



Providing a better life

2022

Notice of virtual annual
general meeting



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2022

Shareholders' diary

Financial year end
30 June
Annual general meeting
2 December 2022

Publication of results

– Half-year ended 31 December 2022
21 February 2023
– Year ended 30 June 2023
22 August 2023



Letter to shareholders

Dear shareholder

We present to you our 2022 results through an extract from our summarised annual financial results.

In addition to the extract of the summary of our audited financial statements, this document contains the detailed notice to our 78th virtual AGM to be held entirely by electronic communication at 09:00 (SAST) on Friday, 02 December 2022.

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 notice of virtual AGM 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 <https://meetnow.global/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 Wednesday, 30 November 2022.

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 27 October 2022. 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

27 October 2022



Salient features – financial performance

for the year ended 30 June 2022

Core revenue
(McConnell Dowell and Moolmans)

R22,4 billion

Increase from R20,9 billion

Work in hand

R30,8 billion

Compared to R25,3 billion
at June 2021

Operating earnings

R576 million

Increase from R536 million
earnings for the year ended
30 June 2021

Operating free cash flow

R612 million

June 2021: R1,5 billion

Interest-bearing borrowings
held at amortised cost

R481 million

Decreased by R398 million from
R879 million in June 2021

Net cash position

R2,6 billion

R2,5 billion at 30 June 2021

Earnings attributable to equity-holders of the parent

R130 million

Decrease from R990 million earnings for the year ended 30 June 2021

Headline earnings

R308 million

Decrease from R751 million at 30 June 2021

Earnings per share

R1,06

Decrease from R13,37 per share (re-presented) at 30 June 2021

Headline earnings per share

R2,52

Movement from R10,16 per share (restated) at 30 June 2021



Granite Island Causeway Renewal

Commentary

SALIENT FEATURES

AVENG LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number: 1944/018119/06) ISIN: ZAE000302618
 SHARE CODE: AEG (Aveng, the Company or the Group)

- **Group revenue at R26,2 billion (2021: R25,7 billion)**
- **Earnings before non-recurring items (operating earnings) of R576 million (2021: R536 million)**
- **Earnings of R130 million (2021: R988 million)**
- **Normalised earnings* of R204 million (2021: R66 million)**

RESULTS FOR THE YEAR ENDED 30 JUNE 2022

Aveng grew its continuing operations revenue and improved its operational performance in its businesses, enhancing gross margins, operating earnings and cash generation. This was achieved against the backdrop of a challenging business environment. In Southeast Asia, performance was impacted by COVID-19-related travel restrictions up until April 2022. In South Africa, riots and civil unrest in KwaZulu-Natal (KZN), industrial strike action within the South African steel industry and unscheduled furnace shutdowns at local steel mills affected the operating environment of Trident Steel. Ongoing load shedding continued to have an impact on the operations of South African businesses. Russia's invasion of Ukraine resulted in the global supply chain disruptions and inflationary pressures continued to exert pressure on our operations and that of our clients. Climate change played a key role in our Trident Steel operations with flooding in KZN, halting operations

in the last quarter of the financial year and unseasonal rainfall affecting Moolmans operations in the Northern Cape.

Within this context, the Group performed well:

- Group revenue increased to R26,2 billion;
- Gross profit margin increased to 8,1% (2021: 7,6%);
- Earnings before non-recurring items (operating earnings) improved to R576 million;
- External debt (term and ABF) reduced by R398 million to R481 million (2021: R879 million);
- Generated operating free cash inflow of R612 million (2021: R1,5 billion inflow);
- Work in hand grew by 22% to R30,8 billion; and
- Disposed of non-core assets for R143 million in proceeds.



- **Operating free cash inflow of R612 million (2021: R1,5 billion)**
- **Cash and cash equivalents of R2,6 billion (2021: R2,5 billion)**
- **External debt reduced to R481 million (2022: R879 billion)**
- **Work in hand of R30,8 billion (2021: R25,3 billion)**

* Excludes specific, significant non-recurring items

The results were underpinned by our agile, resilient and diverse business model coupled with our committed and talented people who proactively responded to emerging threats and opportunities. Robust risk management processes and governance structures played a pivotal role in the navigation of market conditions.

STRATEGY IMPLEMENTATION

Aveng's future growth strategy is premised on *McConnell Dowell* and *Moolmans* forming the core businesses around which we are building a sustainable, growing international infrastructure, resources and contract mining group that operates in selected markets. The Group has five main levers for growth:

- Balance sheet optimisation;
- Capitalisation on *McConnell Dowell*'s specialist capabilities;

- *Moolmans* renewal through plant optimisation and fleet renewal;
- Investing in our people and systems; and
- Implementation of our ESG framework.

In FY22, the Group continued to de-risk the balance sheet through the repayment of R398 million of external debt (term and ABF) and the reduction of the South African performance guarantee exposure by 37% to R350 million (2021: R554 million). Proceeds from the disposal of non-core assets amounted to R143 million in the current year. The remaining *Infrasnet* factories and infrastructure & equity-accounted assets were sold post-year-end and are subject to regulatory approval. The Group remains in advanced negotiations, with a credible buyer, to dispose of *Trident Steel*.

Commentary continued

The Group implemented a successful share consolidation on 8 December 2021, with every 500 shares consolidated into one share. This resulted in a reduction of the number of shares authorised and in issue, which in turn increased the share price commensurately. The consolidation was necessary to reduce the administrative burden associated with the large number of shares in issue, recalibrate supply and demand dynamics, improve liquidity and relevance of the share and reduce price volatility. The number of shares, earnings per share and headline earnings per share in the prior period have been restated to reflect the share consolidation.

Aveng settled and received payment of R282 million (AUD25 million) for a long-outstanding claim in Australia. The resolution of the claim resulted in additional liquidity that is retained in McConnell Dowell in support of growth. While we remained confident of our legal position in a civil claim by the City of Cape Town, the parties reached a settlement of R30 million, allowing the Group to focus on its core businesses.

McConnell Dowell continued to win work within its areas of specialist capability. The business won AUD2,4 billion in new work and grew work in hand by 33%, from AUD1,9 billion at 30 June 2021 to AUD2,5 billion at 30 June 2022. Post-year-end, McConnell Dowell has won a further AUD883 million in new work.

Moolmans continued to focus on the quality of revenue and project execution. Gross profit margin in the year improved from 10,2% in 2021 to 12,2% in 2022 on lower revenues. Fleet renewal remains a priority that requires investment in heavy mining equipment (HME) for both existing and new contracts. The analysis of the optimal age profile of HME has been completed and a disposal plan activated for sub-optimal equipment. Plans are underway to maximise the economic life of the existing fleet. Moolmans have confirmed a strategy with the Board for the acquisition of new equipment and negotiations are underway with OEMs and financiers to secure new equipment and related finance for new contracts.

Our sustainable growth agenda requires investment in our people and systems. Human resource capacity and capabilities remain a constraint in Australia and New Zealand. In response, we have enhanced and defined our employee value proposition, implemented an international recruitment campaign and expanded our internal development programmes. Similar resource constraints are experienced in South Africa, particularly skilled artisans required by Moolmans. This is being addressed by both external recruitment and internal training programmes. Succession planning has been implemented across the Group creating opportunities for our people. Our management team has been strengthened through the appointment of Group executives in IT and Risk and Assurance. We are focused on being an engineering led organisation in our skills, thinking and approach. The Group has planned investments of c.R25 million in technology and systems across the Group in FY23. Over and above this, projects currently under evaluation amount to c.R60 million.

Aveng developed and implemented its ESG framework, which is premised on its purpose and core values. Baseline metrics were established and an external readiness review conducted on processes and controls to ensure accurate reporting. Targets for FY23 have been finalised and the achievement of ESG KPIs forms 10% of management's short-term incentive for FY23.

OPERATIONAL PERFORMANCE McConnell Dowell

McConnell Dowell has built a reputation as a highly technically skilled, engineering led contractor. The business has continued its profitable growth trajectory and continues to focus on specialised projects in Australia, New Zealand and Pacific Islands, and Southeast Asia.

McConnell Dowell achieved 17% growth in revenue to AUD1,7 billion, the highest in six years. Operating earnings increased by 23% to AUD34,5 million due to strong work in hand, particularly in Australia, and disciplined, consistent project performance. Earnings for the year increased by 36% from AUD23,1 million to AUD31,2 million.

Approximately 85% of McConnell Dowell's projects operated at, or above, tender margins. A handful of projects, some of which have subsequently reached project completion, did not meet expectations and are being closely monitored and managed.

Operating free cash flow improved from AUD58 million to AUD64 million and the liquidity position remained strong, with cash reserves of AUD210 million, minimal debt and sufficient available guarantee facilities to meet growth aspirations.

Market conditions remain strong in the Australian construction sector with all levels of government using infrastructure investment to drive post-COVID-19 recovery. The Australian business unit grew revenue by 17% and achieved an impressive 57% increase in operating earnings as the majority of projects delivered consistent operational performances. An increase in tendering resulted in significant growth in work in hand, with new contracts awarded in all states, across a range of project sizes and contract types in most of McConnell Dowell's specialist disciplines. This maintained a sound level of risk mitigating diversification.

Built Enviro, the commercial building business unit of McConnell Dowell, increased its revenue by 20% and grew its work in hand following the award of projects in all its markets.

New Zealand and Pacific Islands had a slow start to the financial year as COVID-19 restrictions delayed project awards, resulting in a 9% reduction in revenue. Operating earnings remained in line with the prior year as the business unit successfully completed several major transport infrastructure and water supply projects. Renewed investment in infrastructure projects during the course of the year contributed to a material improvement in work in hand and liquidity. New work won included projects in the water/wastewater treatment, energy and marine infrastructure sectors.

The Southeast Asia business unit continued to be heavily impacted by COVID-19-related travel restrictions and lockdowns. Although conditions improved during the second half of the year this did not sufficiently mitigate the impact on certain

projects, which contributed to an operating loss in the business unit. In line with the decision to suspend tendering activities, no new work was secured in the year. Tendering activities resumed in the last quarter as opportunities emerge post COVID-19. While the region remains challenging for McConnell Dowell, management is committed to the business unit and the region and is focused on promising longer-term opportunities.

McConnell Dowell recorded a 12-month rolling lost-time injury frequency rate (LTIFR) of 0,07 (2021: 0,06), against a target of 0,09 and total recordable injury frequency rate (TRIFR) of 0,54 (2021: 0,74) against a target of 1,00. No serious environmental incidents were recorded.

Moolmans

Moolmans, is a tier-one contract mining business operating in Africa, with a primary focus on open cast mining. Moolmans continued to focus on the quality of its contracts and enhancing project execution during the year. Operational performance has been improved through the investment in people in the disciplines of engineering, commercial and procurement. Extensive financial and engineering skills have been invested in support of fleet renewal.

Moolmans reported revenue of R3,3 billion for the year ended 30 June 2022 (2021: R4,0 billion). The decrease in revenue is due to the termination or completion of four projects during the year. The decrease in revenue was partially offset by extensions and expansions on other existing contracts. Subsequent to year end, a new contract was secured at Klipspruit in support of the rehabilitation of the mine.

Earnings before non-recurring items (operating earnings) declined by 13% to R207 million compared to the R239 million of the prior year which included a R33 million gain from the sale of contract assets realised on the completion of a contract.

Continuous improvement in Moolmans operational performance is reflected in an increase in its gross margin to 12,2% (2021: 10,2%; 2020: 5,4%). All but one of Moolmans projects were profitable. The underperforming project is receiving the requisite management attention with the goal of restoring the contract to a suitable

Commentary continued

profit level. Renewed focus and discipline in project execution, combined with improved risk management, fleet management, safety performance and procurement practices continue to drive these performance improvements.

Moolmans work in hand decreased to R3,1 billion (2021: R5,4 billion) due mainly to the deliberate termination of the Gamsberg contract, offset by a R1 billion contract extension for an existing client. Subsequent to year end, a new contract was secured at Klipspruit that increased work in hand.

Moolmans recorded a 12-month rolling LTIFR of 0,11 (2021: 0,14), against a target of 0,19 and TRIFR of 0,43 (2021: 0,59), against a target of 0,60. No major environmental issues were recorded. Following a slope failure at the Gamsberg mine in November 2020, Moolmans carried out extensive recovery operations. Sadly, in July 2022, we recovered the remains of our missing colleague. The board and management extend our condolences to the family and friends of our deceased colleague.

Trident Steel

Trident Steel continued to deliver strong results as a steel service centre business, primarily focused on the automotive sector. Despite a challenging operating environment that included the KwaZulu-Natal riots in July 2021, industrial action in the steel industry, the damages incurred by the KwaZulu-Natal floods in April 2022 and the ongoing global shortage of semi-conductors that impacted its OEM (original equipment manufacturer) clients, Trident Steel reported improvements in revenue, gross profit, EBITDA and safety performance. The KZN factory has since been restored to full production.

Revenue grew by 4% to R3,3 billion (2021: R3,2 billion) after being positively impacted by higher global steel prices, partially offset by lower sales volumes on the back of various business disruptions and the closure of the merchandising business in 2021. EBITDA increased by 21% to R301 million (2021: R247 million).

Earnings before non-recurring items (operating earnings) of R220 million was 11% lower due to the reclassification of Trident Steel as a continuing

operation in the 2022 financial year and includes depreciation and amortisation of R81 million. The comparative period did not include a charge for depreciation and amortisation due to the classification as Held for Sale under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)*.

Trident Steel generated operating free cash flow of R160 million after investing in capital expenditure and working capital in the current year. The prior year operating free cash flow of R567 million included the once-off cash on disposal of merchandising inventory.

During the year, Trident Steel has received significant new component supply awards for the new Ford Ranger and VW Amarok.

While the strategy to dispose of Trident Steel remains unchanged, Aveng is required to continue to consider the application of *IFRS 5*. Following a technical evaluation, the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met at 30 June 2022. Consequently, Trident Steel was reclassified as a continuing operation in the current year.

The reclassification required the recognition of prior periods depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million in the current year.

This compares to a fair value gain of R611 million in the comparable year. These amounts have been included in the reported earnings. The reclassification and related non-cash charges and gains did not impact the trading activities or cash flow of Trident Steel. Normalised operating earnings, after incorporating the effects of the prior year *IFRS 5* depreciation, was R220 million (2021: R154 million), representing a 43% increase from prior year.

Aveng Manufacturing

Manufacturing recorded lower revenues and an operating loss of R5 million, in line with the disposal of the various operations during the year. Subsequent to year end, the Group entered

into a sale for the remaining Infraset factories in Zambia and Mozambique, along with the related legal entities, as going concerns. The disposals do not require separate disclosure in terms of the JSE Listings Requirements and are subject to regulatory approvals. These are the final disposals of manufacturing businesses in the segment.

Project Management Office

The project management office continues to complete the significant task of closing out non-core asset 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. The operation recorded operating costs of R67 million and cash outflow of R164 million. The South African performance guarantee exposure continued to decrease from R554 million in the prior year to R350 million at June 2022.

FINANCIAL PERFORMANCE

The Group reported a second consecutive year of profitability, with headline earnings of R308 million or 252 cents per share (2021: R751 million or 1 016 cents per share (restated)). Basic profit attributable to equity holders of the parent amounted to R130 million or 106 cents per share (2021: R988 million or 1 337 cents per share (restated)). Reported earnings for the year are R130 million (2021: R988 million) whereas normalised earnings increased from R66 million in the prior year to R204 million. The prior year included R1,1 billion of non-recurring gains (including a once off R486 million gain on the early redemption of borrowings and a R611 million fair value gain on Trident Steel).

Statement of comprehensive earnings

Group revenue grew by 2% to R26,2 billion (2021: R25, 7 billion). The revenue of the core businesses, Moolmans and McConnell Dowell increased by 7% to R22,4 billion (2021: R20,9 billion) and makes up 86% of total Group revenue (2021: 81% of total Group revenue).

Other earnings of R140 million (2021: R268 million) decreased mainly due to the recognition in the prior financial year of R60 million of COVID-19 subsidy income, a

reduction of R36 million from dividends received and a reduction of R11 million from property rental income.

Earnings before non-recurring items (operating earnings) of R576 million (2021: R536 million), was mainly driven by:

- McConnell Dowell R385 million (2021: R312 million);
- Moolmans R207 million (2021: R239 million); and
- Trident Steel R220 million (2021: R247 million).

Earnings before non-recurring items include depreciation and amortisation of R81 million in the current year, with no corresponding charge in the previous year.

Impairment loss on plant & equipment of

R106 million (2021: R54 million) relates to individual assets at Moolmans that are underutilised, obsolete or physically damaged.

Impairment loss on right-of-use assets of Rnil compared to the prior year loss of R187 million on property leases, primarily associated with sale of non-core assets.

Fair value loss on disposal groups classified as Held for Sale of R74 million (2021: R611 million gain). R52 million was recognised in the current year on the reclassification of Trident Steel as a continuing operation. The remaining R22 million was recognised on other non-core assets.

Net finance charges reduced to R237 million (2021: R375 million). Finance expenses relating to financial institutions decreased by 46% to R151 million due to lower levels of debt, partially offset by rising interest rates in South Africa and *IFRS 16* interest decreased by 8%.

Earnings for the year of R130 million (2021: R988 million). The prior year included significant non-recurring items that included a once off R486 million gain on the early redemption of borrowings and a R611 million fair value gain on Trident Steel, previously classified as Held for Sale under *IFRS 5*.

Basic earnings per share of 106 cents was calculated using a weighted average number of shares of 122,5 million shares. As a result of the share consolidation, the prior year basic earnings

Commentary continued

per share (1 337 cents restated) was calculated using a weighted average number of shares of 73,9 million shares.

Headline earnings of R308 million included Trident Steel depreciation and amortisation of R155 million recognised in the current year. The reversal of previously recognised impairment losses of R103 million was excluded from headline earnings.

Headline earnings per share of 252 cents, calculated using a pro-forma comparative weighted average number of shares of 122,5 million shares. As a result of the share consolidation, the prior year headline earnings per share (1 016 cents restated) was calculated using a weighted average number of shares of 73,9 million shares.

Normalised performance measures

In evaluating Company performance, the Board excludes non-recurring items. Such non-recurring items are either income or expenses that do not

occur regularly as part of the normal activities of the Group and arise as a result of the capital restructure of the Group, *IFRS 5* adjustments and adjustments in respect of non-core assets. Normalised earnings are adjusted for the effects of non-recurring items and include:

- Impairment loss on right-of use assets and intangible assets;
- Impairment loss or reversal of impairment of long-term receivables;
- Gains or losses on disposal of non-core assets and PPE;
- Fair value adjustments; and
- Early redemption of borrowings.

Normalised measures are used by management to assess the underlying sustainable performance of the Group and do not replace the measures determined in accordance with IFRS as an indicator of the Group's performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

Normalised operating earnings before non-recurring items of R576 million (2021: R443 million).

	FY 2022 Rm	Pro- forma [#] FY 2021 Rm	Change Rm
Earnings before non-recurring items	576	536	40
Depreciation and amortisation – Trident Steel*	–	(93)	93
Normalised earnings before non-recurring items	576	443	133

* Following a technical evaluation on the application of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met during the year. Consequently, Trident Steel was reclassified as a continuing operation which resulted in a charge for the year. No depreciation and amortisation were recognised while Trident Steel was classified as Held for Sale.

The presentation of the pro-forma financial information and related reconciliation as detailed, is the responsibility of the directors of Aveng Limited. The pro-forma financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Aveng Limited. The pro-forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro-Forma Financial information. This pro-forma financial information for the year and prior comparative year has not been reviewed or reported on by the Group's auditor.

Normalised earnings of R204 million (2021: R66 million).

	Pro- forma [#] FY 2022 Rm	FY 2021 Rm	Change Rm
Earnings for the year	130	988	(858)
Impairment loss on intangibles assets	8	–	(8)
Impairment loss on right-of-use assets	–	187	(187)
(Reversal of) / impairment loss on long-term receivables	(26)	26	(52)
Loss / (gain) on disposals of Assets Held for Sale	22	(28)	50
Gain on sale of property, plant & equipment	(4)	(10)	6
Fair value adjustment of disposal groups classified as Held for Sale**	74	(611)	685
Gain on early redemption of borrowings and other liabilities	–	(486)	486
Normalised earnings for the year	204	66	138

** Following a technical evaluation on the application of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5), the criteria to disclose Trident Steel as Held for Sale and discontinued operations were not met during the year. Consequently, Trident Steel was reclassified as a continuing operation and this resulted in recognition of prior year depreciation and amortisation of R155 million, partially offset by a reversal of previously recognised impairments of R103 million, resulting in a net charge of R52 million. This compares to a fair value gain of R611 million in the prior year.

The presentation of the pro-forma financial information and related reconciliation as detailed, is the responsibility of the directors of Aveng Limited. The pro-forma financial information has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Aveng Limited. The pro-forma financial information is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro-Forma Financial information. This pro-forma financial information for the year and prior comparative year has not been reviewed or reported on by the Group's auditor.

Commentary continued

Normalised earnings per share was 167 cents (2021: 89 cents per share). The prior year was calculated using a pro-forma comparative weighting of 122,5 million shares and restated for the change in classification of Trident Steel as a continuing operation. This metric has been used for illustrative and comparative purposes only.

Statement of financial position

Property, plant and equipment of R2,5 billion remained in line with the prior year.

The Group incurred **replacement capital expenditure** of R834 million (2021: R810 million), with no expansionary capital expenditure (2021: R9 million). The majority of the amount was spent as follows:

- R187 million (2021: R170 million) at McConnell Dowell, relating to specific projects across the business units; and
- R622 million (2021: R649 million) at Moolmans, primarily investment in components on existing fleet.

Right-of-use assets increased by R269 million to R606 million due to the inclusion of Trident Steel right-of-use assets of R574 million following the reclassification as a continuing operation, offset by additional depreciation of R147 million, not expensed while Trident Steel was classified as Held for Sale under *IFRS 5*.

Inventories increased by R817 million to R1,0 billion (2021: R211 million) largely due to the reclassification of Trident Steel as a continuing operation.

Contract assets for the Group increased to R3,6 billion (2021: R3,4 billion) due to an increase in McConnell Dowell's uncertified revenue offset by a reduction in contract receivables.

Assets Held for Sale decreased by R1,8 billion to R144 million (2021: R2,0 billion) due to the reclassification of Trident Steel as a continuing operation and the disposal of non-core assets. The remaining assets classified as Held for Sale comprise Infraset factories in the *Manufacturing and Processing* disposal group and infrastructure and equity investments that was sold subsequent to year end, subject to regulatory approvals.

External borrowings and other liabilities

decreased by R398 million to R481 million (2021: R879 million) due to R350 million external debt repayments and the settlement of R41 million relating to asset-backed financing arrangements.

Lease liabilities increased by R520 million to R1,0 billion mainly due to the reclassification of Trident Steel as a continuing operation. In addition to the reclassification of Trident Steel, new leases of R88 million offset by R238 million of capital lease repayments.

Contract liabilities was in line with the prior year at R1,7 billion.

Liabilities Held for Sale decreased by R1,5 billion to R16 million (2021: R1,6 billion) due to the reclassification of Trident Steel as a continuing operation and the disposal of non-core liabilities. The remaining liabilities in Held for Sale comprise of the Infraset factories in the *Manufacturing and Processing* disposal group.

Operating free cash flow amounted to an inflow of R612 million (2021: R1,5 billion inflow) due to:

- McConnell Dowell – inflow of R676 million (2021: R711 million inflow);
- Moolmans – inflow of R91 million (2021: R480 million inflow);
- Trident Steel – inflow of R160 million (2021: R567 million inflow);
- Construction and Engineering: South Africa - outflow of R164 million (2021: R79 million outflow);
- R143 million of proceeds from disposal of non-core assets;
- Net finance expenses paid of R274 million; and
- Taxation paid of R47 million.

Cash and bank balances (net of bank overdrafts) increased to R2,6 billion (2021: R2,5 billion). Cash in McConnell Dowell increased by R515 million mainly driven by the cash settlement of AUD25 million for a long outstanding legacy claim and growth in working capital. This was offset by R398 million debt repayments, debt service costs and additional working capital requirements in South Africa.

Net cash position remained in line with prior year at R1,1 billion.

- Cash and bank balances increased by R98 million;
- External borrowings decreased by R398 million following scheduled repayment of external debt; and
- Offset by an increase of R520 million in *IFRS 16* lease liabilities following the reclassification of Trident Steel as a continuing operation.

OUTLOOK

McConnell Dowell's revenue is expected to grow, supported by work in hand of AUD3,2 billion as at July 2022, representing 91% of FY23 revenue. Projects in preferred bidder status amounted to AUD1,7 billion following the successful conversion and award of the Bridgewater Bridge and Epping contracts. A further AUD2,5 billion of outstanding tenders await award and are followed by AUD1,3 billion of tenders currently in preparation for submission. This strong opportunity pipeline continues to facilitate strategic selection of projects in support of profitable growth. Margin performance is expected to improve on the back of current strong execution, the mix in work in hand and the extent of collaborative contracting.

Inflation pressure has been experienced globally and has been amplified by pent-up consumer demands after the COVID-19 pandemic, the Russian invasion of Ukraine, logistics constraints and high levels of employment in developed markets. Increases in interest rates, energy, materials and shipping costs pose challenges to our businesses in the form of cost escalation, tender award slippage due to customer budget pressures and subcontractor insolvency, amongst others. Our operations have employed a series of mitigating strategies to manage the impact of inflationary pressures. These include commercial agreements in contracts to allow for cost reimbursement, rise and fall measures and repricing of elements of contracts. Procurement is a second element and is proactively managed to ensure cost certainty through early and advanced awards of subcontracts and material supply agreements. Contingency allowances are used to manage residual risk.

Australian market conditions remain strong as private and public sector infrastructure investment continues to be driven by the mining and energy sectors in particular. Lingering COVID-19 effects continue to impact labour availability and mobility, following a two-year cessation of inbound skills migration. Human resource capacity and capability in the engineering and construction sector presents both risk and opportunity.

New Zealand and Pacific Islands experienced growth in project awards as the momentum of public sector investment, stalled by COVID-19 restrictions, was renewed. Border restrictions have been largely lifted but lagging impacts on labour availability and rising costs remain matters of concern going forward. Southeast Asia's addressable market remains strong but the competitive and operational landscape remains challenging.

Fleet renewal is core to the outlook for Moolmans as this ultimately creates value for both our customers and Moolmans. This renewal will be executed in a phased and disciplined manner to ensure an attractive return to shareholders. The renewal includes the purchase of new equipment and negotiations are underway to secure and finance equipment. The second leg to the renewal is the disposal plan for sub-optimal equipment and is targeted for H1 of 2023.

Moolmans work in hand, as at July 2022, increased to R3,5 billion after securing a R576 million contract for a new coal rehabilitation project at Klipspruit. 78% of FY23 revenue has been secured. Moolmans addressable market remains strong with opportunities present in various commodities across the African continent. Moolmans is currently a preferred bidder on contracts valued at R11,4 billion, has R17,7 billion worth of outstanding tenders and R28,8 billion contracts in preparation for submission.

Following a new first tier component supply award, to Trident Steel, by major OEMs (Ford and VW) and increased levels of planned production on existing contracts, prospects for growth remain positive. On 13 June 2022, a cautionary announcement on the JSE Stock Exchange News Service (SENS) was published informing

Commentary continued

shareholders that the company is in advanced negotiations, with a credible buyer, to dispose of Trident Steel, a division of Aveng Africa (Proprietary) Limited, as a going concern. This cautionary announcement has been renewed and negotiations are ongoing. Management is committed to concluding the transaction as soon as possible.

The value of the transaction is expected to exceed Trident Steel's reported net asset value as per the 2022 Aveng interim results. The proceeds from the transaction will be utilised to settle remaining external debt in South Africa, create further liquidity and strengthen the financial position of Aveng.

Given its work in hand, strong tender pipeline and current market conditions, McConnell Dowell is expected to continue its growth trajectory. Revenue and operating earnings are expected to increase in the coming year. Moolmans is expected to deliver a steady profit performance in the coming year as it focuses on securing new contracts and renewing its fleet. Trident Steel's revenue and operating earnings are expected to increase on increased volumes and higher steel prices, although this will require increased investment in working capital. Corporate costs are expected to remain steady as the future growth strategy is implemented.

KEY MESSAGES

Balance sheet optimisation

- External legacy debt reduced from R879 million to R481 million in FY22; and
- Balance of the external legacy debt to be extinguished in FY23.

McConnell Dowell

- Strong growth in work in hand;
- Improved operational performance and cash generation;
- Engineering led focus on risk management; and
- Focus on recruitment and development of people.

Moolmans

- Improving performance by an engineering led approach to procurement, maintenance and operational performance;
- Investment in fleet optimisation and renewal linked to size and quality of our work in hand;
- New debt to be incurred in support of investment in fleet; and
- Focus on recruitment and development of people.

Trident

- Strong growth prospects delivered by higher OEM volumes and new component awards;
- Investment in working capital required; and
- Disposal at an advanced stage of negotiation.

ESG

- Baseline metrics established; and
- FY23 performance targets tracked and form part of management remuneration.

Capital markets

- Current share price trading at a discount to the net asset value; and
- Alternative options under consideration to:
 - offer value to shareholders
 - secure access to capital and liquidity with a firm nexus to the majority of our assets.

The Group's financial performance continues on a path of sustainably profitable growth. As they implement long-term growth strategies, the core businesses are continuously improving their operational performances and are both cash generative, while Trident Steel delivers high performance in the most challenging of conditions. The Group has good growth opportunities, notably in the Australian operations and Moolmans.

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.

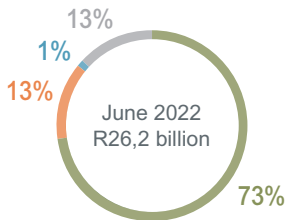
Salient features – segmental analysis

for the year ended 30 June 2022

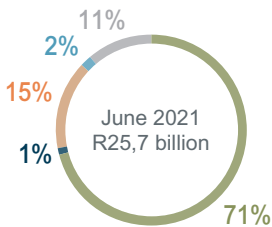
Operating earnings – segmental analysis

	FY22 Rm	FY21 Rm	Change %
Construction and Engineering: Australia and Asia	385	312	23
Mining	207	239	(13)
Construction and Engineering: South Africa and rest of Africa	(67)	(164)	59
Aveng Construction: South Africa	(67)	(164)	59
Manufacturing and Processing	215	271	(21)
Trident Steel	220	247	(11)
Aveng Manufacturing	(5)	24	(>100)
Other and Eliminations	(164)	(122)	34
Operating earnings	576	536	7

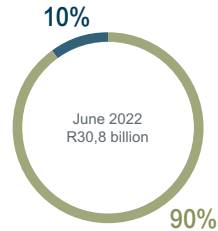
Revenue per operating group



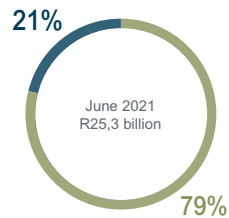
McConnell Dowell
Aveng Construction: South Africa
Moolmans
Aveng Manufacturing
Trident Steel



Work in hand per operating group



McConnell Dowell
Moolmans



Summarised statement of comprehensive earnings

for the year ended 30 June 2022

2021 AUDm*	2022 AUDm*		Notes	2022 Rm	(Re- presented) ¹ 2021 Rm
2 418,0	2 356,9	Revenue		26 178	25 709
2 321,0	2 324,9	Continuing operations		25 823	24 674
97,0	32,0	Discontinued operations	5	355	1 035
(2 233,0)	(2 166,7)	Cost of sales		(24 066)	(23 744)
(2 147,7)	(2 137,2)	Continuing operations		(23 738)	(22 837)
(85,3)	(29,5)	Discontinued operations	5	(328)	(907)
185,0	190,2	Gross earnings		2 112	1 965
25,2	12,6	Other earnings		140	268
24,9	12,0	Continuing operations		133	265
0,3	0,6	Discontinued operations	5	7	3
(157,6)	(150,4)	Operating expenses		(1 671)	(1 675)
(147,6)	(147,0)	Continuing operations		(1 633)	(1 569)
(10,0)	(3,4)	Discontinued operations	5	(38)	(106)
(2,1)	(0,5)	Loss from equity-accounted investments		(5)	(22)
50,5	51,9	Earnings before non-recurring items		576	536
81,7	(16,2)	Non-recurring items		(180)	868
81,1	(14,9)	Continuing operations		(165)	862
0,6	(1,3)	Discontinued operations		(15)	6
132,2	35,7	Earnings before financing transactions		396	1 404
1,8	1,8	Finance earnings		20	19
(37,1)	(23,1)	Finance expenses		(257)	(394)
96,9	14,4	Earnings before taxation		159	1 029
(3,8)	(2,6)	Taxation	15	(29)	(41)
93,1	11,8	Earnings for the year		130	988
92,6	14,4	Earnings from continuing operations		155	983
0,5	(2,2)	(Loss) / earnings from discontinued operations		(25)	5

¹ Refer to note 5: Discontinued operations for the reclassification of Trident Steel from discontinued operations to continuing operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at an average exchange rate of R11,11/AUD1 (2021 – R10,63/AUD1). The statement of comprehensive income has been translated from Rand to Australian Dollar to assist in the interpretation of the financial performance in a universally measured currency. This constitutes pro-forma financial information in terms of the JSE Listings Requirements and should be read in conjunction with note 2: Basis of preparation and changes to the Group accounting policies.

Summarised statement of comprehensive earnings continued

for the year ended 30 June 2022

2021 AUDm*	2022 AUDm*	Notes	2022 Rm	(Re- presented) ¹ 2021 Rm
		Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):		
(24,9)	9,6	Exchange differences on translating foreign operations	107	(265)
(24,9)	9,6	Other comprehensive earnings / (loss) for the period, net of taxation	107	(265)
		Total comprehensive earnings for the period attributable to:		
68,2	21,4	Equity-holders of the parent	237	723
-	-	Non-controlling interest	-	-
68,2	21,4		237	723
		Earnings for the period attributable to:		
93,1	11,8	Equity-holders of the parent	130	990
(0,2)	-	Non-controlling interest	-	(2)
92,9	11,8		130	988
		Other comprehensive earnings / (loss) for the period, net of taxation		
(25,1)	9,6	Equity-holders of the parent	107	(267)
0,2	-	Non-controlling interest	-	2
(24,9)	9,6		107	(265)
		Results per share (cents)**		
		From continuing and discontinued operations		
125,7	9,6	Earnings – basic	106	1 337
114,8	9,1	Earnings – diluted	100	1 221
		From continuing operations		
125,1	11,4	Earnings – basic	126	1 330
114,4	10,8	Earnings – diluted	119	1 216
		From discontinued operations		
0,6	(1,8)	(Loss) / earnings – basic	(20)	7
0,6	(1,7)	(Loss) / earnings – diluted	(19)	6
		Number of shares (millions)		
129,5	129,5	In issue***	129,5	129,5
73,9	122,5	Weighted average***	122,5	73,9
80,9	129,4	Diluted weighted average***	129,4	80,9

¹ Refer to note 5: Discontinued operations for the reclassification of Trident Steel from discontinued operations to continuing operations and further information about the re-presentation of discontinued operations in the prior year.

* Supplementary non-IFRS information. Converted at an average exchange rate of R11,11/AUD1 (2021 – R10,63/AUD1). The statement of comprehensive income has been translated from Rand to Australian Dollar to assist in the interpretation of the financial performance in a universally measured currency. This constitutes pro-forma financial information in terms of the JSE Listings Requirements and should be read in conjunction with note 2: Basis of presentation and changes to the Group accounting policies.

** On 8 December 2021 the Group underwent a share consolidation on the basis of 1-for-500 shares held. The number of shares in issue for the prior year have been adjusted retrospectively.

Refer to note 11: Stated Capital for additional information.

*** Earnings per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue.

Refer to note 8: Earnings and headline earnings per share for additional information.

Summarised statement of changes in equity

for the year ended 30 June 2022

	Stated capital Rm	Foreign currency translation reserve Rm	Equity-settled share-based payment reserve Rm
Year ended 30 June 2021			
Balance at 1 July 2020	3 874	1 062	40
Earnings / (loss) for the period	–	–	–
Other comprehensive (loss) / earnings for the period	–	(267)	–
Total comprehensive (loss) / earnings for the period	–	(267)	–
Equity-settled share-based payment – shares granted	–	–	20
Equity-settled share-based payment – shares vested	8	–	(8)
Share issue – Rights to qualifying shareholders (19 March 2021)	759	–	–
Share issue – Class A shares (19 March 2021)	11	–	–
Share issue – Rights to qualifying shareholders (7 June 2021)	74	–	–
Share issue – Class A shares (7 June 2021)	21	–	–
Balance as at 30 June 2021	4 747	795	52
Year ended 30 June 2022			
Balance at 1 July 2021	4 747	795	52
Earnings for the period	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	107	–
Total comprehensive earnings for the period	–	107	–
Equity-settled share-based payment – shares granted	–	–	35
Total contributions and distributions recognised	–	–	35
Balance at 30 June 2022	4 747	902	87
Note	11		

	Total other reserves Rm	Accumulated losses Rm	Total attributable to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
	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
	847	(2 153)	3 441	7	3 448
	847	(2 153)	3 441	7	3 448
	–	130	130	–	130
	107	–	107	–	107
	107	130	237	–	237
	35	–	35	–	35
	35	–	35	–	35
	989	(2 023)	3 713	7	3 720

Summarised statement of cash flows

for the year ended 30 June 2022

	Notes	2022 Rm	2021 Rm
Cash generated from operating activities	16	1 468	2 275
Finance expenses paid		(288)	(345)
Finance earnings received		14	19
Taxation paid		(47)	(37)
Cash inflow from operating activities		1 147	1 912
Acquisition of property, plant and equipment – expansion		–	(9)
Acquisition of property, plant and equipment – replacement		(834)	(810)
Proceeds on disposal of property, plant and equipment		168	174
Proceeds on disposal of assets Held for Sale		106	90
Capital expenditure net of proceeds on disposal		(560)	(555)
Dividends received		21	57
Advances in respect of other non-current assets		(9)	–
Movements in property, plant and equipment, intangible assets and investments classified as Held for Sale		1	96
Cash outflow from investing activities		(547)	(402)
Financing activities with equity-holders			
Proceeds from shares issued		–	865
Financing activities with debt-holders			
Repayment of external borrowings		(399)	(870)
Proceeds from external borrowings		–	271
Payment of capital portion of lease liabilities		(240)	(262)
Payment of capital portion of lease liabilities – Held for Sale		(4)	(73)
Cash outflow from financing activities		(643)	(69)
Net (decrease) / increase in cash and bank balances before foreign exchange movements		(43)	1 441
Foreign exchange movements on cash and bank balances		141	(253)
Cash and bank balances at the beginning of the period		2 519	1 331
Total cash and bank balances at the end of the period		2 617	2 519

Notes to the summarised consolidated annual financial statements

for the year ended 30 June 2022

1. CORPORATE INFORMATION

The summarised consolidated annual financial statements (results) of Aveng Limited (the Company) and its subsidiaries (the Group) for the period ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 22 August 2022.

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 Bernard Swanepoel was appointed as independent non-executive director with effect from 20 October 2021.

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

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

2.1 Basis of preparation

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

The summarised consolidated annual 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 2021, except as disclosed in *note 3: Standards and interpretations effective and not yet effective* of the Group's audited consolidated financial statements.

The summarised consolidated annual financial results do not include all the information and disclosures required in the consolidated and separate annual financial statements, and should be read in conjunction with the Group's audited consolidated annual financial statements as at 30 June 2022 that 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 CFO, Adrian Macartney CA(SA).

The information disclosed in the summarised consolidated annual financial statements is derived from the information contained in the audited consolidated and separate annual 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 consolidated and separate annual financial statements, which is available on the website.

Notes to the summarised consolidated annual financial statements

continued

for the year ended 30 June 2022

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

continued

2.2 Supplementary information

The Group's presentation currency is South African Rand (ZAR). The supplementary information provided in Australian Dollars (AUD) is translated at the closing rate for the summarised statement of financial position, at the average rate for the summarised statement of comprehensive earnings.

Disclaimer:

Australian dollar translations included in these financial statements constitutes pro-forma financial information in terms of the JSE Listing Requirements. The pro-forma financial information is the responsibility of the Board of directors and is presented for illustrative purposes only. Because of its nature, the pro-forma financial information may not fairly present Aveng's financial position, changes in equity, results of operations or cash flows. The underlying information, used in the preparation of the pro-forma financial information, has been prepared using accounting policies which comply with IFRS and are consistent with those applied in the published Group consolidated annual financial statements for the year ended 30 June 2022.

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

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

2.4 Changes to Group accounting policies

A number of other new standards and interpretations are effective from 1 July 2021 but they do not have a material effect on the Group's annual financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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 summarised consolidated annual 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 summarised consolidated annual financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.1 Deferred taxation

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

3.1.2 Contract assets/(liabilities)

The Group estimates the risk associated with the contract assets 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: Contract assets/(liabilities)* for further detail.

3.1.3 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 key assumptions used to determine 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 assumptions, included in 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.

For further information refer to *note 7: Impairment*.

3.1.4 Revenue recognition

In the Construction and Engineering: Australasia and Asia segment, 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.

In the Mining segment, the Group uses the output method in determining the satisfaction of the performance obligation through a contract that requires direct measurement.

The Group's technical experts, engineers and contract managers exercise their judgement in estimating progress based on performance on the contract or milestone achieved.

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;

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.4 Revenue recognition continued

- 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;
- estimation of project production rates and programme through to completion; and
- the ability to deliver contracts within the requirements of each contract.

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 is used in assessing the status of negotiations with the customer, the reliability with which the estimated recoverable amounts can be measured, the financial risks pertained to individual projects, and the associated judgements and estimates employed. Cost and revenue estimates are reviewed and updated monthly, and more frequently as determined by events or circumstances.

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

3.1.5 Contingent liabilities

Parent company guarantees issued in the ordinary course of business are at inception accounted for as contingent liabilities in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37)* and disclosed accordingly. Subsequent to the issuance of the guarantee, and a Completion Certificate for the related work, the probability of the related obligation is determined to be remote (and therefore not disclosed in the financial statements unless there are other reasons that make the obligation probability possible).

Where a claim on the guarantee has been made by the respective client, the probability of the obligation is assessed in detail by management.

Where there is a possibility of reimbursement on a parent guarantee, this reimbursive right is required to be disclosed (as a contingent asset) separate to the related obligation, only if virtually certain.

Reimbursements from cross indemnities may not be disclosed in the financial statements unless a claim is made by a client on the corresponding obligation, and the reimbursement is considered probable.

3.1.6 Loss making and onerous contracts

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.7 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 reassess the tax treatment if facts and circumstances change.

3.1.8 Held for Sale classification

Remaining Infraset factories and Investments classified as Held for Sale

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 the disposal groups remains highly probable.

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

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.

Through the use of these judgements, the Group concludes that the carrying amount of the remaining investments 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.

Trident Steel

At 30 June 2022, management is in advanced negotiations, with a credible buyer, to dispose of Trident Steel, a division of Aveng Africa (Proprietary) Limited, as a going concern. The transaction will be subject to conditions precedent usual for transactions of this nature. Management applies judgement when determining if there is sufficient evidence that the sale of Trident Steel is *highly probable* and will be finalised within the next 12 months given that a sale of business agreement had not yet been signed by 30 June 2022. The transaction is subject to conditions precedent usual for transactions of this nature.

Given the uncertainty around the likelihood of finalisation of the sale within the next 12 months, management has concluded that the Trident Steel CGU no longer meets the criteria of Held for Sale under *IFRS 5 Non-current assets Held for Sale and Discontinued operations* and can no longer be classified as Held for Sale. In determining the reclassification adjustment, management has measured the CGU at the lower of its carrying amount before the disposal groups was classified as Held for Sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the disposal group not been classified as Held for Sale, and its recoverable amount at the date of the subsequent decision to reclassify these disposal groups. The Group will continue to reassess the classification should facts and circumstances change.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

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 and Company can continue in operational existence for the foreseeable future. The financial performance of the Group and Company is dependent on the wider economic environment in which it operates.

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

Execution of plans

- Continued improvement in the operating performance of McConnell Dowell and Trident Steel and the sustained profitability of Moolmans resulted in further creation of underlying value and sustainability;
- Nearing completion of the non-core asset disposal plan:
 - The receipt of proceeds of R143 million for the year, including *Aveng Automation and Control Solutions (ACS)* and *Infrasnet factories*;
 - The conclusion of the sale of the remaining *Infrasnet factories* after year end, subject to regulatory approvals; and
 - The conclusion of the sale of *Oakleaf and Firefly* investments after year end.
- Updated budget to 31 December 2023 and business plans for post period-end up to 30 June 2025 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 continued monitoring of the South African short-term liquidity forecast management process;
- Subsequent to year end, the Group entered into a new Trade Finance Facility of R450 million with two South African banks. The facility enables business growth at Trident Steel and supports the additional working capital required, matures on 1 October 2023 and will be secured by first ranking security over the inventory and accounts receivable of Trident Steel. This facility was approved in terms of the existing Common Terms Agreement; and
- The Group further agreed to accelerate the repayment profile of external debt and amended its covenants in line with its current forecasts. This was approved in terms of the existing Common Terms Agreement.

In the 2022 financial year, the Group reported earnings for the year of R130 million and an operating free cash inflow of R612 million. The Group's available cash resources benefitted from this 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 R2,6 billion at 30 June 2022 (30 June 2021: R2,5 billion), of which R605 million (30 June 2021: R412 million) is held in joint arrangements. Unutilised facilities amounted to R205 million (30 June 2021: R364 million).

4. GOING CONCERN AND LIQUIDITY continued

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, the receipt of a long-outstanding claim previously subject to legal proceedings 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. The South African liquidity pool remains tightly managed and continues to demonstrate significant improvement compared to the prior period. The Group continued to reduce external debt, having repaid R398 million in the financial year. In addition to existing term facilities and overdraft facilities, the Group arranged an additional Trade Finance Facility of R450 million subsequent to year end in order to support future planned working capital growth at Trident Steel.

Management updated the forecast for the 2023 financial year and the following year and prepared cash flow forecasts covering a minimum of 12 months from the date of these financial statements. These forecasts have been prepared and reviewed by management to ensure that they have been accurately compiled using appropriate assumptions. Notably, the preparation of budgets, plans and forecasts include consideration of the impact of the COVID-19, which remains endemic. This included management's responses to the effects thereof. Management will continue to respond to the circumstances as they emerge. The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board.

The Group's current assets of R8,3 billion exceeded its current liabilities of R7,1 billion at 30 June 2022.

The Company's current assets of R257 million exceeded its current liabilities of R93 million at 30 June 2022.

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 meet the external debt repayment profile. In addition, it is highly unlikely that the process to dispose of the Group's remaining non-core businesses (particularly Trident Steel) will be withdrawn. The disposals are expected to generate cash to repay the remaining external debt and improve 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 *notes 12: External borrowings and other liabilities* and *18: Events after the reporting period*.

Notes to the summarised consolidated annual financial statements

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for the year ended 30 June 2022

5. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

The Group structure comprises *McConnell Dowell* and *Moolmans* forming the core business of the Group with *Aveng Construction: South Africa*, *Aveng Manufacturing* and *Trident Steel* being deemed the non-core businesses.

In the preceding 12 months there have been numerous expressions of interest and a number of non-binding offers for non-core businesses.

Aveng Manufacturing

Aveng Manufacturing continues to be presented as a discontinued operation.

Management remains committed to the disposal plan previously announced to dispose of the remaining non-core businesses and continues to actively locate appropriate buyers. To this end, the Group concluded the sales of *Aveng Automation & Control Solutions (ACS)* and the South African *Infrasat factories* in the current year.

The remaining businesses included in the discontinued operations include the remaining *Infrasat factories*, for which sales have been concluded, subject only to conditions precedent. Refer to note 18: *Events after the reporting period*.

Infrastructure and equity-accounted investments

The Group includes the equity-accounted investment of *Oakleaf Investment Holdings 86 Proprietary Limited* and the infrastructure investments of *Imvelo Concession Company Proprietary Limited (Imvelo)* and *Firefly Investments 238 Proprietary Limited (Firefly)* in the discontinued operations. Sale and purchase agreements have been concluded in respect of these investments, subject to conditions precedent.

5. **DISCONTINUED OPERATIONS** continued
Change to a plan of sale of non-core businesses
Trident Steel

Management has determined that there is not sufficient objective evidence to conclude that it is *highly probable* that the sale of *Trident Steel*, a division of Aveng Africa Proprietary Limited, will be concluded within the next 12 months.

The Group remains in advanced negotiations with a credible buyer to dispose of *Trident Steel*, a division of Aveng Africa Proprietary Limited, as a going concern. The transaction will be subject to conditions precedent, usual for transactions of this nature.

As the sale does not constitute a *highly probable* sale at year end, the Group is required to re-present the results of *Trident Steel*, previously presented in discontinued operations, to continuing operations for all periods presented.

The impact of the re-presentation of the prior year was as follows:

	2021		
	Previously presented Rm	Re-presented Rm	Impact Rm
Earnings for the period			
Continuing operations	312	983	671
Discontinued operations	676	5	(671)
Results per share (cents)			
From continuing operations*			
Earnings – basic	422	1 330	908
Earnings – diluted	386	1 216	830
From discontinued operations*			
Earnings – basic	915	7	(908)
Earnings – diluted	836	6	(830)

* Earnings per share from continuing and discontinued operations have been adjusted retrospectively to account for the adjusted number of shares in issue. Refer to note 8. Earnings and headline earnings per share for additional information.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

5. DISCONTINUED OPERATIONS continued

The earnings from discontinued operations are analysed as follows:

	2022 Rm	(Re- presented)* 2021 Rm
Revenue	355	1 035
Cost of sales	(328)	(907)
Gross earnings	27	128
Other earnings	7	3
Operating expenses	(38)	(106)
Loss from equity-accounted investments	–	(13)
(Loss) / earnings before non-recurring items	(4)	12
Gain on disposal of property, plant & equipment	–	6
Fair value loss on disposal groups classified as Held for Sale	(15)	–
(Loss) / earnings before financing transactions	(19)	18
Net finance expenses	(6)	(13)
(Loss) / earnings for the period	(25)	5
Attributable to:		
Equity-holders of the parent	(25)	5
Items by nature		
Capital expenditure	–	9
Results per share (cents)		
(Loss) / earnings – basic	(20)	7
(Loss) / earnings – diluted	(19)	6
Net cash flows in relation to discontinued operations:		
Cash outflow from operating activities	(29)	–
Cash outflow from investing activities	(1)	(8)
Cash outflow from financing activities	(4)	(32)

* The earnings from discontinued operations have been re-presented and exclude the earnings from Trident Steel which have been included in the continuing operations of the Group for all periods presented.

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

The reportable segments are presented per their classification 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:

6.1.1 Construction and Engineering: Australasia and Asia

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

McConnell Dowell is an engineering-led specialist in multidisciplinary contract work, delivering infrastructure solutions in the resources, energy, marine and water, and civil and transport sectors.

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 contract mining-related activities.

6.1.3 Construction and Engineering: South Africa and rest of Africa

This segment includes Aveng Construction: South Africa

The Group disposed of all businesses in this segment in prior years.

The segment includes only the assets and liabilities related to the close out of a limited number of historical contracts not transferred as part of the Aveng Construction: South Africa sales.

6.1.4 Manufacturing and Processing

This segment comprises Aveng Manufacturing and Trident Steel.

The Group disposed of a number of Aveng Infraset factories and the Aveng Automation and Control Solutions (ACS) business in the current year and only has a limited number of Aveng Infraset factories making up the Manufacturing business unit. These factories are classified as Held for Sale. Subsequent to year end, these factories have been disposed of. Refer to note 18: Events after reporting period for further details.

The revenues from Trident Steel comprise the supply of products to the automotive and steel beneficiation sectors.

6.1.5 Other and Eliminations

This segment comprises corporate services and the balance of corporate held investments, properties and consolidation eliminations.

Notes to the summarised consolidated annual financial statements

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6. SEGMENTAL REPORT continued

	Construction and Engineering: Australasia and Asia		Mining	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Assets				
Goodwill arising on consolidation	100	100	–	–
Intangible assets	–	–	–	11
Property, plant and equipment	542	511	1 759	1 941
Right-of-use assets	167	198	82	133
Equity-accounted investments	3	3	3	4
Infrastructure investments	–	–	–	–
Deferred taxation	712	723	26	–
Other non-current assets	–	–	5	–
Lease receivables	–	–	–	–
Inventories	11	14	173	197
Contract assets	3 167	2 963	447	396
Trade and other receivables	298	200	114	91
Taxation receivable / (payable)	33	25	(8)	(6)
Cash and bank balances	2 368	1 853	255	241
Assets Held for Sale	–	–	–	–
Total assets	7 401	6 590	2 856	3 008
Liabilities				
Deferred taxation	113	144	–	238
External borrowings and other liabilities	3	44	–	7
Lease liabilities	208	243	133	176
Employee-related payables	523	428	78	130
Trade and other payables	2 733	2 254	446	550
Provisions	26	32	55	56
Contract liabilities	1 599	1 558	100	94
Liabilities Held for Sale	–	–	–	–
Total liabilities	5 205	4 703	812	1 251

Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
-	-	-	-	-	-	100	100
-	-	1	-	-	-	1	11
-	-	173	-	5	11	2 479	2 463
-	-	356	-	1	6	606	337
-	-	-	-	-	23	6	30
-	-	-	-	142	257	142	257
-	-	-	2	-	-	738	725
-	-	4	-	-	-	9	-
-	-	-	-	82	41	82	41
-	-	844	-	-	-	1 028	211
12	39	-	-	-	-	3 626	3 398
52	-	332	-	41	36	837	327
(3)	-	5	(3)	23	21	50	37
17	24	320	285	(343)	116	2 617	2 519
-	-	24	1 989	120	-	144	1 989
78	63	2 059	2 273	71	511	12 465	12 445
-	-	-	-	8	(230)	121	152
-	-	-	-	478	828	481	879
-	-	551	-	147	100	1 039	519
-	1	34	-	60	55	695	614
54	162	834	-	81	115	4 148	3 081
161	134	2	-	301	298	545	520
-	5	-	-	-	-	1 699	1 657
-	-	16	1 575	-	-	16	1 575
215	302	1 437	1 575	1 075	1 166	8 744	8 997

Notes to the summarised consolidated annual financial statements

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6. SEGMENTAL REPORT continued

	Note	Construction and Engineering: Australasia and Asia		Mining	
		2022 Rm	2021 Rm	2022 Rm	2021 Rm
Revenue		19 034	16 911	3 349	4 009
Construction contract revenue		19 034	16 911	3 339	4 000
Sale of goods		–	–	1	1
Other revenue		–	–	9	8
Transport revenue		–	–	–	–
Cost of sales		(17 656)	(15 726)	(2 940)	(3 602)
Gross earnings / (loss)		1 378	1 185	409	407
Other earnings		7	42	(13)	12
Operating expenses		(995)	(912)	(189)	(180)
Loss from equity-accounted investments		(5)	(3)	–	–
Earnings / (loss) before non-recurring items		385	312	207	239
Impairment loss plant and equipment		–	–	(106)	(54)
Impairment loss on right-of-use assets		–	–	–	(27)
Impairment loss on intangible assets		–	–	(8)	–
Reversal of / (impairment) loss on long-term receivables		–	–	–	–
Gain / (loss) on disposal of property, plant & equipment		16	–	(34)	–
(Loss) / gain on disposal of assets Held for Sale		–	–	–	–
Gain on early redemption of borrowings		–	–	–	–
Fair value (loss) / gain on disposal groups classified as Held for Sale		–	–	–	–
Earnings / (loss) before financing transactions		401	312	59	158
Net finance (expenses) / income		(28)	(34)	(18)	(24)
Earnings / (loss) before taxation		373	278	41	134
Taxation		(26)	(24)	4	(61)
Earnings / (loss) for the year		347	254	45	73
Capital expenditure		187	170	622	649
Earnings / (loss) before non-recurring items		385	312	207	239
Depreciation		278	304	450	611
Amortisation		–	–	3	4
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)		663	616	660	854
Normalised earnings / (loss) for the year	6.2	331	254	87	100

Construction and Engineering: South Africa and rest of Africa		Manufacturing and Processing		Other and Eliminations		Total	
2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
150	591	3 651	4 198	(6)	–	26 178	25 709
150	591	–	–	–	–	22 523	21 502
–	–	3 585	4 124	(6)	–	3 580	4 125
–	–	42	28	–	–	51	36
–	–	24	46	–	–	24	46
(162)	(747)	(3 317)	(3 765)	9	96	(24 066)	(23 744)
(12)	(156)	334	433	3	96	2 112	1 965
–	49	113	108	33	57	140	268
(55)	(38)	(232)	(270)	(200)	(275)	(1 671)	(1 675)
–	(19)	–	–	–	–	(5)	(22)
(67)	(164)	215	271	(164)	(122)	576	536
–	–	–	–	–	–	(106)	(54)
–	–	–	(102)	–	(58)	–	(187)
–	–	–	–	–	–	(8)	–
–	–	–	–	26	(26)	26	(26)
–	–	3	13	19	(3)	4	10
–	–	–	–	(22)	28	(22)	28
–	–	–	–	–	486	–	486
–	–	(74)	611	–	–	(74)	611
(67)	(164)	144	793	(141)	305	396	1 404
–	8	(92)	(104)	(99)	(221)	(237)	(375)
(67)	(156)	52	689	(240)	84	159	1 029
–	–	(18)	–	11	44	(29)	(41)
(67)	(156)	34	689	(229)	128	130	988
–	–	24	26	1	–	834	845
(67)	(164)	215	271	(164)	(122)	576	536
–	3	95	–	3	5	826	923
–	–	1	–	–	–	4	4
(67)	(161)	311	271	(161)	(117)	1 406	1 463
(67)	(156)	105	167	(252)	(299)	204	66

Notes to the summarised consolidated annual financial statements continued

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6. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	2022	2021	2022	2021	2022	2021
	Revenue Rm	Revenue Rm	Segment assets Rm	Segment assets Rm	Capital expenditure Rm	Capital expenditure Rm
South Africa	6 944	8 507	4 955	5 399	647	667
Rest of Africa including Mauritius	200	291	89	158	–	8
Australia	13 695	12 631	4 852	4 512	117	46
New Zealand and Pacific Islands	2 598	2 350	1 216	1 215	60	40
South East Asia	2 741	1 930	1 333	1 122	10	84
Other regions	–	–	20	39	–	–
	26 178	25 709	12 465	12 445	834	845

6.2 Normalised performance measures

The term *normalised* refers to performance measures (earnings for the period and earnings per share) excluding the effects of specific non-recurring items relating to the capital restructure of the Group, IFRS 5 adjustments and adjustments in respect of non-core assets.

Normalised measures by management to assess the underlying sustainable performance of the Group and do not replace the measures determined in accordance with IFRS as an indicator of the Group's performance, but rather should be used in conjunction with the most directly comparable IFRS measures.

6. SEGMENTAL REPORT continued

Detailed reconciliations of IFRS to normalised results are provided below:

	Notes	2022 Rm	2021 Rm
Earnings for the year		130	988
Excluding non-recurring items			
Impairment loss on right-of-use assets	7	–	187
Impairment loss on intangible assets	7	8	–
(Reversal of) / impairment loss on long-term receivables	7	(26)	26
Loss / (gain) on disposal of Held for Sale		22	(28)
Gain on disposal of property, plant and equipment		(4)	(10)
Gain on early redemption of borrowings and other liabilities		–	(486)
Fair value adjustment of disposal groups classified as Held for Sale	10	74	(611)
Normalised earnings for the year		204	66
Normalised earnings per share – basic (cents)²		167	89
Normalised earnings per share – diluted (cents)³		158	81

¹ Normalised earnings for the year adjusts the earnings for the year for the impact of non-recurring items such as impairment losses, reversal of impairment losses, fair value adjustments of disposal groups classified as Held for Sale and gains or losses recognised on the sale of Held for Sale CGUs and early redemption of borrowings. The adjustment for non-recurring items are not expected to re-occur on a continuing basis.

² Normalised earnings per share – basic is calculated by dividing the normalised earnings for the year by the weighted average number of shares. Refer to note 8: Earnings and headline earnings per share for the determination of the weighted average number of shares.

³ Normalised earnings per share – diluted is calculated by dividing the normalised earnings for the year by the diluted weighted average number of shares. Refer to note 8: Earnings and headline earnings per share for the determination of the weighted average number of shares.

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7. IMPAIRMENT

The Group performed an annual impairment test as at 30 June 2022. The test involved 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 CGU's, the Group performed a subsequent impairment assessment whereby the carrying values of the CGU's 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 CGU's of the Group in the scope of IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

At 30 June 2022, the only remaining CGUs in the scope of *IFRS 5* were:

- Aveng Infraset factories
- Infrastructure Investments
 - Firefly 238 Proprietary Limited (classified as Held for Sale in the current period); and
 - Imvelo Concession Company Proprietary Limited (classified as Held for Sale in the current period)
- Equity-accounted Investments
 - Oakleaf Investment Holdings 86 Proprietary Limited (classified as Held for Sale in the current period)

The assets identified above were deemed to be individual CGUs for which further individual impairment assessments were performed at 30 June 2022.

As at 30 June 2022, management calculated the recoverable amount of the Held for Sale CGUs and investments to be the fair value less cost of disposal. As at 30 June 2022, a fair value loss of R74 million was recognised in the *Manufacturing and Processing* segment to reflect the remaining CGUs in the segment at fair value less cost of disposal. Refer to note 10: *Assets and Liabilities Classified as Held for Sale* for additional information on the fair value adjustment.

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

In the prior year, 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 prices of similar rentals within the market.

7. IMPAIRMENT continued

7.3 Assets in the scope of IAS 36 – Impairments

An impairment assessment was performed on:

- Property, plant & equipment at Moolmans, which is part of the *Mining* reportable segment. Management, through the use of an external evaluator, determined that an impairment of R106 million was required (30 June 2021: R54 million) relating to owned equipment and vehicles. The impairment arose from instances of underutilisation, obsolescence, physical damage or material decline in the economic performance of specific items of owned equipment and vehicles. 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 assets at Moolmans, which is part of the *Mining* reportable segment. No impairment was required (30 June 2021: R27 million) on right-of-use land and buildings within the scope of IAS 36 – *Impairments*. The recoverable amount of these individual assets was based on their fair value less cost of disposal. The fair value of these assets falls within Level 2 of the hierarchy identified in *IFRS 13* and was calculated using the prices of similar rentals within the market.
- Intangible assets at Moolmans, which is part of the *Mining* reportable segment. As at 30 June 2022, the Group determined that there was an impairment of R8 million required (30 June 2021: Rnil) relating to computer software due to the software having no value in use. The recoverable amount of the computer software was based on the value in use.

7.4 Assets in the scope of IFRS 9 – Financial Instruments

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

Following an impairment assessment performed on long-term receivables accounted for in *Other and Eliminations* in the previous year, the Group determined that a reversal of impairment amounting to R26 million was required (30 June 2021: R26 million impairment). The long-term receivable was determined to be unrecoverable and as such was written down to a recoverable amount of Rnil as at 30 June 2021. In the current year an amount of R26 million was paid by the counterparty necessitating the reversal of impairment previously recognised.

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7. IMPAIRMENT continued

7.5 Total impairment losses for the year

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

	2022		2021		
	Property, plant and equipment Rm	Intangible assets Rm	Property, plant and equipment Rm	Right-of-use assets Rm	Long-term receivables Rm
CGUs previously in the scope of IFRS 5					
Trident Steel	–	–	–	102	–
Other individual assets in the scope of IAS 36					
Moolmans	106	8	54	27	–
Other and Eliminations	–	–	–	58	–
Other individual assets in the scope of IFRS 9					
Other and Eliminations	–	–	–	–	26
	106	8	54	187	26

8. EARNINGS AND HEADLINE EARNINGS PER SHARE

	2022		2021	
	Number of shares	Weighted average number of shares	Number of shares	Weighted average number of shares
Opening balance	64 741 672 056	35 739 404 321	19 394 498 220	19 394 498 220
Issue of shares – Rights offer (15 March 2021)	–	22 358 997 268	37 955 034 249	15 596 036 981
Issue of shares – Class A Shares (15 March 2021)	–	427 370 106	725 472 919	298 102 813
Issue of shares – Rights offer (7 June 2021)	–	4 581 879 966	4 914 149 950	332 269 984
Issue of shares – Class A Shares (7 June 2021)	–	1 634 020 395	1 752 516 718	118 496 323
Share consolidation (8 December 2021)	(64 612 188 712)	(64 612 188 712)	(64 612 188 712)	(35 667 925 512)
	129 483 344	129 483 344	129 483 344	71 478 809
<i>Less: Treasury shares</i>				
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)	(3 500 186 838)	(3 500 186 838)
Share consolidation (8 December 2021)	3 499 979 920	3 499 979 920	3 499 979 920	3 499 979 920
Total treasury shares	(7 013 988)	(7 013 988)	(7 013 988)	(7 013 988)
Rights issue – Bonus element (15 March 2021)*	–	–	–	3 313 124 926
Rights issue – Bonus element (7 June 2021)**	–	–	–	1 414 367 482
Share consolidation (8 December 2021)	–	–	–	(4 718 037 423)
Weighted average number of shares	122 469 356	122 469 356	122 469 356	73 919 806
<i>Add: Shares issuable in terms of the equity-settled share-based payment plan</i>				
Share consolidation (8 December 2021)	3 488 000 000	3 488 000 000	3 488 000 000	3 488 000 000
	(3 481 024 000)	(3 481 024 000)	(3 481 024 000)	(3 481 024 000)
Diluted weighted average number of shares	129 445 356	129 445 356	129 445 356	80 895 806
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.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

8. EARNINGS AND HEADLINE EARNINGS PER SHARE continued

	2022		(Restated) 2021	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings				
Earnings for the period attributable to equity-holders of parent		130		990
Impairment of intangible assets	8	8	–	–
Impairment of property, plant and equipment	106	81	54	54
Impairment of right-of-use assets	–	–	85	85
Impairment of right-of-use assets – Held for Sale	–	–	102	102
Loss / (gain) on disposal of assets Held for Sale	22	22	(28)	(28)
Gain on disposal of property, plant and equipment	(4)	(4)	(10)	(10)
Loss on derecognition of components	161	152	169	169
Fair value gain on disposal groups classified as Held for Sale	(81)*	(81)*	(611)	(611)
Headline earnings		308		751
Diluted Headline earnings		308		751
HEPS from continuing & discontinued operations				
Headline earnings per share – basic (cents)		252		1 016
Headline earnings per share – diluted (cents)		238		928
Issued shares		129,5		129,5
Weighted average shares		122,5		73,9
Diluted shares		129,5		80,9

* Excludes R155 million of depreciation released on reclassification of Trident Steel to continuing operations for headline earnings. Refer to note 10: Assets and liabilities classified as Held for Sale.

9. CONTRACT ASSETS / (LIABILITIES)*

	2022 Rm	2021 Rm
Uncertified claims and variations (underclaims)**1	1 225	817
Contract contingencies	(81)	(50)
Progress billings received (including overclaims and amounts received in advance) ^{2,5}	(1 699)	(1 657)
Uncertified claims and variations less progress billings received	(555)	(890)
Contract receivables ³	2 427	2 582
Provision for expected credit loss	(3)	(1)
Retention receivables ⁴	58	50
Net contract assets	1 927	1 741
Disclosed on the statement of financial position as follows:		
Uncertified claims and variations**1	1 225	817
Contract contingencies	(81)	(50)
Contract receivables	2 427	2 582
Retention receivables	58	50
Provision for expected credit losses	(3)	(1)
Contract assets	3 626	3 398
Progress billings received	(1 699)	(1 657)
Contract liabilities	(1 699)	(1 657)
Net contract assets	1 927	1 741

* This note was previously called amounts due from / (to) contract customers but was changed in the current year in order to enhance disclosure.

** 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.

Expected credit losses**Contract assets**

As at 30 June 2022, the Group has contract assets of R 1 927 million (2021: R 1 741 million) which is net of the provision for expected credit loss of R 3 million (2021: R1 million).

Trade and other receivables

As at 30 June 2022, the Group has financial assets of R790 million (2021: R281 million). The provision for expected credit loss relating to financial assets is R13 million (2021: R16 million).

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

9. CONTRACT ASSETS / (LIABILITIES)* continued

Expected credit losses continued

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

	2022 Rm	2021 Rm
Provision for expected credit losses		
Opening balance	17	30
Movement in the current year	(1)	(13)
	16	17
Attributable to:		
Contract assets	3	1
Trade receivables	13	16
	16	17

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The outcome of a strategic review led to the Board's decision to exclude the following segments from the Group's long-term strategy:

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

These non-core segments were initially recognised and presented as separately identifiable disposal groups and were disclosed as discontinued operations in the Group's statement of comprehensive earnings.

Sales finalised in the current year

Construction and Engineering: South Africa and the rest of Africa

Equity-accounted investments

The Group completed the disposals of the equity-accounted investments in REHM Grinaker Construction Co Limited and REHM Grinaker Properties Co Limited. The disposals did not require separate disclosure in terms of the JSE Listings Requirements.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

Manufacturing and Processing Aveng Automation & Control Solutions

The Group disposed of Aveng Automation & Control Solutions (ACS) business as a going concern for R74 million, adjusted for working capital. The disposal did not require separate disclosure in terms of the JSE Listings Requirements.

Aveng Infraset Effingham factory

The Group disposed of the Infraset Effingham factory as a going concern for R14,5 million with an effective date of 15 September 2021.

Aveng Infraset Rossway factory

The Group disposed of the Infraset Rossway factory as a going concern for R4,4 million with an effective date of 1 June 2022.

Changes to a plan of sale of non-core operating groups

In the preceding 12 months there have been numerous expressions of interest and a number of non-binding offers for non-core businesses.

Management has determined that there is not sufficient objective evidence to conclude that it is highly probable that the sale of Trident Steel will be concluded within the next 12 months.

Trident Steel

The Group remains in advanced negotiations with a credible buyer to dispose of Trident Steel, a division of Aveng Africa Proprietary Limited, as a going concern. The transaction will be subject to conditions precedent, usual for transactions of this nature.

As the sale does not constitute a highly probable sale at year end, the Group is required to re-present the results of *Trident Steel*, previously presented in discontinued operations, to continuing operations for all periods presented.

At 30 June 2022, a fair value loss of R52 million was recognised in the *Manufacturing and Processing* segment relating to *Trident Steel* to reflect the CGU within the disposal group at the carrying amount before being transferred out of assets and liabilities Held for Sale. An additional R6 million fair value loss was recognised on other CGUs within the *Manufacturing and Processing* segment.

Assets transferred into assets Held for Sale

Infrastructure investments (Imvelo Concession Company Proprietary Limited, Firefly Investments 238 Proprietary Limited and Oakleaf Investment Holdings 86 Proprietary Limited) accounted for under the *Other and Eliminations reportable segment* were classified as Held for Sale in the current year. Sale and purchase agreements have been concluded in respect of these investments, subject to conditions precedent. The carrying amount of these investments exceeded their fair value less cost of disposal after being classified as Held for Sale leading to a fair value loss of R16 million. Refer to *note 10.1: Adjustment to fair value less cost of disposal*.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

	Notes	2022 Rm	2021 Rm
Assets Held for Sale		144	1 989
Liabilities Held for Sale		(16)	(1 575)
		128	414
Movement during the year			
Opening Balance		414	258
Movements in:			
Non-current assets		(110)	(90)
Current assets		110	29
Non-current liabilities		86	51
Current liabilities		108	(413)
Sale of assets Held for Sale		(92)	(35)
Adjustment to fair value less cost of disposal*	10.1	(74)	611
Transferred to / from:			
Transfer to assets classified as Held for Sale		136	–
Transfer from assets classified as Held for Sale		(450)	3
Net assets Held for Sale		128	414
10.1 Adjustment to fair value less cost of disposal			
Trident Steel			
Depreciation and amortisation previously not expensed under IFRS 5- released on reclassification to continuing operations		(155)	–
Reversal of impairment loss previously recognised		103	–
Fair value gain on disposal groups classified as Held for Sale		–	611
Total Trident Steel		(52)	611
Other adjustments			
Fair value loss on investments classified as Held for Sale		(16)	–
Fair value loss on disposal groups classified as Held for Sale		(6)	–
Total other adjustments		(22)	–
		(74)	611

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

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE continued

As at 30 June 2022, 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 2022	Equity-accounted and Infrastructure Investments Rm	Manufacturing and Processing-Disposal group Rm	Total Rm
ASSETS			
Non-current assets			
Investments	120	–	120
	120	–	120
Current assets			
Inventories	–	5	5
Trade and other receivables	–	19	19
	–	24	24
TOTAL ASSETS	120	24	144
LIABILITIES			
Current liabilities			
Employee-related payables	–	1	1
Trade and other payables	–	15	15
	–	16	16
TOTAL LIABILITIES	–	16	16
Net assets Held for Sale	120	8	128

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

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:

	Manufacturing and Processing- Disposal group Rm	Total Rm
30 June 2021		
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
	1206	1 206
TOTAL ASSETS	1989	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

11. STATED CAPITAL

	2022 Rm	2021 Rm
Authorised		
Ordinary shares		
Number of shares (before share consolidation) no par value	180 882 034 263	180 882 034 263
Number of shares (after share consolidation) no par value**	361 764 068	361 764 068
Value (Rm)	9 044	9 044
Class A shares		
Number of shares (before share consolidation) no par value	500 000 000 000	500 000 000 000
Number of shares (after share consolidation) no par value**	1 000 000 000	1 000 000 000
Value (Rm)	5 000	5 000
Issued		
Ordinary shares		
Number of shares (before share consolidation) no par value	62 263 682 419	62 263 682 419
Number of shares (after share consolidation) no par value**	124 527 364	124 527 364
Value (Rm)	4 710	4 710
Class A shares		
Number of shares (before share consolidation) no par value*	2 477 989 637	2 477 989 637
Number of shares (after share consolidation) no par value*/**	4 955 979	4 955 979
Value (Rm)	37	37
Stated capital (Rm)	4 747	4 747

* Aveng Class A Shares rank *pari passu* with Aveng Ordinary Shares (save for voting rights).

** The number of shares authorised and issued has been retrospectively presented for all prior periods for the effects of the share consolidation.

The number of shares (after share consolidation) are used in the per share calculations for all periods presented. From a legal perspective, the share consolidation was effective prospectively from 8 December 2021. Refer to note 8: Earnings and headline earnings per share for the reconciliation of the number of shares issued for all periods presented.

Notes to the summarised consolidated annual financial statements continued

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11. STATED CAPITAL continued

	2022 Rm	2021 Rm
Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Number of shares (before share consolidation)	6 018 386	6 018 386
– Number of shares (after share consolidation)**	12 037	12 037
– Market value (Rm)	*	*
Shares held by the Aveng Management Company Proprietary Limited		
– Number of shares (before share consolidation)	788 684	788 684
– Number of shares (after share consolidation)**	1 577	1 577
– Market value (Rm)	*	*
Shares held in terms of equity-settled share-based payment plan		
– Number of shares (before share consolidation)	3 500 186 838	3 500 186 838
– Number of shares (after share consolidation)**	7 000 374	7 000 374
– Market value (Rm)	52	52
	Number of shares	Number of shares
Reconciliation of number of shares issued		
Opening balance	64 741 672 056	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
Balance before share consolidation	64 741 672 056	64 741 672 056
Share consolidation (8 December 2021)	(64 612 188 713)	(64 612 188 713)
Closing balance	129 483 343	129 483 343
Less: treasury shares	(7 013 988)	(7 013 988)
Number of shares in issue less treasury shares	122 469 355	122 469 355
* <i>Aveng Class A Shares rank pari passu with Aveng Ordinary Shares (save for voting rights)</i>		
** <i>The number of shares authorised and issued have been retrospectively presented for the prior year for the effects of the share consolidation. Refer to note 8: Earnings and headline earnings per share for further detail.</i>		

11. STATED CAPITAL continued

	Number of shares	Holding %
The top ten beneficial shareholders (including Class A shares) of the Group as at 30 June 2022 are entities (or clients of these entities in aggregate) listed below:		
Highbridge Capital Management LLC (US)	21 189 458	16,4
Whitebox Advisors LLC (US)	17 218 311	13,3
Steyn Capital Management (Pty) Ltd (ZA)	10 662 968	8,2
ABSA Bank Ltd (ZA)	9 251 092	7,1
Standard Bank Issuer Services Settle Acc (ZA)	6 187 103	4,8
ATM Holding GmbH (DE)	2 730 862	2,1
Investec (ZA)	1 992 913	1,5
FirstRand Retirement Fund (ZA)**	1 116 161	0,9
Legae Peresec (ZA)	1 109 530	0,9
Rand Merchant Bank (ZA)**	924 524	0,7
	72 382 922	55,9
The top ten beneficial 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)	27 781 090	21,5
Whitebox Advisors LLC (US)	18 532 304	14,3
ABSA Bank Ltd (ZA)	9 159 914	7,1
Steyn Capital Management (Pty) Ltd (ZA)	6 686 555	5,2
Standard Bank Issuer Services Settle Acc (ZA)	6 187 104	4,8
ATM Holding GmbH (DE)	2 722 160	2,1
J.P. Morgan Securities Plc (UK)*	2 715 244	2,1
Personal Trust International (ZA)*	1 729 252	1,3
Investec (ZA)	1 584 901	1,2
Legae Peresec (ZA)	1 361 804	1,1
	78 460 328	60,7

* Shareholder no longer in the top 10.

** Shareholder was not in the top 10 in prior year.

*** The number of shares have been retrospectively presented for the prior year for the effects of the share consolidation.

Notes to the summarised consolidated annual financial statements continued

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12. EXTERNAL BORROWINGS AND OTHER LIABILITIES

			Notes	2022 Rm	2021 Rm
Borrowings held at amortised cost comprise:					
Credit and term facilities				478	828
Asset-backed financing arrangements				3	51
Total borrowings held at amortised cost				481	879
Payment profile					
- within one year				252	388
- between two and five years				229	491
				481	879
Interest rate structure					
Fixed and variable (interest rates)					
Fixed – long-term				1	12
Fixed – short-term				2	31
Variable – long-term				228	479
Variable – short-term				250	357
				481	879
Description	Terms	Rate of interest		Rm	Rm
Credit and term facilities					
Restructured term facility	Repayable September 2023	3M JIBAR + 7,17%		478	628
Restructured Super Senior Liquidity Facility	Settled June 2022	3M JIBAR + 3.98%		–	200
Asset-backed financing arrangements					
Facilities denominated in AUD	Settled September 2021	Fixed interest rate of 6,95%		–	40
Facilities denominated in AUD	Monthly instalments ending in February 2025	Fixed range of 2.99% to 6.41%		3	4
Facilities denominated in ZAR	Settled February 2022	South African Prime		–	6
Facility denominated in ZAR	Settled February 2022	Fixed interest rate of 8.00%		–	1
Total interest-bearing borrowings				481	879

Unutilised borrowing facilities

At 30 June 2022, the Group had available R205 million (includes bank overdraft facilities of R205 million) (2021: R364 million (includes bank overdraft facilities of R205 million)) of unutilised borrowing facilities.

Trade finance facility

Refer to *note 18: Events after the reporting period* for details relating to new trade finance facility.

12. EXTERNAL 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 AUD 0,3 million (2021: AUD 4 million). The amount outstanding on these facilities as at year end was AUD 0,3 million (2021: AUD4 million) and is equivalent to R 3 million (2021: R43 million). These asset-backed arrangements were secured by plant and equipment with a net carrying amount of R4 million (2021: R78 million).

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

	2022 Rm	2021 Rm
Asset-backed financing arrangements are payable as follows:		
Minimum payments due		
– within one year	2	40
– in two to five years	1	15
Less: future finance charges	–	(4)
Present value of minimum payments	3	51

13. LEASE LIABILITIES

Opening balance	519	497
New leases	88	243
Lease instalments	(344)	(377)
Interest on lease liabilities	106	115
Classified as Held for Sale – transferred in	657	69
Unrealised foreign exchange movements	13	(28)
Closing balance	1 039	519
Maturity analysis		
Lease liabilities are payable as follows:		
Minimum lease payments due		
- within one year	300	197
- in two to five years	987	353
- more than five years	21	80
Less: future finance charges	(269)	(111)
Present value of minimum lease payments	1 039	519
Non-current lease liabilities	773	365
Current lease liabilities	266	154

The total cash outflow related to leases for the year amounts to R538m (2021: R563 million).

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14. 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:

	2022 Rm	2021 Rm
South Africa and rest of Africa		
Guarantees and bonds (ZARm)	325	554
Parent company guarantees (ZARm)	87	82
	412	636
Australasia and Asia		
Guarantees and bonds (AUDm)	346	352
Parent company guarantees (AUDm)	2	14
	348	366

Claims and legal disputes in the ordinary course of business

The Group is, from time to time, involved in various legal disputes arising in the ordinary course of business. Depending on the merits, legal disputes can translate into future claims and legal proceedings which will be vigorously defended or pursued by the Group. Exposures may arise from the normal course of business including contractual penalties associated with ongoing projects.

Where required, adequate provision is made for all liabilities which are expected to materialise, however if the outcome of claims or legal disputes are possible but not probable, they are not disclosed as a provision.

The Board believes that where there is significant uncertainty as to whether a future exposure or liability will arise in respect of claims or legal disputes then such claims or legal disputes are considered remote. The Board believes that Aveng has strong defences for such claims and legal disputes and any adverse decisions in relation to such claims or legal disputes are considered remote. The Board does not expect these claims to have a material adverse effect on the financial position of the Group.

Specific claims and legal disputes

Aveng Africa is presently in dispute with a client for various matters including extension of time claims, escalation claims, claims relating to an agreed penalty free period, a claim relating to defective workmanship, a claim relating to basement penalties, amongst others. The various claims are proceeding through the dispute process. In addition, the employer terminated the contract on 6 January 2020 and subsequently called on the guarantee of R87 million, following which the insurer paid the employer the guarantee amount and issued a letter of demand, claiming repayment from Aveng Africa, who in turn, paid the insurer. The final account report has been issued by the client, which Aveng Africa has disputed and since referred to arbitration. The abovementioned claims are in various stages of dispute resolution processes and will have an impact on the final account dispute. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

Aveng Africa, in joint venture with its partner terminated a contract with its client on 30 January 2019, which entitlement to terminate is disputed by the client. On 23 November 2020, the client accordingly demanded payment of the performance bond and retention guarantee to the value of R235 million. The insurer paid the client and Aveng Africa repaid the insurer for their portion. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

14. CONTINGENT LIABILITIES AND ASSETS CONTINUED

Specific claims and legal disputes continued

Aveng Africa along with six other South African contractors, entered into a settlement agreement with the South African Government in 2016 wherein claims for damages by Government departments/entities as a result of historical anti-competitive practices by Aveng Africa would be settled. As a result, Aveng Africa agreed to make twelve annual payments into a trust fund to be set up in terms of the settlement agreement and the purpose of which was to develop and enhance the construction industry including black owned emerging contractors. Aveng Africa has subsequently sold its Building and Civil Engineering business to a black owned consortium in October 2019 and assigned its obligations under the Government settlement agreement to that purchaser. The Government and its representing parties issued summons against Aveng Africa and the purchaser in June 2022 for R191 million. Aveng Africa is defending the matter. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

A plant leasing company and its liquidator has instituted two claims against McConnell Dowell ("MCD"). The first claim is for alleged voidable and insolvent transactions and unfair preference payments made by MCD and which appears to be between AUD46 million and AUD66.5 million (insolvency proceedings). The second claim is a subcontracted claim for monies allegedly owed to the subcontractor (in liquidation), (subcontract proceedings). It is expected that the amounts claimed in the insolvency proceedings will mostly overlap with the amounts claimed in the subcontract proceedings. In the subcontract proceedings, MCD has instituted a counterclaim relating to remeasured works performed by the subcontractor, back charges and the additional costs to complete the subcontract works after the subcontract was terminated for insolvency. The amount of MCD's counterclaim has not yet been finalised but is presently estimated at AUD21 million. The proceedings are continuing with pleadings and evidence exchanges taking place during 2022. The claims and MCD's counterclaim will be heard together and are listed for hearing in Australia for 30 days from 26 September 2022. The directors are of the opinion that all known liabilities have been recognised and that adequate provisions have been recognised.

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for the year ended 30 June 2022

15. TAXATION

	2022 Rm	2021 Rm
Major components of the taxation expense		
Current taxation		
Local income taxation – recognised in the current taxation for prior periods	–	(2)
Foreign income taxation or withholding taxation – current period	44	47
Foreign income taxation or withholding taxation – recognised in the current taxation for prior periods	4	(5)
	48	40
Deferred taxation		
Deferred taxation – current period	(19)	2
Deferred taxation – arising from prior period adjustments	–	(1)
	(19)	1
	29	41

South African income taxation is calculated at 28% (2021: 28%) of the taxable income for the year. The South African income tax rate has been decreased to 27% for years of assessment commencing on or after 1 April 2022. South African deferred tax assets and liabilities are measured at 27%, being the tax rate that is expected to apply to the period when the assets is realised or the liability is settled, based on the tax rate that has been enacted. Taxation in other jurisdictions is calculated at the prevailing rates.

16. CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	2022 Rm	2021 Rm
Earnings before taxation from continuing operations		184	1 024
(Loss)/earnings before taxation from discontinued operations*		(25)	5
Earnings before taxation		159	1 029
Finance earnings		(20)	(19)
Finance expenses		257	394
Dividend earnings		(21)	(57)
Share of loss from equity-accounted investment		5	22
Cash retained from operations		380	1 369
Non-cash and other movements	16.1	262	(649)
Depreciation		826	923
Amortisation		4	4
Cash generated from operations		1 472	1 647
Movements in working capital	16.2	(4)	628
		1 468	2 275

* The (loss)/earnings before taxation from discontinued operations have been re-presented and exclude the earnings before taxation from Trident Steel which have been included in the continuing operations of the Group for all periods presented.

Notes to the summarised consolidated annual financial statements continued

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16. CASH GENERATED FROM OPERATING ACTIVITIES continued

	Notes	2022 Rm	2021 Rm
16.1	Non-cash and other movements		
	Equity-settled share-based payment expense	34	20
	Impairment loss on property, plant & equipment	106	54
	Impairment loss on right-of-use assets	–	187
	Impairment loss on intangible assets	8	–
	(Reversal of) / impairment loss on long-term receivables	(26)	26
	Loss / (gain) on sale of assets Held for Sale	22	(28)
	Gain on disposal of property, plant & equipment	(4)	(10)
	Gain on early settlement of borrowings and other liabilities	–	(486)
	Fair value loss / (gain) disposal groups classified as Held for Sale	74	(611)
	Unrealised foreign exchange losses on borrowings and other liabilities	14	(32)
	Movements in foreign currency translation	(154)	66
	Movements in provisions	27	–
	Non-cash working capital movement	–	(4)
	Derecognition of components included in Property, Plant & Equipment	161	169
		262	(649)
16.2	Movements in working capital		
	Decrease / (increase) in inventories	142	(6)
	Increase in contract assets	(223)	(627)
	(Increase)/decrease in trade and other receivables	(189)	43
	Decrease in leases receivables	5	–
	Increase in contract liabilities	40	367
	Increase in trade and other payables	376	475
	Decrease in derivative instruments	–	10
	Increase / (decrease) in employee-related payables	54	(20)
	(Decrease) / increase in working capital Held for Sale	(209)	386
		(4)	628

17. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments
- Forward exchange contracts (FECs)

Infrastructure investments

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

(i) Dimopoint Proprietary Limited (Dimopoint)

Methodology

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

Valuation parameters and assumptions

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

- In estimating the fair value of the properties, the highest and best use of the properties is taken into account.
- Free cash flows based on the underlying long-term contractual rental streams.
- Market comparable yields applicable to the underlying investment property portfolio.
- A terminal growth rate of 12% was applied.

(ii) Imvelo Concessions Company Proprietary Limited (Imvelo)

- The Group measures the fair value of the investment in line with the provisions of IFRS 5, being the fair value less cost of disposal. The fair value is based on a level 1 methodology, being the fair value of a non-binding offer to purchase.

(iii) Firefly Investments 238 Proprietary Limited (Firefly)

- The Group measures the fair value of the investment in line with the provisions of IFRS 5, being the fair value less cost of disposal. The fair value is based on a level 1 methodology, being the fair value of a binding offer to purchase.

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.

Notes to the summarised consolidated annual financial statements continued

for the year ended 30 June 2022

17. FAIR VALUE OF ASSETS AND LIABILITIES continued

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
2022					
Assets recognised at fair value					
Assets					
Infrastructure investments	142	142	–	–	142
Infrastructure investments (Held for Sale)	120	120	120	–	–
2021					
Assets recognised at fair value					
Assets					
Infrastructure investments	257	257	–	–	257
Forward exchange contracts (FECs) (Held for Sale)	1	1	–	1	–

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

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

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

17. FAIR VALUE OF ASSETS AND LIABILITIES continued

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	Decrease Rm
2022				
Infrastructure investments				
Risk-adjusted discount rate:				
– Dimopoint Proprietary Limited	16,0%	0,5%	(4)	4
2021				
Infrastructure investments				
Risk-adjusted discount rate				
– Dimopoint Proprietary Limited	16,0%	0,5%	(4)	4

18. EVENTS AFTER THE REPORTING PERIOD

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

18.1 McConnell Dowell Bridgewater Bridge contract award

Subsequent to year end, Aveng, through its Australasia based subsidiary McConnell Dowell, has been awarded a AUD600 million (approximately R6,9 billion) contract by the Tasmanian Department of State Growth (“DSG”) to deliver Tasmania’s largest-ever transport infrastructure project – the New Bridgewater Bridge. The award of the project follows an extensive Early Contractor Involvement (ECI) phase during which McConnell Dowell worked closely with DSG to develop the project.

The Bridgewater Bridge project was previously disclosed in McConnell Dowell’s preferred tender projects (31 December: AUD2,1 billion).

18.2 Moolmans Klipspruit contract award

Post year end, Moolmans secured a new R576 million 3-year coal rehabilitation project at Klipspruit.

18.3 Sale of remaining Infraset factories in Zambia and Mozambique

Subsequent to year end, the Group entered into a sale for the remaining Infraset factories in Zambia and Mozambique, along with the related legal entities, as going concerns. The disposals do not require separate disclosure in terms of the JSE Listings Requirements and are subject to regulatory approvals.

18.4 Sale of Infrastructure assets and equity accounted investments

Subsequent to year end, the Group received confirmation that the necessary regulatory approvals had been obtained in relation to the sale of its investments in Firefly Investments 238 Proprietary Limited and Oakleaf Investment Holdings 86 Proprietary Limited. As such, all conditions precedent have been met. The transaction is likely to reach financial close shortly after the date of this report.

18.5 Common Terms Agreement and new Trade Finance Facility

Subsequent to year end, the Group entered into a new Trade Finance Facility of R450 million with two South African banks. The facility enables business growth at Trident Steel and supports the additional working capital required, matures on 1 October 2023 and will be secured by first ranking security over the inventory and accounts receivable of Trident Steel. This facility was approved in terms of the existing Common Terms Agreement.

The Group further agreed to accelerate the repayment profile of external debt and amended its covenants in line with its current forecasts.

Notice of virtual annual general meeting

AVENG LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1944/018119/06)

ISIN: ZAE000302618

Share code: AEG

(Aveng, the Company or the Group)

Notice is hereby given that the 78th AGM of the shareholders of Aveng Limited will be held virtually, on Friday, 02 December 2022 at 09:00 to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008 (the Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements), which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 25 November 2022.

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, unless stipulated otherwise herein, by shareholders present or represented by proxy at the virtual AGM, while special resolutions require approval by at least 75% of the votes cast. Shareholders are also referred to the explanatory notes on the virtual AGM on pages 71 to 72.

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 committee, and the directors for the year ended 30 June 2022 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 written 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 Bernard Swanepoel

Ordinary resolutions 2.1 to 2.3: Re-election of directors

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

- 2.1 Mr Adrian Macartney
- 2.2 Mr Michael Kilbride
- 2.3 Ms May Hermanus

Ms May Hermanus and Mr 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 and exercise objective judgment, and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.

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 Ms Bridgette Modise
- 3.2 Mr Bradley Meyer
- 3.3 Mr Michael Kilbride (subject to his re-election as a director in terms of Ordinary Resolution 2.2)

Ordinary resolution 4: Re-appointment of auditors

To appoint, on the recommendation of the current audit committee, KPMG Inc. as independent auditors of the Company, the auditor meeting the requirements of section 90(2) of the Act, until the conclusion of the next AGM.

Non-binding 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 66 to 83 of the integrated report at www.aveng.co.za/investorcentre.

Non-binding 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 66 to 83 of the integrated report at www.aveng.co.za/investorcentre.

Ordinary resolution 7: Revision of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) to provide for conditional awards

"RESOLVED THAT, subject to the passing of special resolution 4, the rules of the Aveng Long-Term Incentive Plan (LTIP 2022) are amended and substituted with the draft rules, a copy (salient details) of which has been labelled for identification purposes and tabled at the AGM."

Reason for and effect

At the AGM of Aveng Limited ("the "Company") held on 10 November 2021 ("2021 AGM"), a new share scheme, namely the Aveng Limited Long Term Incentive Plan (LTIP 2022) for key senior executives was adopted by shareholders. The LTIP 2022 provides selected senior executives ("Participants") with an opportunity of receiving ordinary shares in the Company through the granting of awards, whereby forfeitable shares are awarded to them, the vesting of which is subject to performance and/or retention conditions. Pending vesting, the Participants may exercise the voting rights and participate in dividends. The salient details of the LTIP 2022, governing awards of forfeitable shares, are set out in Annexure B to the notice of the 2021 AGM.

Post the implementation of the LTIP 2022, it became apparent that tax legislation in Australia required awards of forfeitable shares of participants who are Australian tax resident to be taxed on grant (when they are still subject to restrictions on their disposal by Participants) rather than on vesting, resulting in Participants having to incur borrowings to fund the upfront tax. This was considered undesirable for future grants and accordingly amendment of the LTIP 2022 is proposed to also allow for the alternative of awarding conditional awards, which are only taxed in Australia on vesting.

Copies of the revised rules to 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 2022 notice of Annual General Meeting and (ii) on Aveng's website at www.aveng.co.za/investorcentre.

The percentage of voting rights required for ordinary resolution 7 to be adopted is at least 75% (seventy-five percent) of the votes cast on this resolution by all the shareholders present or represented by proxy at the AGM.

Ordinary resolution 8: Revision of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) and the Aveng Limited key Management Incentive Plan (MIP 2021) to remove restrictions on participation

"RESOLVED THAT:

- (i) clause 3.4 of the rules of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) be deleted; and
- (ii) clause 2.3.2 of the rules of the Aveng Limited Key Management Incentive Plan (MIP 2021) be deleted."

The rules of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) and the Aveng Limited Key Management Incentive Plan (MIP 2021) provide that participants in the MIP 2021 are not entitled to participate in the LTIP 2022 until such time as the MIP 2021 awards have vested, lapsed or are forfeited. It is however proposed to amend the said rules in order to allow MIP participants to also become participants in the LTIP 2022 and

Notice of virtual annual general meeting continued

receive awards thereunder, whilst they still have unvested awards under the MIP 2021, in order to secure the continuous lock-in and long-term retention of executives. No new awards will be made under the MIP 2021.

Special resolution 1: General authority to repurchase shares

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

“RESOLVED by way of a special resolution, that the Company or one of its wholly owned subsidiaries, be authorised, by way of a general approval, to acquire the Company's own securities, from any person, upon such terms and conditions and in such number as the directors may from time to time decide, subject to the applicable requirements of the Company's memorandum of incorporation, the Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, subject further to the restriction that 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.”

ADDITIONAL INFORMATION:

It is recorded that the restrictions imposed in terms of the Listings Requirements for a general repurchase of a company's shares, include the following:

- The general authority will only 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 must be 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 must be 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 Company and / or its subsidiaries may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme established in accordance with the requirements of the JSE Listings Requirements;
- At any point in time, the Company may only appointing one agent to effect any repurchases on its behalf; and
- The Board of directors must pass a resolution to authorise the repurchase and the Board must confirm that the Company passes 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 ordinary share capital and reserves will be adequate for ordinary business purposes.

Special resolution 2: Non-executive directors' remuneration

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

"RESOLVED as a special resolution:

- that the Company be and is hereby authorised to pay remuneration to its non-executive directors for their services as directors, as

contemplated in section 66(8) and 66(9) of the Companies Act of 2008

- that the remuneration structure and amounts as set out below, be and are hereby approved, for implementation from the period commencing 1 January 2023 until such time as rescinded or amended by shareholders by way of a special resolution.

Board / committee	Category	2022 fee R	2023 proposed fee' %	2023 proposed increase R
Main Board	Chairperson	(2)	(2)	(2)
	Lead independent	512 775	538 414	5
	Director	366 231	384 543	5
	Ad hoc meetings ³	32 132	33 739	5
Remuneration and nomination	Chairperson	246 820	259 161	5
	Member	98 115	103 021	5
Safety, health and environmental	Chairperson	213 086	223 740	5
	Member	92 074	96 678	5
Social, ethics and transformation	Chairperson	213 086	223 740	5
	Member	92 074	96 678	5
Audit committee	Chairperson	326 348	342 665	5
	Member	183 685	192 869	5
	Subsidiaries	99 480	104 454	5
Risk committee	Chairperson	246 820	259 161	5
	Member	98 115	103 021	5
Investment committee	Chairperson ⁴	12 986	13 635	5
	Member ⁴	9 911	10 407	5
Tender risk committee	Member ⁴	12 760	13 398	5
Ad hoc committee meetings	Member / invitee ⁵	20 855	21 898	5
Extra ordinary services rendered	Per hour fee ⁶	5 128	5 384	5

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

² Refer to 2023 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.

Notice of virtual annual general meeting continued

For 2023, a 3.5% inflationary adjustment is recommended in respect of the non-resident UK-based Chairman of the board. A 4% inflationary increase is recommended for the non-resident US-based director and the proposed 2023 fees are set out below.

Category	Fees	2022 fee	2023 proposed fee ¹	2023 proposed increase % change
Non-resident UK-based non-executive (£)	Composite fee ²	101 500	105 053	3.5
	Ad hoc meeting fee ³	2 645	2 738	3.5
In the event that we have an SA-based Chairman (ZAR)		1 112 152	1 167 760	5
Non-resident US-based non-executive (USD)	Composite fee ⁴			4
	Ad hoc meeting fee ³	75 000	78 000	4

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.

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

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

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

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

Special resolution 4: Approvals for the implementation of the LTIP 2022

"RESOLVED THAT, subject to the passing of ordinary resolution 7, the shareholders 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 the revisions to the LTIP 2022, to enable the Company to make conditional awards in terms of the revised rules to the LTIP 2022 proposed to be adopted in terms of ordinary resolution 7.

Ordinary resolution 9: 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:

- Directors and management – www.aveng.co.za/board-of-directors.php
- 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

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 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 Company and its subsidiaries that are employer companies require the authority to purchase shares to settle awards under the Aveng Limited Long-Term Incentive Plan (LTIP 2022) and the Aveng Limited key Management Incentive Plan, as an alternative to the issue by the

Company of new shares in settlement. Save as aforesaid, 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 30 November 2022 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.

Notice of virtual annual general meeting continued

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 <https://meetnow.global/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 Wednesday, 30 November 2022.

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. Every shareholder participating via electronic communication or represented by proxy and entitled to vote shall be entitled to one vote per ordinary share.

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
27 October 2022

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 2022 to shareholders, together with the reports of the directors, the audit committee, and the auditors. These are available at 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, ethics and transformation committee for the year ended 30 June 2022 is reported in the integrated 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 Bernard Swanepoel

The profile of the director up for election are 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 Adrian Macartney
- 2.2 Mr Michael Kilbride
- 2.3 Ms May Hermanus

Ms May Hermanus and Mr 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 and exercise objective judgment, and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.

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 Bridgette Modise
- 3.2 Bradley Meyer
- 3.3 Michael Kilbride (subject to his re-election as a director in terms of Ordinary Resolution 2.2)

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

Ordinary resolution 4: Re-appointment of auditors

KPMG Inc. external auditor of the Company has indicated its willingness to continue in office and ordinary resolution 4, based on the recommendation of the audit committee, proposes the reappointment of that firm as the Company's auditors until the conclusion of the next AGM.

Non-binding 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 policy of the Company.

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Non-binding 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: Revision of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) to provide for conditional awards

This resolution seeks to obtain approval from the shareholders of the Company to enable the

Explanatory notes: Virtual annual general meeting continued

Company make conditional awards under the LTIP 2022 and, for such purposes, shareholders are referred to the salient features of the LTIP 2022 as relating to the proposed conditional awards, set out in annexure A to this notice.

Ordinary resolution 8: Revision of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) and the Aveng Limited key Management Incentive Plan (MIP 2021) to remove restrictions on participation

This resolution seeks to obtain approvals to amend the LTIP 2022 and MIP2021 to allow for MIP participants to also become participants in the LTIP 2022 and receive awards thereunder, whilst they still have unvested awards under the MIP 2021.

Special resolution 1: General authority to repurchase shares

Section 48 of the Act authorises the Board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the shareholders of the Company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the virtual AGM for special resolution 1 to become effective.

Special resolution 2: Non-executive directors' remuneration

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

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

the Board fees exclusive of VAT which will be charged by any qualifying non-executive director, at the prevailing rate.

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

Section 45(2) of the Act authorises the Board to provide direct or indirect financial assistance to a related or inter-related 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 4: Approvals for the implementation of the LTIP 2022

This resolution seeks to obtain approval from the shareholders of the Company to adopt, authorise and fully implement revisions to the LTIP 2022, to enable the Company to make conditional awards in terms of the revised rules to the LTIP 2022, proposed to be adopted in terms of ordinary resolution 7, 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).

Ordinary resolution 9: 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: ZAE000302618

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, Friday, 02 December 2022 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 a proxy or a representative. If they do not wish to attend the meeting, they must provide their nominee, CSDP or broker, as the case may be, with their voting instructions in accordance with the custody agreement entered into with the registered holder.

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 Bernard Swanepoel			
2. Ordinary resolution 2.1: Re-election of director – Mr Adrian McCartney			
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 member – 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. Non-binding resolution 5: Non-binding advisory vote to Approve the remuneration policy			
6. Non-binding resolution 6: Non-binding advisory vote to Approve the remuneration report			
7. Ordinary resolution 7: Revision of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) to Provide for Conditional Awards			
8. Ordinary resolution 8: Revision of the Aveng Limited Long-Term Incentive Plan (LTIP 2022) and the Aveng Limited Key Management Incentive Plan (MIP 2021) to Remove Restrictions on Participation			
9. Special resolution 1: General authority to repurchase shares			
10. Special resolution 2: Non-executive directors' remuneration			
11. Special resolution 3: Financial assistance to related and inter-related companies			
12. Special resolution 4: Approvals for the implementation of the LTIP 2022			
13. Ordinary resolution 9: Signing authority			

Signed at _____ on _____ 2022

Signature _____

Assisted by me (where applicable) _____

Each shareholder 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 shareholder at the virtual AGM.

Please read the notes on the reverse side hereof.

Notes to the form of proxy

1. A shareholder 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 are requested to 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 Wednesday, 30 November 2022 for administrative purposes. Alternatively, such forms of proxy may be furnished to the company secretary via email (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. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
12. Every shareholder present virtually or represented by proxy or a duly authorised representative shall have one vote for every share held by such shareholder.

Shareholders' analysis

as at 25 June 2022

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	34 995	88,16	3 502 746	2,79
1 001 – 10 000 shares	3 895	9,81	12 223 815	9,75
10 001 – 100 000 shares	720	1,81	19 479 365	15,54
100 001 – 1 000 000 shares	72	0,18	20 797 649	16,59
1 000 001 shares and above	13	0,03	69 323 789	55,31
Total	39 695	100,00	125 327 364	100,00

Beneficial shareholder categories

Category	Total shareholding	% of issued capital
Hedge fund	42 135 832	33,62
Private investor	37 550 843	29,96
Trading position	12 881 043	10,28
Custodians	6 401 537	5,11
Pension funds	2 812 989	2,24
Unit trusts	1 841 234	1,47
Mutual funds	1 145 986	0,91
Insurance companies	576 706	0,46
University	294 218	0,23
Stockbrokers	145 249	0,12
Charity	20 000	0,02
Remainder	19 521 727	15,58
Total	125 327 364	100

Shareholders' analysis continued

as at 25 June 2022

Public and non-public shareholdings

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	15	0,04	9 077 485	7,24
Directors and prescribed officers	10	0,03	2 046 326	1,63
Aveng Limited Share Purchase Trust	2	0,01	12 036	0,01
Aveng Management Company	1	0,00	1 577	0,00
Aveng LTIP	1	0,00	7 000 373	5,59
Community Investment Trust	1	0,00	17 173	0,01
Public shareholders	39 680	99,96	116 249 879	92,76
Total	39 695	100,00	125 327 364	100,00

Beneficial shareholders holding more than 3%

Beneficial shareholdings	Total shareholding	%
Highbridge Tactical Credit	16 934 389	13,51
Whitebox Multi-Strategy Partners, L.P.	9 629 026	7,68
Steyn Capital Equity Fund	7 399 154	5,90
Whitebox Caja Blanca Fund, L.P.	4 330 000	3,45
Total	38 292 569	30,55

Substantial investment management and beneficial interests above 3%

Investment management shareholdings

Investment manager	Total shareholding	%
Whitebox Advisors LLC	18 311 304	14,61
Highbridge Capital Management	16 934 389	13,51
Steyn Capital Management (Pty) Ltd	10 662 970	8,51
First World Trader (Pty) Ltd	3 786 161	3,02
Total	49 694 824	39,65

Geographic split of investment managers and company-related holdings

Region	Total shareholding	% of issued capital
South Africa	76 462 773	61,01
United States of America and Canada	35 322 893	28,18
United Kingdom	941 579	0,75
Rest of Europe	2 960 730	2,36
Rest of World ¹	9 639 389	7,69
Total	125 327 364	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	76 245 609	60,84
United States of America and Canada	24 228 226	19,33
United Kingdom	941 579	0,75
Rest of Europe	2 960 730	2,36
Rest of World	20 951 190	16,72
Total	125 327 364	100,00

Annexure A – Salient details: Long-term Incentive Plan

INTRODUCTION

At the AGM of Aveng Limited (the Company) held on 10 November 2021 (2021 AGM), a new share scheme, namely the Long Term Incentive Scheme (LTIP 2022) for key senior executives was adopted by shareholders. The LTIP 2022 provides selected senior executives (“Participants”) with an opportunity of receiving ordinary shares in the Company through the granting of awards, whereby forfeitable shares are awarded to them, the vesting of which is subject to performance and/or retention conditions. Forfeitable shares have the same rights as other shareholders including voting rights and the right participate in dividends but are subject to vesting conditions. The salient details of the LTIP 2022, governing awards of forfeitable shares, are set out in Annexure B to the notice of the 2021 AGM.

Post the implementation of the LTIP 2022, it became apparent that tax legislation in Australia required awards of forfeitable shares of Participants who are Australian tax residents to be taxed on grant (when they are still subject to restrictions on their disposal by Participants) rather than on vesting, resulting in Participants having to incur borrowings to fund the upfront tax. This was considered undesirable for future grants and accordingly amendment of the LTIP 2022 is required to also allow for the alternative of awarding conditional awards the shares of which are only settled on vesting, and thereby taxed in Australia on vesting.

The purpose of these salient features is to set out the proposed main principles of the LTIP 2022 as relating to conditional awards, for purposes of obtaining shareholder approval to the amendments to the LTIP 2022 that are required to enable the granting of conditional awards.

BRIEF OVERVIEW OF LTIP 2022 AS PERTAINING TO CONDITIONAL AWARDS

Basis of Conditional Awards to Participants

The LTIP 2022 provides that a (i) performance award and/or (ii) retention award 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 (i.e. continued employment during the award

period) 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 and individual dilution limit relative to the issued share capital of the Company, as currently set for awards under the LTIP 2022, will continue to apply.

Participants will give no consideration for the award, settlement, vesting or exercise of conditional awards.

Participants in conditional awards will not have shareholder rights, including voting or dividend rights, in respect of shares in the Company, until such time as vesting and settlement of the conditional awards.

Eligibility

LTIP 2022 is designed for senior executives as determined by the remuneration committee.

Manner of settlement

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

Limits and adjustments

The overall Company limit for LTIP 2022 will not exceed 3 880 000 shares which equates to approximately 3% of the current issued share capital of the Company. The maximum number of shares which may be settled to any individual participant in aggregate under LTIP 2022, may not exceed 1 292 000 shares, which represents approximately 1% of the current issued share capital of the Company. The remuneration committee must, where required, adjust such limits (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. The remuneration committee may, where required, adjust these limits to take account of a capitalisation issue, a special dividend, a rights issue or reduction in capital of the Company.

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 for a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the Company limit and the individual limit.

Termination of employment Resignation, dismissal and mutual separation

All participants terminating employment due to resignation, dismissal or mutual separation from the employ of the Company, will forfeit all unvested conditional awards, except that the remuneration committee may determine otherwise in its discretion in respect of mutual separation.

Retirement, voluntary retirement, retrenchment, disability, death, and sale of an employer company's business.

A portion of the conditional awards of Participants terminating employment due to retirement, voluntary retirement, retrenchment, disability, death and sale of an employer company's business, will vest in the Participants.

For unvested conditional 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 relevant results reported by the Company as specified by plan rules, and the remuneration committee will adjust the number of awards based on the extent to which the performance conditions have been achieved over the reduced vesting period.

In exceptional circumstances the remuneration committee may, at its sole discretion, deviate from the foregoing and determine the actual number of awards that may vest in the above termination circumstances.

Change of control

Where a change of control of the Company is proposed, whether by means of a formal offer to acquire shares, or as a result of a compromise or an arrangement, or by any other mechanism (together, an "Offer"), the remuneration committee shall be entitled, in its sole discretion to either pay a Participant an amount in cash in lieu of a conditional award, based on the price offered in respect of the Offer, or to allow any Participant to participate in the Offer, for purposes whereof vesting and date of issue or transfer of shares to participant in settlement of their conditional awards will be accelerated to a date determined by the remuneration committee, subject to the satisfaction of any performance conditions. If the Offer does not proceed, the acceleration will be reversed and the conditional awards reinstated.

Awards will not vest because of an internal reconstruction or similar event which does not constitute 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 in a substantially worse economic position.

Variation in share capital

In the event of a capitalisation 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 a conditional award, the remuneration committee may make such adjustment to the number of unvested shares comprised in the conditional award as it deems appropriate. Such adjustment should place the Participant in substantially no worse position as he was prior to such event occurring.

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 conditional awards.

Annexure A – Salient details: Long-term Incentive Plan continued

Where necessary, in respect of any such adjustments, independent advisors 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.

Any adjustments made will be reported in the Company's annual financial statements in the year during which the adjustment is made.

If the Company is placed into liquidation for purposes other than re-organisation, a conditional award will ipso facto lapse as from the liquidation date.

A Participant will not be entitled to participate in any rights issue in respect of his conditional awards.

Amendments

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 exercised:

- the category of persons who are eligible for participation in the LTIP 2022;
- the number of shares which may be utilised for the purpose of the LTIP 2022;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which conditional awards are made;
- the amount payable upon the award, vesting, exercise and settlement of a conditional 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 conditional 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 conditional awards in the event of change of control; and
- the procedure to be adopted in respect of the vesting of conditional 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 in respect of certain trigger events, and claw-back will apply subsequent to the vesting date, both as 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 Company's remuneration report.

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*#,
ZB Swanepoel*#

*Non-executive #Independent

Company secretary

Edinah Mandizha
Business address and registered office
3rd Floor, 10 The High Street, Melrose Arch,
Johannesburg, 2076, South Africa
Telephone +27 (0) 11 779 2800

Company registration number

1944/018119/06

Share codes

Share code: AEG
Share ISIN: ZAE 000302618

Website

www.aveng.co.za

Auditor

KPMG Inc.
Registration number: 1999/021543/21
KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122
South Africa
Telephone +27 (0) 11 647 7111

Principal bankers

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

Corporate legal advisers

Alchemy Law Africa (Pty) Ltd
Pinsent Masons

Sponsor

Investec Bank Ltd
Registration number: 1925/002833/06
100 Grayston Drive, Sandown
Sandton, 2146
Telephone +27 (0) 11 286 7000

Registrars

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

