and submit them for stamping with the other documents lodged.
2. A shareholder married in community of property or a minor must ensure this form of surrender is also signed by his/her spouse or parent or guardian, as the case may be.
3. Where Aveng ordinary shares are jointly held, this form must be signed by joint holders.
4. If this form is signed under power of attorney, such power of attorney must be produced, unless it has already been registered with the transfer office of Aveng.
5. If this form is signed on behalf of a company, close corporation, pension or provident fund, it must be accompanied by a certified copy of the resolution authorising the signature, unless it has already been registered with the transfer office of Aveng.

**PART 2 – To be completed by all emigrants from and non-residents of the common monetary area**

Name of authorised dealer/bank ____________________

Address ____________________

____________________

Account number ____________________

**Notes:**

1. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form of surrender.
2. Any alteration to this form of surrender must be signed in full and not initialled.
3. If this form of surrender is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this form of surrender for noting (unless it has already been noted by the transfer secretaries).
4. Where the shareholder is a company or a close corporation, unless it has already been registered with the transfer secretaries, a certified copy of the directors' or members' resolution authorising the signing of this form of surrender must be submitted if so requested by the transfer secretaries.
5. Note 4 above does not apply in the event of this form of surrender bearing the stamp of a broking member of the JSE.
6. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of surrender.
7. A minor must be assisted by his or her parent or guardian, unless the relevant documents establishing his or her legal capacity are produced or have been registered by the transfer secretaries.

# ANNEXURE B – SALIENT DETAILS OF LTIP 2022

**Introduction**

Aveng Limited (“the “Company”) plans to implement a new share scheme namely the Long Term Incentive Plan (LTIP 2022) for key senior executives. The purpose of these salient features is to set out the main principles of the LTIP 2022 as well as obtain shareholder approval to adopt and implement LTIP 2022. This scheme is in addition to MIP 2021 and intended for the next level of senior executives. Participants in the MIP 2021 shall for the duration thereof be excluded from and not be eligible for participation in the LTIP 2022.

For clarity all the shares available in terms of MIP 2021 have been issued and in terms of the rules no further shares can be issued in terms of MIP 2021. Any shares that do not vest in terms of MIP 2021 will be forfeited and not be available in terms of the Limits set out below for LTIP 2022.

**Rationale**

MIP 2021 was specifically implemented to incentive the top few executives to (i) successfully drive the balance sheet restructure, (ii) complete the right issue and (iii) execute the future strategy. In addition, the underwriters in the original rights issue required the top key management to have a significant interest in the group to ensure their interests were aligned with management. With the first two elements now complete, it is considered important to incentivise the next layer of senior management (“Participants”) to further drive the strategy and create a retention and succession plan for the business.

**Purpose and Objectives**

The purpose of the LTIP 2022 is to provide selected Participants with an opportunity of receiving Shares in the Company through the granting of Awards, thereby achieving the following objectives:

(a) motivating and rewarding Participants who are able to contribute to and influence the performance and strategy of the Company.

(b) recognising that certain Awards will be subject to Performance Conditions and will only vest if such Performance Conditions are met and certain Awards will be Retention Awards;

(c) aligning the interests of the Participants and the interest of both shareholders and other stakeholders by ensuring the Participants have a meaningful shareholding in the Company; and

(d) retaining Participants in the employ of the Company.

(herein referred to as “ the Objectives”)

**Brief overview of LTIP 2022**

***Basis of Awards to Participants [14.1(f)]***

The LTIP 2022 provides that a (i) Performance Award and/or (ii) Retention Award (collectively referred to as **Forfeitable Shares**) be awarded on the following basis, in relation to:

(a) *the Performance Award:* the Vesting thereof is subject to the satisfaction of Performance Conditions and the Employment Condition in line with the Group’s approach of performance related incentives. Performance conditions and Employment Conditions will be specified in the Letter of Award;

(b) *the Retention Award:* the Vesting thereof is subject to the satisfaction of the Employment Conditions which will be specified in the Letter of Award.

The maximum shareholder dilution in aggregate is 3% of issued share capital and an individual dilution limit of 1% in of issued share capital of the Company. [14.1(b)]

Participants will give no consideration for the award, settlement, vesting or exercise of awards. [14.1(d)(i)]

Except for the restrictions envisaged in a and b above, the Participant has all other shareholder rights, including voting and dividend rights, in respect of Forfeitable Shares and will rank *pari passu* with existing Shares. 14.1(e)

***Eligibility***

LTIP 2022 is designed for senior executives as determined by the Remuneration Committee. [14.1(a)]

***Manner of settlement [14.1(d)(i)]***

The LTIP 2022 is intended to be settled by the issue of ordinary shares to the selected participants but could also be settled by purchase of shares in the market or the use of treasury shares.

The forfeitable shares will be held in Escrow from settlement date to vesting date.

***Limits and adjustments***

The overall Company limit for LTIP 2022 will not exceed 1,940,000,000 (one billion, nine hundred and forty million) shares which equates to approximately 3% of the current issued share capital of the Company. The committee must, where required, adjust the limit (without the prior approval of shareholders in a general meeting), to take account of a sub-division or consolidation of the shares of the company. [14.1(b) and 14.3(a)].

The maximum number of shares which may be settled to any individual participant in aggregate under LTIP 2022, may not exceed 646 000 000 (six hundred and forty six million) shares, which represents approximately 1% of the current issued share capital of the Company. [14.1(c)] The committee may, where required, adjust the individual limit to take account of a capitalization issue, a special distribution, a rights issue or reduction in capital of the Company. [14.3(b)]

The auditors, or other independent advisor acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the plans and must be reported on in the Company's financial statements in the year during which the adjustment is made. The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the Company limit and the individual limit. [14.3 (c), (d), (e)]

***Termination of employment*** *[14.1(h)]*

*Resignation, and dismissal*

All participants terminating employment due to resignation, or dismissal from the employ of the Company will be classified as "fault terminations" and will forfeit all unvested awards.

*Retirement, voluntary retirement, retrenchment, disability, mutual separation, death, and sale of an employer company.*

Participants terminating employment due to retirement, voluntary retirement, retrenchment, disability, mutual separation, death, and sale of an employer company will be classified as "no fault terminations".

For unvested awards based on the above termination of employment conditions, the general vesting rule will be that there is pro-rata vesting in terms of the number of months employed relative to the total number of months in the vesting period. Awards subject to performance conditions will be tested against the most likely outcome of the performance conditions to date of termination. In exceptional circumstances the committee may, at its sole discretion, determine the actual number of awards that may vest in the above termination circumstances.

***Change of control*** *[14.1(g)]*

If the company undergoes a change of control, a portion of the awards will vest. The portion to vest will be, at the date of change in control, the pro-rata vesting in terms of the number of months employed relative to the total number of months in the vesting period. Awards subject to performance conditions will be tested against the most likely outcome of the performance conditions to date of change of control.

The portion of the awards that do not vest will continue to be subject to the terms of the original award letter. The portion of awards vesting may be adjusted as the Remuneration Committee sees fit and fair in the circumstances, provided the participant is not worse off.

Awards will not vest because of an internal reconstruction or similar event which is not a change of control. In these circumstances, the Remuneration Committee shall make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more other companies, provided the participants are not worse off.

***Variation in share capital*** *[14.3]*

In the event of a Rights Issue, Capitalization Issue, unbundling or the Company making distributions including a distribution in specie or a payment in terms of section 46 of the Companies Act (other than a dividend paid in the ordinary course of business out of distributable reserves) before the Vesting Date in respect of an Award, the Committee may make such adjustment to the number of unvested Shares comprised in the Award or the Award Price as it deems appropriate. Such adjustment should place the Participant in substantially no worse economic position as he was prior to such event occurring. [14.3(a)(b)]

The issue of Shares as consideration for an acquisition, and the issue of Shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to Awards. [14.3(c)]

Where necessary, in respect of any such adjustments, the Company's Auditors or other independent advisor acceptable to the JSE, acting as experts and not as arbitrators, will confirm to the Company in writing that these are calculated on a reasonable and non-prejudicial basis. [14.3(d)]

Any adjustments made will be reported in the Company's annual financial statements in the year during which the adjustment is made. [14.3(e)]

If the Company is placed into liquidation for purposes other than re-organisation, an Award will ipso facto lapse as from the Liquidation Date. [14.1(e)]

***Amendments*** *[14.2]*

The Committee may alter or vary the rules of the new plans as it sees fit, however in the following instances the new plans may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% of the voting rights:

- the category of persons who are eligible for participation in the LTIP 2022;
- the number of shares which may be utilized for the purpose of the LTIP 2022;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, vesting, exercise and settlement of an award;
- the voting, dividend, transfer and other rights (as applicable) attached to the awards, including those arising on a liquidation of the Company;
- the adjustment of awards and price in the event of a variation of capital of the Company or a change of control of the Company;

- the procedure to be adopted in respect of the vesting of awards in the event of change of control; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

***Malus and Clawback and trigger events***

For the LTIP 2022, Malus will apply up to the vesting date. Claw-back will apply subsequent to the vesting date and will be regulated in terms of the Company's existing policy in this regard. The trigger events that could result in malus and claw-back being invoked are contained in the remuneration report.

***General***

In light of the COVID-19 pandemic and the restrictions in place to curb the spread of COVID-19, the rules of the LTIP 2022 will be available for digital inspection by request to the company secretary whose details are on the corporate information page of the notice of AGM.

In terms of the JSE Listings Requirements, the passing of Ordinary Resolution 7 to adopt the LTIP 2022 requires the approval of a 75% majority of the voting rights exercised on the resolution.

# CORPORATE INFORMATION



### Directors
PA Hourquebie*# (Chair),
SJ Flanagan (Group CEO),
AH Macartney (Group FD),
MA Hermanus (Lead independent director)*#,
MJ Kilbride*#, B Modise*#, BC Meyer*#1

*Non-executive #Independent
[1] Australian citizen

### Company secretary
Edinah Mandizha

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### Company registration number
1944/018119/06

### Share codes
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Share ISIN: ZAE 000111829

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### Principal bankers
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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
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Pinsent Masons

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