THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis,* to this cover.

ACTION REQUIRED BY AVENG SHAREHOLDERS

- Aveng Shareholders are referred to page 3 of this Circular, which sets out the action required of them with regard to matters set out in this Circular.
- If you are in any doubt as to what action you should take, you should consult your CSDP, broker, banker, legal advisor, accountant or other professional advisor immediately.
- If you have disposed of all of your Aveng Shares, please forward this Circular together with the attached form of proxy, to the purchaser to whom, or the CSDP or broker or agent through whom the disposal was effected.

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

AVENG LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1944/018119/06)

Share code on the JSE: AEG ISIN: ZAE000111829

("**Aveng**" or "**the Company**")

CIRCULAR TO AVENG SHAREHOLDERS

Relating to

- the approval of the disposal of a 51% beneficial interest in the Grinaker-LTA business, owned and operated by Aveng Africa, to Kutana Construction and the subsequent issue of the non-voting equity instrument by Kutana Construction to Aveng Africa resulting in Aveng disposing of an effective 45% economic interest in the Grinaker-LTA business to Kutana Construction. The Proposed Transaction constitutes a related party transaction in terms of the JSE Listings Requirements.

and including

– a Notice of General Meeting; and

– a form of proxy *(yellow)*, only for use by Certificated Shareholders and Dematerialised Own-name Shareholders.

Financial and transaction advisor

Transfer secretaries to Aveng

Transaction sponsor to Aveng

Transaction advisor to Kutana Capital

Transaction legal advisor to Aveng

Legal advisor to Kutana Capital

Independent expert to Aveng

Deloitte & Touche

Independent reporting accountant and auditor

Date of issue: Monday, 27 February 2017

Copies of this Circular are only available in English. Copies of this Circular and the Notice of General Meeting may be obtained from the registered office of Aveng and the Transaction Sponsor whose addresses are set out in the "Corporate Information" section of this Circular between Monday, 27 February 2017 and Wednesday, 29 March 2017. A copy of this Circular will also be available on Aveng's website (www.aveng.co.za).

CORPORATE INFORMATION

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, to this Corporate Information section.

DIRECTORS OF AVENG
MI Seedat – Independent Non-Executive Chairman
EK Diack – Independent Non-Executive
PJ Erasmus – Independent Non-Executive
SJ Flanagan – Independent Non-Executive
MA Hermanus – Independent Non-Executive
PA Hourquebie – Independent Non-Executive
MJ Kilbride – Independent Non-Executive
AH Macartney – Executive
JJA Mashaba – Executive
TM Mokgosi-Mwantembe – Non-Executive
KW Mzondeki – Independent Non-Executive
HJ Verster – Executive

TRANSACTIONAL LEGAL ADVISOR TO AVENG
Baker & McKenzie
Registration No: 2012/047447/21
1 Commerce Square
19 Rivonia Road, Sandhurst
Sandton, 2196
PO Box 781033
Sandton, 2146

TRANSACTION SPONSOR TO AVENG
KPMG Services Proprietary Limited
Registration No: 1999/012876/07
85 Empire Road
Parktown
Johannesburg, 2193
Private Bag X9
Parkview, 2122

REGISTERED OFFICE OF KUTANA CAPITAL
Kutana Capital (Pty) Limited
Registration No: 2009/021858/07
The Business Central
Cnr William Nicol and Leslie Avenue East
Design Quarter, Fourways
Johannesburg
South Africa, 2191
PO Box 71438
Bryanston, 2021

LEGAL ADVISOR TO KUTANA CAPITAL
Fluxmans Attorneys
Registration No: 2000/024775/21
30 Jellicoe Ave
Rosebank
Johannesburg, 2196
Docex 54 Johannesburg
Private Bag X41 Saxonwold, 2132

TRANSACTION ADVISOR TO KUTANA CAPITAL
Crest Capital
Registration No: 2005/022512/07
Sables, The Wanderers
21 North Street
Illovo, 2195
PO Box 72631
Parkview, 2122

FINANCIAL AND TRANSACTION ADVISOR TO AVENG
Nedbank Corporate and Investment Banking
Registration No: 1951/000009/06
135 Rivonia Campus
135 Rivonia Road
Sandown
Sandton, 2196
South Africa

COMPANY SECRETARY AND REGISTERED OFFICE OF AVENG
Michelle Nana
Block A, Aveng Park
1 Jurgens Street
Jet Park, Boksburg, 1459
PO Box 6062
Rivonia, 2128
South Africa
Telephone: +27 11 779 2800
E-mail: Info@aveng.com
Aveng was incorporated in South Africa on 22 November 1944

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
Registration No: 2004/003647/07
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
PO Box 61051
Marshalltown, 2107
South Africa

INDEPENDENT REPORTING ACCOUNTANT AND AUDITOR
Ernst & Young Incorporated
Registration No: 2005/002308/21
102 Rivonia Road
Sandton
Johannesburg, 2194
Private Bag X14
Northlands, 2116
South Africa

INDEPENDENT EXPERT TO AVENG
Deloitte & Touche
IRBA practice No: 902276
Deloitte Place, The Woodlands, 20 Woodlands Drive
Woodmead
Sandton
Johannesburg, 2193
Private Bag X6
Gallo Manor, 2052

TABLE OF CONTENTS

The definitions and interpretations commencing on page 5 of this Circular apply, mutatis mutandis, to this table of contents.

FORWARD-LOOKING STATEMENT DISCLAIMER

The definitions and interpretations set out on page 5 of this Circular apply to this forward-looking statement disclaimer.

This Circular contains statements about Aveng that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and may generally be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Aveng cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which Aveng operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Aveng, as communicated in publicly available documents by Aveng, all of which estimates and assumptions, although believed by Aveng to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Aveng or not currently considered material by Aveng.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Aveng to not develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Aveng has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis,* to the following action required by Aveng Shareholders.

PLEASE TAKE CAREFUL NOTE OF THE FOLLOWING PROVISIONS REGARDING THE ACTION REQUIRED BY AVENG SHAREHOLDERS

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

If you have disposed of all your Aveng Shares, please forward this Circular to the purchaser of such Aveng Shares or to the CSDP or legal advisor, accountant or other professional advisor or broker or agent through whom the disposal was effected.

The General Meeting, convened in terms of the Notice of General Meeting, incorporated in this Circular, will be held in a boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg, 1459 on Wednesday, 29 March 2017, commencing at 10:00.

GENERAL MEETING

1. **If you hold Dematerialised Shares:**

    1.1 ***Own-name Registration***

    You are entitled to attend, or be represented by proxy, and may vote at the General Meeting of Aveng. If you are unable to attend the General Meeting, but wish to be represented, you must complete and return the attached form of proxy *(yellow)*, in accordance with the instructions contained therein, to be received by the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Monday, 27 March 2017. Alternatively, such forms of proxy may be handed to the Company Secretary of Aveng at the General Meeting.

    1.2 ***Other than Own-name Registration***

    If your CSDP or broker does not contact you, you are advised to contact your CSDP or broker and provide them with your voting instructions. If your CSDP or broker does not obtain instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker. You must not complete the attached form of proxy *(yellow)*. In accordance with the custody agreement between you and your CSDP or broker, you must advise your CSDP or broker timeously if you wish to attend or be represented at the General Meeting. Your CSDP or broker will be required to issue the necessary letter of representation to you to enable you to attend, or to be represented at the General Meeting.

2. **If you hold Certificated Shares:**

    You are entitled to attend, or be represented by proxy, and may vote at the General Meeting. If you are unable to attend the General Meeting, but wish to be represented, you must complete and return the attached form of proxy *(yellow)*, in accordance with the instructions contained therein, to be received by the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on Monday, 27 March 2017. Alternatively, such forms of proxy may be handed to the Company Secretary of Aveng at the General Meeting.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis,* to this salient dates and times section.

	2017
Record date to receive the Notice of General Meeting	Friday, 17 February
Circular and Notice of General Meeting posted to Shareholders and announced on SENS	Monday, 27 February
Last date to trade in order to be eligible to vote at the General Meeting	Monday, 20 March
Record date in order to participate in the vote at the General Meeting	Friday, 24 March
Form of proxy to be lodged by no later than 10:00	Monday, 27 March
General Meeting to be held at 10:00	Wednesday, 29 March
Results of the General Meeting to be released on SENS	Wednesday, 29 March

Note

The above dates and times are subject to amendment. Any such amendment will be released on SENS.

All times indicated above are given in South African time.

To be valid, the completed form of proxy must be lodged with the Transfer Secretary of the Company, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), South Africa, to reach the Transfer Secretaries on or before 10:00 on Monday, 27 March 2017, being at least 48 hours (excluding Saturdays and Sundays and public holidays in South Africa) before the time appointed for the holding of the General Meeting. Alternatively, such forms of proxy may be handed to the Company Secretary of Aveng at the commencement of the General Meeting.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates otherwise, reference to the singular shall include the plural and vice versa, words denoting one gender include the others, words and expressions denoting natural persons include juristic persons and associations of persons and the words and expressions in the first column have the meanings stated opposite them in the second column.

"ACP Transaction"	disposal by Aveng Africa of the equity interests in Blue Falcon 140 Trading (RF) (Pty) Ltd, Imvelo Concession Company (RF) (Pty) Ltd, N3 Toll Concessions (Pty) Ltd and Windfall 59 Properties (RF) (Pty) Ltd to Royal Bafokeng Holdings (Pty) Ltd, as detailed in the circular to Aveng Shareholders dated Wednesday, 12 October 2016 and approved by Aveng Shareholders on Monday, 14 November 2016;
"Agreements"	collectively, the Sale of Business Agreement; the Trademark Sale Agreement; the Grinaker IP Share Sale Agreement, the Sale of Shares Agreement; the Grinaker HoldCo Share Sale Agreement; the Subscription Agreement and the amendments to the relevant Agreements to provide for the inclusion of the GCD Interest dated, 10 February 2017;
"Aveng Group" or "Group"	collectively, the Company, its subsidiaries and its associate companies;
"Aveng Africa"	Aveng Africa Proprietary Limited (registration number 1931/003300/07), a private company duly incorporated in accordance with the laws of the RSA and a wholly owned subsidiary of Aveng;
"Aveng Extractive Technologies Proprietary Limited"	Aveng Extractive Technologies Proprietary Limited (registration number 2011/147182/07), a private company duly incorporated in accordance with the laws of the RSA, of which 51% is owned by the Aveng Group;
"Aveng Water"	Aveng Water Proprietary Limited (registration number 1989/006995/07), a private company duly incorporated in accordance with the laws of the RSA and a wholly owned subsidiary of Aveng Africa;
"B-BBEE"	broad-based black economic empowerment, as such term is defined in the B-BBEE Act;
"B-BBEE Act"	the Broad-Based Black Economic Empowerment Act, No 53 of 2003;
"BEE Codes"	the Codes of Good Practice on B-BBEE contemplated in section 9 of the B-BBEE Act, as gazetted from time to time;
"Botswana Co"	Grinaker LTA Botswana Proprietary Limited (registration number 1973/1325), a private company duly incorporated in accordance with the laws of Botswana of which 100% is owned by the Aveng Group;
"Botswana Interest"	100% of the shares and all claims outstanding on loan account in Botswana Co;
"Business"	the Grinaker-LTA business owned and operated by Aveng, comprising the Business Divisions, the Namibian Interest, the Botswana Interest, the GCD Interest, the SRT Interest and the Water Interest;
"Business Assets"	all the assets held by Aveng Africa and used in conducting the Business, including the Current Contracts;
"Business Purchase Price"	the purchase price payable by EPC to Aveng Africa for the Business and the Business Assets, as detailed in paragraph 2.2.2 to this Circular;
"Business Consideration Shares"	71 ordinary shares in EPC which will be issued to Aveng Africa in settlement of the Business Purchase Price less the Business Liabilities assumed by EPC;
"Business Divisions"	collectively, the building and coastal construction business, the mechanical and electrical engineering business, the civil engineering business, the rand roads business and the ground engineering business;
"Business Day"	any day, other than a Saturday, Sunday or official public holiday in South Africa;
"Business Liabilities"	all the liabilities of Aveng Africa in relation to the Business;
"Calculation Date"	30 calendar days of the finalisation of the audited financial statements of EPC for its financial year ending 30 June 2020;
"Call Option"	irrevocable right and option by Aveng Africa, in terms of the Shareholders Agreement, to require Kutana Construction, to sell all of its shares in Grinaker HoldCo and all of its corresponding loan account in the following circumstances: (a) there is a change of control in Kutana Construction; (b) Kutana Construction breaches any material provisions of the Shareholders Agreement; (c) Kutana Construction is unable to fulfil its payment obligations in terms of the Deferred Payment; and (d) Kutana Construction has breached any of its B-BBEE undertakings as provided for in the Shareholders Agreement;

"Certificated Shareholders"	Aveng Shareholders who hold Certificated Shares;
"Certificated Shares"	Aveng Shares which have not been dematerialised, title to which is represented by a share certificate or other document of title;
"Circular"	this document distributed to Aveng Shareholders and dated Monday, 27 February 2017, containing the circular to Aveng Shareholders and annexures thereto;
"Closed Contracts"	any completed contracts relating to the Business which have entered into the Defects and Liabilities Period;
"Commission Agreement"	agreement entered into between Namibia Co and Karibib Mining Construction Company (Namibia) (Pty) Ltd in terms of which Namibia Co is entitled to certain commission based payments from Karibib Mining Construction Company (Namibia) (Pty) Ltd as compensation for Namibia Co waiving its right to claim from a third party;
"Companies Act"	the Companies Act, 71 of 2008, as amended;
"Company" or "Aveng"	Aveng Limited (registration number 1944/018119/06), a limited liability public company duly incorporated on 22 November 1944 in accordance with the laws of the RSA and listed on the main board of the JSE under equities code AEG, ISIN: ZAE000111829;
"Competition Authorities"	the Competition Commission, the Competition Tribunal and the Competition Appeal Court or their respective successors;
"Consideration Shares"	200 ordinary no par value shares in Grinaker HoldCo to be issued by Grinaker HoldCo to Aveng Africa in settlement of the purchase consideration payable by Grinaker HoldCo to Aveng Africa for the EPC Sale Shares, in terms of the Grinaker HoldCo Share Sale Agreement;
"CSDP"	a central securities depository participant registered in terms of the Financial Markets Act, with whom a beneficial holder of Aveng Shares holds a dematerialised share account;
"Current Contracts"	all current contracts existing between Aveng Africa and third parties in relation to the Business at the Effective Date, including the Identified Contracts;
"Defects and Liabilities Period"	collectively the specific defects and liabilities periods, provided for in each Identified Contract, during which Aveng needs to rectify any defects or make good any liabilities arising in relation to such Identified Contract;
"Deferred Payment"	the deferred payment in relation to the purchase price payable by Kutana Construction to Aveng Africa which will be quantified at the Calculation Date;
"Dematerialised Shares"	Aveng Shares which have been incorporated into the Strate system and which are no longer evidenced by certificates or other physical documents of title;
"Dematerialised Shareholders"	Aveng Shareholders who hold Dematerialised Shares;
"Dematerialised Own-name Shareholders"	Aveng Shareholders who hold Dematerialised Shares and who have instructed their CSDP to hold their Aveng Shares in their own name on the sub-register;
"Directors" or "Board"	the board of directors of Aveng, details of whom are set out on the front cover page of this Circular;
"Disposal"	subsequent to the Internal Restructuring, the disposal by Aveng Africa, of 51% of its beneficial interest in Grinaker HoldCo, which will hold 100% of the Business, to Kutana Construction and including the related Call Option and Put Option;
"EBITDA"	Earnings Before Interest, Tax, Depreciation and Amortisation;
"Effective Date"	10:00 on the first calendar day of the month following the fulfilment or waiver (as the case may be) of the last of the suspensive conditions as set out in the Sale of Shares Agreement;
"Emalahleni Project"	the eMalahleni water reclamation plant, designed and built to recover potable water from acid mine drainage from several mines in the eMalahleni (Witbank) area;
"Emerging Contractors"	Construction Industry Development Board certified Emerging Contractors;
"EPC"	EPC Engineering and Projects Company Proprietary Limited (registration number 1964/009758/07), a private company duly incorporated in accordance with the laws of the RSA and a wholly owned subsidiary of Aveng Africa;

"EPC Sale Shares"	collectively, the Original EPC Shares, the Business Consideration Shares and the Trademark Consideration Shares;
"Excluded Contracts"	contracts which will be transferred as part of the sale of business in terms of the Sale of Business Agreement and in respect of which the profits earned or losses incurred will be excluded for the purposes of calculating the Deferred Payment;
"Fair Value"	the fair value as between a willing buyer and a willing seller, which fair value shall, in the absence of a written agreement between the relevant parties, be determined by the Valuation Expert as contemplated in Annexure 8;
"GCD Co"	Grinaker-LTA Construction and Development Proprietary Limited, a private company duly incorporated in accordance with the laws of the RSA, with the registration number 1935/007433/07, which company on the Effective Date will hold only the Mauritian Interest. GCD Co is 100% owned by the Aveng Group;
"GCD Interest"	100% of the shares and all claims outstanding on loan account in GCD Co;
"General Meeting"	the General Meeting of Aveng Shareholders to be held at 10:00 on Wednesday, 29 March 2017 in a boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg, 1459, convened in terms of the Notice of General Meeting enclosed and forming part of this Circular;
"Government"	the government of the Republic of South Africa;
"Grinaker Co-Operation Agreement"	an agreement to be entered into between Aveng Africa and EPC in terms of which, following the sale of the Business to Grinaker HoldCo, the mechanical and engineering division of the Business will continue to provide management services to Aveng Extractive Technologies Proprietary Limited in terms of existing agreements;
"Grinaker HoldCo"	Aveng Grinaker LTA Holdings Proprietary Limited (registration number 2016/326850/07), a private company duly incorporated in accordance with the laws of the RSA, a dormant company that is 100% held by Aveng prior to the Disposal;
"Grinaker HoldCo Share Sale Agreement"	the sale of shares agreement, dated 11 October 2016, between Grinaker HoldCo and Aveng Africa in terms of which Aveng Africa shall acquire the Consideration Shares in consideration for the EPC Sale Shares;
"Grinaker HoldCo Shares"	200 ordinary shares in Grinaker HoldCo of which, post the Proposed Transaction, 49% will be held by Aveng Africa and 51% by Kutana Construction;
"Grinaker IP"	Grinaker-LTA Intellectual Property Company Proprietary Limited (registration number 2000/025312/07), a private company duly incorporated in accordance with the laws of the RSA, of which 100% is owned by the Aveng Group;
"Grinaker IP Share Sale Agreement"	the sale of share agreement, dated 11 October 2016, between Grinaker IP and Aveng Africa in terms of which Grinaker IP will sell the Trademark Consideration Shares to Aveng Africa for a consideration to be settled through the issue of 3 000 ordinary shares in Aveng Africa;
"Identified Contracts"	the contracts entered into between (i) Aveng Africa and Trans Caledon Tunnel Authority in relation to the Mokolo and Crocodile Water Augmentation Project in 2011 under contract number 067UW01; and (ii) Aveng Africa and Eskom SOC Limited in 2013 pertaining to the Majuba Rail Project under contract number IN0004EW;
"Independent Expert"	Deloitte & Touche (IRBA practice number 902276), independent expert to the Proposed Transaction;
"Internal Restructuring"	the restructuring of the Grinaker-LTA business owned and operated by Aveng Africa as detailed in Part 1 to this Circular;
"JSE"	the exchange operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated and registered in accordance with the laws of the RSA and licensed as an exchange under the Financial Markets Act, 19 of 2012;
"JSE Listings Requirements"	the Listings Requirements of the JSE, from time to time;
"King Report on Corporate Governance" r "King III"	a code of, and report on corporate governance principles for South Africa;
"Kutana Capital"	Kutana Capital Proprietary Limited (registration number 2009/021858/07), a private company duly incorporated in accordance with the laws of the RSA and the holding company of Kutana Construction;

"Kutana Construction" or "the Purchaser"	Kutana Construction Proprietary Limited (registration number 2016/265021/07), a private company duly incorporated in accordance with the laws of the RSA and a related party in terms of the JSE Listings Requirements. Kutana Construction is currently 100% owned by Kutana Capital;
"Kutana Group"	Kutana Capital and its subsidiary companies, from time to time;
"Last Practicable Date"	Friday, 17 February 2017, the last practicable date prior to the finalisation of this Circular;
"Mauritian Co"	Rehm Grinaker Construction Company Limited (registration number 9745), a public company duly incorporated in accordance with the laws of Mauritius, of which 43% is owned by the Aveng Group;
"Mauritian Interest"	43% of the issued shares held by Aveng Africa and any claims on loan account in Mauritius Co;
"McConnell Dowell"	an Australian based subsidiary of Aveng Limited
"Nacala Contract"	contract entered into between Aveng Mozambique Limitada and Corredor Logistico Integrado de Nacala, SA, in relation to the Nacala Rail Project;
"Namibia Co"	Aveng Namibia Proprietary Limited (registration number 1178), a private company duly incorporated in accordance with the laws of Namibia, of which 100% is owned by the Aveng Group;
"Namibian Interest"	100% of the shares and all claims outstanding on loan account in Namibia Co;
"NAV"	net asset value;
"Net Upfront Payment"	the Upfront Payment net of the Subscription Price;
"Notice of General Meeting"	a notice of General Meeting and a form of proxy *(yellow),* which is enclosed and forms part of this Circular and which will convene the General Meeting of Aveng Shareholders for the purpose of considering and, if deemed fit, approving the resolutions set out in such Notice of General Meeting relating to the Proposed Transaction;
"NVE Instrument"	the non-redeemable, participating non-voting class share to be issued by Kutana Construction to Aveng Africa in terms of the Subscription Agreement and subject to the Put Option;
"NVE Instrument Subscription"	the subscription by Aveng Africa for the NVE Instrument in terms of the Subscription Agreement;
"Original EPC Shares"	100 ordinary shares in EPC, constituting 100% of the issued shares in EPC, held by Aveng Africa prior to the Internal Restructuring;
"Own-name Registration"	the registration of Aveng Shareholders who hold Aveng Shares that have been dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Aveng Shareholder;
"Phase 1 D&B Emalahleni Contract"	the first phase design and build contract pertaining to the Emalahleni Project, entered into between Aveng Water and Anglo Operations on 9 December 2005;
"Phase 2 D&B Emalahleni Contract"	the second phase design and build contract pertaining to the Emalahleni Project, entered into between Aveng Water and Anglo Operations on 16 September 2011;
"Phase 1 O&M Emalahleni Contract"	the first phase operation and maintenance contract pertaining to the Emalahleni Project entered into between Aveng Water and Anglo Operations Limited on 1 October 2010;
"Phase 2 O&M Emalahleni Contract"	the anticipated second phase operation and maintenance contract in relation to the Emalahleni Project, which may be awarded to Aveng Water, pending the outcome of the Phase 1 O&M Emalahleni Contract;
"Pre-emptive Rights"	the undertakings by each of Kutana Construction and Aveng Africa to first offer their Grinaker HoldCo Shares and their claims in respect of any corresponding loan account to the remaining shareholders on receipt of any offer for the purchase of their Grinaker HoldCo Shares or should either party wish to dispose of their Grinaker HoldCo Shares post the expiry of the Shares Lock-in;
"Proposed Transaction"	the proposed transaction, as contemplated in this Circular and which constitutes the Disposal and the NVE Instrument Subscription which will have the effect that Aveng Africa will dispose of an effective 45% economic interest in the Business;
"Put Option"	the irrevocable right and option granted by Kutana Capital to Aveng Africa, to put the NVE Instrument and any corresponding loan account held by Aveng Africa against Kutana Construction in the circumstances detailed in paragraph 3.4 of this Circular;
"Register"	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDP's;

"RSA"	the Republic of South Africa;
"Sale of Business Agreement"	the agreement, dated 11 October 2016, entered into between Aveng Africa and EPC in terms of which EPC shall purchase the Business from Aveng Africa;
"Sale of Shares Agreement"	the agreement, dated 11 October 2016, entered into between Aveng Africa and Kutana Construction in terms of which Kutana Construction shall purchase 51% of the Grinaker HoldCo Shares from Aveng Africa;
"SANRAL"	South African National Roads Agency Limited;
"SENS"	the Stock Exchange News Service of the JSE;
"Settlement Agreement"	the agreement entered into between Aveng Africa and the Government of the Republic of South Africa, together with the participating construction companies on 11 October 2016, so as to fully and finally settle possible civil claims which certain identified public bodies may have against the construction companies;
"Shares" or "Aveng Shares"	ordinary shares in Aveng;
"Shareholders" or "Aveng Shareholders"	holders of Aveng Shares, which includes Certificated Shareholders, Dematerialised Shareholders and Dematerialised own-name Shareholders;
"Shareholders Agreement"	the agreement, dated 11 October 2016, between Aveng Africa, Kutana Construction and Grinaker HoldCo in terms of which the relationship between each of the parties will be governed including the Shares Lock-in, the Pre-emptive Rights and the Call Option;
"Share Certificates"	share certificates evidencing the Shares held by Certificated Shareholders or any other Document of Title acceptable to the Board in its sole discretion;
"Shares Lock-in"	the undertaking by each of Kutana Construction and Aveng Africa, as detailed in the Shareholders Agreement, restricting their ability to dispose or encumber their Grinaker HoldCo Shares;
"Signature Date"	the date of signature of the Agreements by the last of its signatories;
"SRT Co"	Specialised Road Technologies Proprietary Limited, a private company duly incorporated in accordance with the laws of RSA, with the registration number 1996/009045/07, of which 15% is owned by the Aveng Group;
"SRT Interest"	15% of the shares and all claims outstanding on loan account in SRT Co;
"Strate"	Strate Proprietary Limited, registration number 1998/022242/07, a private company incorporated in accordance with the laws of the RSA and which is a registered central securities depository responsible for the electronic custody and settlement system used by the JSE;
"Steeledale Transaction"	the disposal by Aveng Africa of a 70% interest in the Aveng Steeledale business to Kutana Steel (Pty) Ltd, as detailed in the circular to Aveng Shareholders dated Wednesday, 12 October 2016 and approved by Aveng Shareholders on Monday, 14 November 2016;
"Subscription Agreement"	the agreement, dated 11 October 2016, entered into between Kutana Construction, Aveng Africa and Kutana Capital, in terms of which Aveng Africa will subscribe for the NVE Instrument at a subscription price of R2 675 737;
"Subscription Price"	R2 675 737, which amount shall be set off against the Upfront Payment payable by Kutana Construction to Aveng Africa in terms of the Sale of Shares Agreement between Aveng Africa and Kutana Construction;
"Trademarks"	collectively, all patents, trademarks, trade names, patent and/or trademark applications and patent and/or trademark registrations used by Aveng Africa, Botswana Co, GCD Co, Namibia Co and Aveng Water in the conduct of the Business;
"Trademark Consideration Shares"	29 ordinary shares in EPC, constituting 14.6% of the issued shares in EPC, issued to Grinaker IP as consideration for the Trademarks, which Trademark Consideration shares will be sold by Grinaker IP to Aveng Africa in terms of the Grinaker IP Share Sale Agreement;
"Trademark Sale Agreement"	the agreement, dated 11 October 2016, between Grinaker IP and EPC in terms of which EPC acquired the Trademarks from Grinaker IP for the Trademark Consideration Shares;

“the Transfer Secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of the RSA, being the transfer secretaries of Aveng;
“Upfront Payment”	an amount of R22 675 737, comprising a portion of the purchase price payable by Kutana Construction to Aveng Africa in terms of the Sale of Shares Agreement;
“VAT”	Value Added Tax as levied in terms of the Value Added Tax Act, 89 of 1991;
“Water Interest”	100% of the shares and all claims outstanding on loan account in Aveng Water;
“ZAR”	South African Rand.

AVENG LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1944/018119/06)

Share code on the JSE: AEG ISIN: ZAE000111829

("**Aveng**" or "**the Company**")

CIRCULAR TO AVENG SHAREHOLDERS

INTRODUCTION AND PURPOSE OF THE CIRCULAR

Shareholders were advised in announcements published on SENS on 11 October 2016 and 9 January 2017 that, Aveng and various of its subsidiaries including Aveng Africa, have entered into Agreements to implement the Internal Restructuring and to dispose of an effective 45% economic interest in the Business to Kutana Construction. The Proposed Transaction will be effected through the disposal by Aveng Africa of 51% of its beneficial interest in the Business to Kutana Construction and the subsequent issue of an ordinary NVE Instrument in Kutana Construction to Aveng Africa. The Proposed Transaction is in line with the Company's stated objective to substantially transform the Business through improving the B-BBEE score of the Business and working towards a black ownership structure in relation to the Business.

The Proposed Transaction constitutes a related party category 1 transaction which, in terms of the JSE Listings Requirements, is subject to Shareholder approval by way of an ordinary resolution. The salient terms of the Internal Restructuring and the Proposed Transaction are set out in part I of this Circular.

The purpose of this Circular is to provide Aveng Shareholders' with the requisite information in accordance with the JSE Listings Requirements, to enable Aveng Shareholders to make an informed decision in respect of the proposed resolution, as set out in the Notice of the General Meeting distributed to Shareholders which forms a part of this Circular.

PART I – THE INTERNAL RESTRUCTURING AND PROPOSED TRANSACTION

1. RATIONALE FOR THE PROPOSED TRANSACTION

The Aveng Group is strongly committed to meeting both its transformation and growth objectives in a sustainable manner. The Proposed Transaction forms part of the Aveng Group's efforts to achieve these objectives. Aveng remains of the belief that the Business forms a core part of the Aveng Group's business undertaking, and the Proposed Transaction is, therefore, a strong commitment to the South African economy. Accordingly, as opposed to a wholesale disposal of the Business, the Proposed Transaction has been concluded to:

(a) create a platform for growth and sustainability for the Business within the construction industry. Having completed the first phase of its strategy, namely to *recover and stabilise,* Aveng is presently executing the second phase, *position for profitable growth.* Aveng has stabilised the Business and is now moving boldly to position itself in South Africa and the rest of Africa for growth by transforming itself in a meaningful and irrevocable manner;

(b) achieve Aveng Group's transformation objectives, including introducing a black women-owned participant and emerging black contractors into the market, and developing black professional and management skills in the construction sector;

(c) align the strategy of the Business with the Government's economic transformation agenda and policies, to further the development and transformation of the South African construction industry as a whole, in a manner which would ultimately result in value enhancement for shareholders. Through the Settlement Agreement reached with the Government, the Business is building trust and confidence with the public sector, in order to collaboratively contribute to the infrastructure development needs of South Africa and the region as a whole. Furthermore, in this regard, it is noted that the Proposed Transaction has been structured in such a manner so as to assist the Business with compliance with the revised BEE Codes; and

(d) create:

(i) an improved and sustainable black women-owned new entrant in the construction industry;

(ii) opportunities for the development of Emerging Contractor(s) and any other relevant and appropriate parties as identified by Aveng Africa and agreed between the parties;

(iii) an opportunity to attract, develop and retain black professional and management talent in the construction industry;

(iv) a sustainable commercial value proposition pertaining to the Business for the benefit of Shareholders and other stakeholders;

(v) an organisational framework best suited to align the Business with the Government's transformation agenda, including through the improvement achieved in the B-BBEE Scorecard; and

(vi) an enabling framework for compliance with both the spirit and the transformation-related obligations contained in the Settlement Agreement.

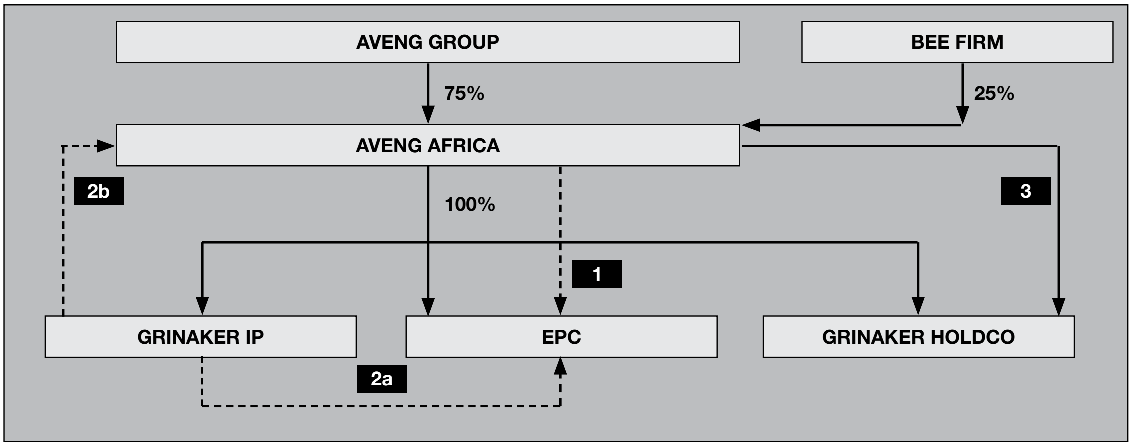
2. PART A: THE INTERNAL RESTRUCTURING

2.1 Introduction

Prior to implementation of the Proposed Transaction Aveng will undertake an Internal Restructuring in preparation for the disposal of a 51% beneficial interest in Grinaker HoldCo to Kutana Construction.

The flow chart below sets out the implementation steps for the Internal Restructuring:

INTERNAL RESTRUCTURE OF AVENG AFRICA



STEP 1: Aveng Africa will sell the Business to EPC in exchange for the Business Consideration Shares.

STEP 2a: Grinaker IP will sell all the Trademarks used by Aveng Africa to EPC in exchange for the Trademark Consideration Shares.

STEP 2b: Grinaker IP will sell the Trademark Consideration Shares in EPC to Aveng Africa in exchange for Aveng Africa Shares.

STEP 3: Aveng Africa will sell the EPC Sale Shares to Grinaker HoldCo for the Consideration Shares.

2.2 Sale of the business

Aveng Africa owns and operates the Business which is a leading engineering and construction business. The Business offers a comprehensive range of standalone or integrated services in building, civil engineering, roads, earthworks, concrete, ground engineering, piping and mechanical, electrical and instrumentation contracting.

2.2.1 *Sale of the Business to EPC*

Aveng Africa has entered into a Sale of Business Agreement with EPC to sell the Business, including the Business Assets, which is owned and operated by Aveng Africa, to EPC. The Business comprises the following:

i. Business Divisions:
   - the building business which constitutes the construction of commercial, residential, industrial and retail developments, both small and large, within South Africa and Sub-Saharan Africa. It also includes specialist expertise including the Green start building, data centre, public/private partnerships and design and building developments;
   - the coastal business constitutes the general building and smaller civil type contracting (residential, retail, hospital, commercial, industrial, automotive, hospitality, schools and educational facilities). It provides turnkey, design build solutions and public/private partnerships as well as wind farms and precast concrete solutions;
   - the mechanical and electrical engineering business, which comprises the Business' full Structural Mechanical Electrical Instrumental Piping ("SMEIP") offering across the oil and gas, mining and power sectors as well as maintenance and shutdown services for all major refineries in South Africa (Sasol, SAPREF, Engen and Chevron), pipe spool fabrication facilities in Vanderbijlpark, Secunda, Durban and Cape Town and an Electrical and Instrumental ("E&I") fabrication facility in Vanderbijlpark (sheet metal fabrication, powder coating and wet spray painting, electrical and instrumentation assembly and panel building);
   - the civil engineering business which is made up of rail infrastructure, roads and earthworks, pipelines, dams, bridges, geotechnical and asphalt and binders and chimneys design build specialists and maintenance;
   - the rand roads business which is the manufacturer, supplier and applicator of asphalt based products, modified bituminous binders, rubber bitumen, pen-bitumen as well as a number of primes and emulsions from the various plants as required by customers in the various sectors; and
   - the ground engineering business which is made up of piling, grouting, lateral support and geotechnical investigations.

ii. the Namibian Interest;

iii. the Botswana Interest;

iv. the GCD Interest;

v. the SRT Interest; and

vi. the Water Interest.

In terms of the Sale of Business Agreement, Aveng Africa will cede all of its rights and delegate all of its obligations, including all liabilities in the ordinary course of business, in terms of the Current Contracts to EPC with effect from the Effective Date. In relation to the Identified Contracts and Closed Contracts, following depletion of any provision made for the liability of any claims arising out of the identified Contracts and the Closed Contracts, Aveng Africa has warranted any claims in excess of R5 million, in the ordinary course of business. The details relating to the liability in relation to the Emalahleni Project are set out in Annexure 9 to this Circular.

It has further been agreed that, with regards to the Identified Contracts, EPC will collect and hold all amounts that are owed, due and payable to Aveng Africa in respect of the Identified Contracts and pay such collected amounts to Aveng Africa. Aveng Africa has indemnified EPC for any losses incurred by it in relation to the Identified Contracts due to an unfavourable award/finding against Aveng Africa as a result of any ongoing litigation/arbitration proceedings pertaining to the Identified Contracts.

As at the signature date of the Sale of Business Agreement, GCD Co held the Mauritian Interest and other assets. It is a condition precedent to the transfer of the GCD Co to EPC that Aveng Africa transfers the other assets out of GCD Co. If the transfer of the GCD Co to EPC does not take place by the Effective Date, then the sale of the GCD Interest will not take place at the Effective Date and will take place on the first Business Day following the transfer of the last of the other assets in GCD Co, so that only the Mauritian Interest remains.

2.2.2 *Business Purchase Price*

The Business Purchase Price, payable by EPC to Aveng Africa, shall be calculated in accordance with the following formula:

$PP = a + b + c + d + e - f$

Where

PP = Purchase Price;

a = market value of the plant and equipment as at the Effective Date;

b = market value of the Namibian Interest, the Botswana Interest, the GCD Interest, the Water Interest and the SRT Interest as at the Effective Date;

c = carrying amount of the inventory and contracts in progress in the accounting records of Aveng Africa in relation to the Business as at the Effective Date but excluding the inventory of Namibian Co, Botswana Co, GCD Co, Aveng Water and SRT Co;

d = carrying amount of the trade and other receivables net of doubtful debt impairment, in the accounting records of Aveng Africa in relation to the Business as at the Effective Date but excluding the carrying amount of the amounts due from customers and trade and other receivables of the Namibian Interest, the Botswana Interest, the GCD Interest, the Water Interest and the SRT Interest;

e = cash as agreed between the Parties; and

f = the carrying value of the trade and other receivables relating to the Identified Contracts.

VAT at a rate of 0% shall be payable in respect of the disposal of the Business.

Based on the 30 June 2016 balance sheet of the Business, it is estimated that the Business Purchase Price will be in the range of R469.0 million (excluding the value of the Trademarks pertaining to Aveng Water).

2.2.3 *Discharge of the Business Purchase Price*

The Business Purchase Price will be partly discharged by EPC assuming the Business Liabilities. The balance of the Business Purchase Price will be settled through the issue by EPC of the Business Consideration Shares to Aveng Africa.

2.2.4 *Warranties and indemnities*

Aveng Africa warrants the financial position of the Business, as reflected in the signature date accounts and the effective date accounts is a true and accurate reflection of the financial position of the Business, in relation to the financial period to which it relates.

Aveng Africa indemnifies EPC for any costs and/or losses that it may incur in relation to (i) any remedial work to be performed in terms of the Nacala Contract; and (ii) the Settlement Agreement.

2.2.5 *Other salient terms of the Sale of Business Agreement*

The Sale of Business Agreement further provides for the following:

- Aveng Africa retains its right to receive any commission payments due to Namibia Co in terms of the Commission Agreement;
- the mechanical and electrical engineering division of the Business will continue to provide management services to AET in terms of the Grinaker Co-Operation Agreement; and
- any liability in relation to the Emalahleni Project, will be dealt with as detailed in Annexure 9;

A summary of the salient terms of the Nacala Contract, the Commission Agreement, the Grinaker Co-Operation Agreement and the Emalahleni Project are set out in Annexure 9.

2.3 **Sale of trademarks and trademark consideration shares**

The Aveng Group uses the Trademarks owned by Grinaker IP in conducting the Business. The collectively experience of the Business Divisions in the industry expands over 125 years. Accordingly, over the years, the Business has built brand and technical equity which will benefit the Business going forward and this value is acknowledged by Kutana Construction.

2.3.1 *Sale of Trademarks to EPC*

Grinaker IP and EPC have entered into the Trademark Sale Agreement in terms of which Grinaker IP will sell the Trademarks to EPC on the Effective Date.

In terms of the Trademark Sale Agreement, Grinaker IP will cede, assign and transfer all of Grinaker IP's right, title and interest in these Trademarks to EPC.

2.3.1.1 Purchase consideration

The purchase consideration for the sale of the Trademarks by Grinaker IP to EPC will be settled through the issue of Trademark Consideration Shares by EPC to Grinaker IP. The Trademark Consideration Shares will constitute 14.6% of the issued shares in EPC.

2.3.2 *Sale of Trademark Consideration Shares to Aveng Africa*

Grinaker IP and Aveng Africa have entered into the Grinaker IP Share Sale Agreement in terms of which Grinaker IP will sell the Trademark Consideration Shares to Aveng Africa. Ownership in, and the associated risk in and benefit to, the Trademark Consideration Shares will pass from Grinaker IP to Aveng Africa on the Effective Date.

2.3.2.1 Purchase consideration

The purchase consideration for the Trademark Consideration Shares is to be settled by way of an issue of 3 000 000 ordinary shares in Aveng Africa to Grinaker IP.

2.4 **Sale of shares between Aveng Africa and Grinaker HoldCo**

Aveng Africa and Grinaker HoldCo have entered into the Grinaker HoldCo Share Sale Agreement in terms of which Aveng Africa will acquire the Consideration Shares for the EPC Sale Shares.

Consideration Shares

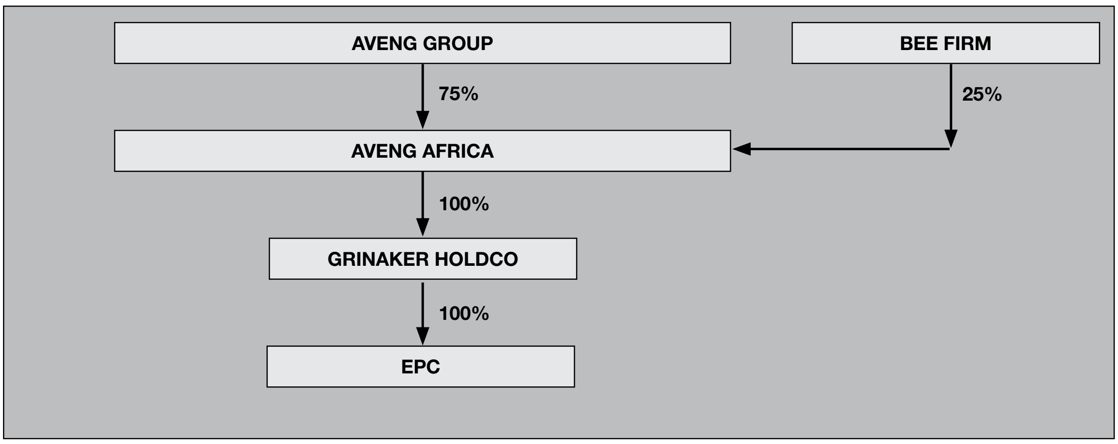
Grinaker HoldCo will issue 200 ordinary shares, constituting 100% of the Grinaker HoldCo share capital, to Aveng Africa for the EPC Sale Shares. Following the implementation of the above, Aveng Africa will hold 100% of the shares in Grinaker HoldCo which will in turn own 100% of EPC.

2.5 **Shareholder approvals required**

For clarity, the Internal Restructuring does not require Shareholder approval as the Internal Restructuring does not result in any change to the financial position or the operations of the Aveng Group. The internal restructure is not a categorised transaction in terms of section 9 of the JSE Listings Requirements.

The flow chart below sets out the Aveng Group Structure post the Internal Restructuring and prior to the Disposal:

AVENG GROUP POST INTERNAL RESTRUCTURING



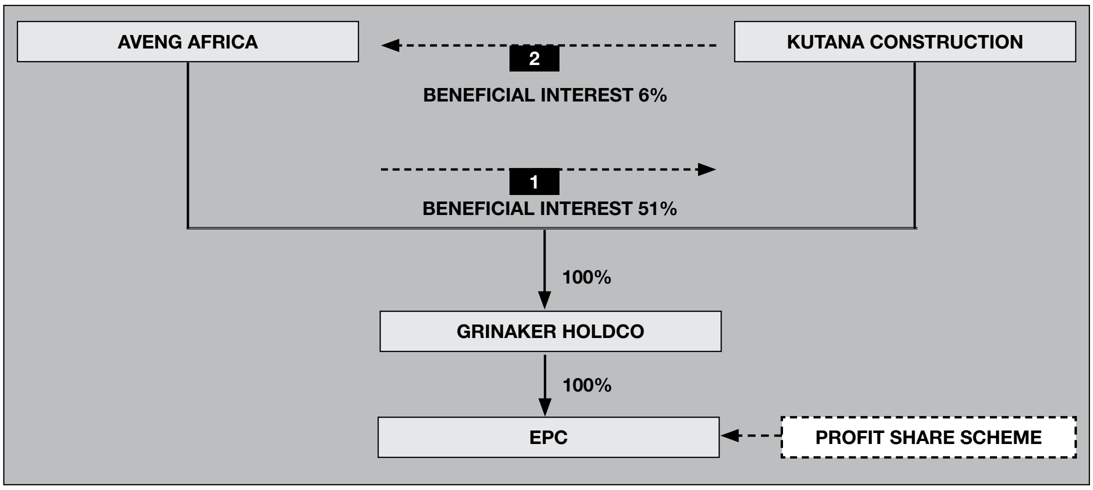
3. PART B: THE DISPOSAL

3.1 Introduction

Subsequent to the Internal Restructuring detailed above, Aveng Africa has entered into binding agreements with Kutana Construction whereby Kutana Construction will acquire a 51% beneficial interest in the Business, with the intention of substantially transforming the Business. Aveng Africa will be entitled to a further 6% of the economic benefit in Grinaker HoldCo as a result of the subscription for the NVE Instrument in Kutana Construction. The Disposal and the NVE Instrument Subscription collectively result in Aveng Africa effectively disposing of a 45% economic interest in the Business.

The Proposed Transaction will be implemented on the Effective Date as follows:

DISPOSAL OF THE BUSINESS BY AVENG AFRICA TO KUTANA CONSTRUCTION



STEP 1: Aveng Africa sells 51% of the shares in Grinaker HoldCo in exchange for an (i) Upfront Payment; and (ii) Deferred Payment.

STEP 2: Aveng Africa subscribes for the NVE Instrument in Kutana Construction entitling Aveng to a further 6% of the economic benefit in Grinaker HoldCo.

3.2 The disposal

Sale of Shares to Kutana Construction

Aveng Africa and Kutana Construction have entered into a Sale of Shares Agreement in terms of which Aveng Africa will sell 51% of its beneficial interest in Grinaker HoldCo to Kutana Construction. The Proposed Transaction aims to achieve the Company's transformation objectives.

Suspensive Conditions

The Sale of Shares Agreement is subject to the fulfilment of the following suspensive conditions, on or before 31 March 2017:

(i) the approval of the Disposal by the Competition Commission, the Competition Tribunal and the Competition Appeal Court or their respective successors;

(ii) approval by Shareholders of the Disposal resolution at the General Meeting;

(iii) the necessary funding arrangements with third party financiers in respect of the Initial Payment being entered into by Kutana Construction, on terms and conditions that are agreeable to both Aveng Africa and Kutana Construction.

Purchase consideration

The purchase consideration payable by EPC to Aveng Africa for the sale shares shall be the (i) Upfront Payment; and (ii) Deferred Payment, calculated as follows:

The purchase consideration for the Disposal is calculated as 51% of a six times multiple of the average EBITDA for EPC over a three year period to be settled with an Upfront and Deferred Payment as follows:

i. An Upfront Payment of R22.67 million to be settled as follows:
   - R20 million by way of a non-refundable, cash payment; and
   - R2.67 million by way of set-off against the amount payable by Aveng Africa to Kutana Construction in respect of the Subscription Price for the NVE Instrument as set out in the Subscription Agreement.

ii. Deferred Payment

   Due to the financial performance of the Business over the past number of years, the Deferred Payment will be determined based on the financial performance of the Business over the 2018, 2019 and 2020 financial years.

– The Deferred Payment shall be calculated as follows:

Deferred payment = ((a x 6 x 51%) – Net Upfront Payment)

where

a = the average of the adjusted EBITDA of EPC for the three financial years beginning 1 July 2017 and ending 30 June 2020, and this amount is to be determined within 30 calendar days of the finalisation of the audited financial statements of EPC for its financial year ending 30 June 2020.

The Deferred Payment shall not be less than the Deferred Payment floor and more than the Deferred Payment cap calculated as follows:

Deferred Payment floor: shall be 51% of the Fair Value of the Business as determined by a valuation expert as at the end of the 30 June 2020 less the Net Upfront Payment and will be triggered in the event that the calculation pertaining to the Deferred Payment is less than or equal to 95% of the total NAV of the Business less the Net Upfront Payment.

The adjusted EBITDA for each financial year shall be the actual EBITDA determined with reference to the audited financial statements of EPC, adjusted for the following:

– the profits earned or losses incurred relating to the Excluded Contracts. The Identified Contracts form part of the Excluded Contracts for purposes of the Sale of Shares Agreement. In addition, the Excluded Contracts includes Bop Kusile (contract number 214MEGRP03) and the commission agreement with Karibib Mining and Construction (Namibia) Ltd, details of which are included in the extracts from the Sale of Shares Agreement set out in Annexure 10 to this Circular, as well as the Phase 1 D&B Emalahleni Contract, the Phase 2 D&B Emalahleni Contract and Pembani (contract number 6943) only in the event that a new contract is not negotiated;
– any profit or loss on sale of assets;
– any retrenchment and restructuring costs;
– Any income or expenses associated with lawsuits, arbitrations, insurance losses, insurance claim recoveries and once-off disputes;
– any income or expenses associated with the Identified Contracts;
– payments of any annual contributions made by Aveng Africa to EPC to enable EPC to discharge its obligations in terms of the Settlement Agreement;
– any profits or loss arising out of the Grinaker Co-Operation Agreement, and the activities of Aveng Extractive Technologies (Pty) Ltd following exercise of the AET Put Option (as defined in Annexure 9).
– any costs associated with any employee incentive schemes;
– any once-off professional fees; and
– any recognised expenses associated with legacy funded share based payments incurred prior to the Effective Date.

The Deferred Payment is capped at R920.0 million for the Disposal, which is the purchase price cap of R942.7 million less the Upfront Payment.

iii. Security for Deferred Payment

Any amount declared and paid as dividend by Grinaker HoldCo will be retained or paid as follows:

(i) 11.8% of any dividend income attributable to Kutana Construction will be paid to Aveng Africa in the form of dividends relating to the NVE Instrument;
(ii) 80% of the difference between Kutana Construction's dividend income and the amount calculated in (i) to be paid into and retained in trust by Fluxman's in favour of Aveng Africa as security for the Deferred Payment; and
(iii) the remaining dividends will be paid to Kutana.

The table below explains the purchase price in terms of the 51% beneficial interest and 45% economic interest:

Million (m)	51% beneficial interest	Less NVE Instrument	45% economic interest
Upfront Payment	R22.7 million	(R2.7 million)	R20.0 million
Deferred Payment	(Adjusted EBITDA x 6 x 51%) less R22.7 million	(Adjusted EBITDA x 6 x 6%) less R2.7 million	(Adjusted EBITDA x 6 x 45%) less R20.0 million
Purchase price cap	R942.7 million	(R110.9 million)	R831.8 million
Deferred Payment cap	R942.7 million less R22.7 million = R920.0 million	(R110.9 million) less (R2.7 million) = (R108.2 million)	R831.8 million less R20.0 million = R811.8 million
Purchase price floor trigger	Deferred Payment < 95% of the NAV of the Business less the Upfront Payment		
Deferred Payment floor, if triggered	51% of Fair Value of the Business	6% of Fair Value of the Business	45% of Fair Value of the Business
Attributable NAV at 30 June 2016	R34.4 million	(R4.1 million)	R30.3 million

3.3 **Shareholders' Agreement**

Aveng Africa and Kutana Construction as co-shareholders in Grinaker HoldCo, have entered into the Shareholders' Agreement to govern their relationship.

Some important highlights of the Shareholders Agreement include:

(a) In terms of the Shareholders' Agreement, Kutana Construction has undertaken to facilitate the introduction of:

(i) a Construction Industry Development Board (CIDB) certified Emerging Contractor(s) into the business through:

a. a possible sale of the Emerging Contractor(s) business(es) into EPC; and

b. acquiring a minimum of 10% and up to a 30% equity stake in Kutana Construction;

(ii) any further relevant and appropriate parties into Kutana Construction as identified by Aveng Africa and agreed between the parties and acceptable to Kutana Capital, to subscribe for shares in Kutana Construction, on terms to be agreed between the parties to any such agreement.

The introduction of the Emerging Contractor(s) or other relevant and appropriate parties into either EPC or Kutana Construction as detailed in point (a) above will be formalised at a future date. An assessment of any such corporate action or any further amendments to the Shareholders Agreement will be done at such future date and any applicable shareholders approval and or listings requirements will be complied with.

(b) Notwithstanding the aforegoing, Kutana Capital's interest in Kutana Construction shall not be fall below 51% (Kutana Interest). In giving effect to the aforegoing undertakings, Kutana Capital may elect for the Kutana Interest to be transferred to a wholly owned subsidiary of Kutana Capital and such subsidiary shall be agreed upon in writing by Aveng Africa, which shall not be unreasonably withheld.

(c) Employee Incentive Schemes:

(i) So as to attract and retain key talent, particularly black professional and management talent, EPC will implement a forfeitable share plan to incentivise senior management in EPC, in terms of which not less than 9% of the shares in Kutana Construction will be contributed by Kutana Capital (or its nominated subsidiary, to be agreed upon in writing by Aveng Africa).

(ii) In addition, the employee incentive schemes will be implemented in place of the current incentive schemes in operation within/relating to the Business.

(d) Lock in: Kutana Construction and Aveng Africa will be locked-in to the Proposed Transaction for a period of five (5) years from the Effective Date.

(e) Casting vote: The Shareholders' Agreement provides that Aveng Africa has a casting vote in relation to strategic decisions in respect of (i) business plans; (ii) budgets; (iii) dividend distributions; and (iv) approval of the delegation authority frameworks relating to EPC and Grinaker HoldCo.

(f) Settlement Agreement undertakings: Kutana Construction has committed to assisting Aveng Africa to fulfil its transformation obligations in terms of the Settlement Agreement;

(g) B-BBEE undertakings: Kutana Construction has committed to maximising the BEE score of Grinaker HoldCo and it is the joint objective of Aveng Africa and Kutana Construction to obtain a level 2 B-BBEE score as soon as possible after the Effective Date. Kutana Construction has undertaken to remain a black women owned and led entity to assist in achieving this objective.

Extracts of the salient terms of the Shareholders Agreement are set out in Annexure 10.

3.4 **Subscription for the NVE Instrument in Kutana Construction**

Subscription Agreement

It is envisaged that Aveng Africa will remain actively involved in controlling and managing the business of Grinaker HoldCo. As compensation for the risks and responsibilities of a controlling shareholder, Aveng Africa and Kutana Construction have entered into agreement in which Aveng Africa will be entitled to a further 6% of the economic benefit in Grinaker HoldCo via the subscription for the NVE Instrument in Kutana Construction. This results in a net 45% economic interest in Grinaker HoldCo being attributable to the ordinary shareholders of Kutana Construction.

Subscription Price

The Subscription Price payable by Aveng Africa in respect of the NVE Instrument is R2,67 million, which will be set off against the Upfront Payment payable by Kutana Construction to Aveng Africa in terms of the Sale of Shares Agreement.

Rights and privileges

The NVE Instrument shall have the following rights and privileges:

– to receive *pari passu* with the ordinary shares of Kutana Construction, on each date that Grinaker HoldCo pays a dividend or makes a distribution to its shareholders, an amount equal to 11.8% of all dividends received and any other distributions received by the Kutana Construction from Grinaker HoldCo;
– to receive *pari passu* with the ordinary shares of Kutana Construction, an amount equal to 11.8% of all profits received by Kutana Construction in respect of any disposal of any of its shares in Grinaker HoldCo; and
– to receive in preference to the ordinary shares in Kutana Construction, an amount equal to 11.8% of all amounts available to the shareholders in relation to the interest in Grinaker HoldCo on liquidation or winding up of Kutana Construction;

The NVE Instrument has the economic effect of reducing Kutana Constructions beneficial shareholding of 51% in Grinaker HoldCo to an effective 45% economic interest. The fair value of the NVE Instrument in terms of the Agreements is R2.67 million.

The Subscription Agreement and the Shareholders Agreement are effective on the first calendar day of the month following the fulfilment or waiver (as the case may be) of the last of the suspensive conditions relating to the Share of Shares Agreement (refer to paragraph 3.2

of this Circular). The NVE Instrument is an integral part of the Disposal and has not been separately categorised in terms of the JSE Listings Requirements.

In terms of the Subscription Agreement, Kutana Construction shall not issue any NVE instruments without the prior written consent of Aveng Africa.

Put Option

Aveng Africa shall be entitled to exercise the Put Option in the event, *inter alia,* of any of the following in relation to Kutana Construction:

- Kutana Construction experiences a change in shareholders;
- Grinaker HoldCo fails to pay dividends to Aveng Africa following a declaration of dividends by Grinaker HoldCo;
- Kutana Construction disposes of its Grinaker HoldCo Shares;
- Failure to effect payment of the Deferred Payment; or
- Kutana Construction's memorandum of incorporation being amended in a way that negatively affects Aveng Africa's rights in terms of the NVE Instrument including, *inter alia*, undertaking a material amalgamation, de-merger, merger, consolidation or corporate reconstruction of Kutana Construction; changing its share capital; any variation to the rights or privileges of Aveng Africa or the NVE Instrument and an issue of shares by Kutana Construction ranking pari passu with and/or in priority to the NVE Instrument, other than in terms of the Deferred Payment funding obligations.

In the event that any of the circumstances detailed above arise, resulting in a breach of the Shareholders Agreement, Aveng Africa will be entitled to exercise the Put Option and return the NVE Instrument and any related loans to Kutana Construction.

Funding Obligations

In the event that Grinaker HoldCo requires funding to finance its capital expenditure and/or working capital and it is unable to finance its requirements from its own resources or from third party financiers, it will make a written request for such funding from its shareholders. Aveng, Kutana Capital and Kutana Construction will be required to provide the necessary funding to Grinaker HoldCo in proportion to their beneficial interest in Grinaker HoldCo at the time of the cash call.

On the date of payment of the Deferred Payment, the following funding obligations will come into effect:

- Aveng will subscribe for further NVE Instruments in Kutana Construction for an amount equal to 11.8% of the Deferred Payment, which amount will be set off against the Deferred Payment. The purpose for this additional subscription is to maintain Kutana Construction's 45% economic interest in Grinaker HoldCo; and
- Kutana Construction will do everything necessary to ensure that its shareholders subscribe for further shares in Kutana Construction for an amount equal to 88.2% of the Deferred Payment, which amount will be utilised by Kutana Construction to discharge the Deferred Payment.

3.5 **Financial information**

Financial Information relating to the Proposed Transaction

At 30 June 2016, the value of the net assets attributable to the Disposal was R34.3 million. The value of the net assets attributable to the NVE Instrument amounted to R4.1 million which results in a net asset value for the assets attributable to the 45% economic interest disposed of in favour of Kutana Construction, excluding the Identified Contracts, of R30.3 million.

The purchase price for the 45% economic interest is capped to a maximum amount of R831.8 million (R942.7 million less R110.9 million) and with a floor price based on the Fair Value of the Business at that future date, referencing, amongst other measurements, the net asset value of the Business.

Financial Implications

Although Aveng Africa, from a legal perspective, will have sold a 51% beneficial interest in Grinaker HoldCo to Kutana Construction with effect from the Effective Date, from an accounting perspective, the Proposed Transaction is regarded as a sale of a 45% economic interest in Grinaker HoldCo. The sale of the 45% economic interest will be deferred until significant risks are considered to be substantially transferred to Kutana Construction. This will be at the time when the funding for the Deferred Payment has been successfully secured by Kutana Construction and the Deferred Payment can be recognised. Consequently, the recognition of a non-controlling interest amounting to 45% of the Business will be deferred until this future date. In addition, any volatility resulting from changes in the Deferred Payment formula will not affect Aveng Africa's financial performance. Aveng Africa will continue to consolidate EPC until Aveng Africa relinquishes the casting vote described in paragraph 3.3 above.

On the Effective Date, the arrangement will be recognised as the issue of a synthetic instrument with a right in favour of Kutana Construction's shareholders to acquire a 45% economic interest in the Business, once the Deferred Payment is settled. This represents a right to receive full and unencumbered economic benefits by 2020. The net Upfront Payment of R20.0 million will be recognised in equity, and only to the extent that the Fair Value of the synthetic Instrument exceeds the net Upfront Payment, will an equity-settled share-based payment expense be recognised. There is no subsequent re-measurement of this equity-settled share-based payment. However, the headline earnings of Aveng Limited would be adjusted with the equity-settled share-based payment expense (if applicable) along with Kutana Constructions right to the 45% economic interest in Grinaker HoldCo from the Effective Date.

3.6 **Shareholder approvals required**

3.6.1 The Proposed Transaction qualifies as a Category 1 related party transaction in terms of Sections 9 and 10 of the JSE Listings Requirements due to the fact that Ms Thoko Mokgosi-Mwantembe is a non-executive director of Aveng as well as a the Chief Executive Officer and a shareholder of Kutana Capital.

3.6.2 The ordinary resolution in respect of the Proposed Transaction is contained in the Notice of General Meeting which is attached to and forms part of this Circular. Ms Thoko Mokgosi-Mwantembe and her associates will not vote their Aveng Shares at the General Meeting in respect of these resolution.

3.6.3 In addition, a fairness opinion is required in respect of the Proposed Transaction. The text of the fairness opinion is set out in Annexure 8 of the Circular.

3.7 **Independent expert report**

3.7.1 The Independent Expert was appointed by the Board to determine whether the terms and conditions of the Proposed Transaction are fair to Aveng Shareholders. The Independent Expert has given, and has not withdrawn, its written consent to the issue of this Circular, with the report in the form and context of which it is included as Annexure 8 hereto. The Independent Expert has considered the terms and conditions and is of the opinion that the Proposed Transaction is fair insofar as the Aveng Shareholders are concerned.

3.8 **Details about Kutana Group**

3.8.1 The Kutana group is a black-women-owned and led investment group.

3.8.2 The Kutana group structure relevant to this transaction includes Kutana Capital, which in turn holds 100% of Kutana Construction. Ms Thoko Mokgosi-Mwantembe holds 100% of the shares in Kutana Capital which is the sole shareholder of Kutana Construction.

3.8.3 The Kutana group of companies ("Kutana Group") is a black women-owned and led investment group, which has successfully structured and raised funding through its strong banking/funding experience and relationships, and concluded numerous mergers and acquisitions since its inception. Kutana Group has a strong track record of growing businesses where it is involved and it anticipates adding the same value to Grinaker HoldCo's future growth and development

3.8.4 Kutana Group's executive management team has over 70 years' of collective experience in creating value and growing various institutions across a number of different industries (IT, mining food services et al). Kutana Group believes in the long term value of the construction industry and the opportunities it presents both in South Africa and Africa. It is with this in mind that it has begun building its steel and construction investment platform.

3.8.5 Kutana Group has a unique approach which seeks to drive engagement and support of an entrepreneurial culture within the business. In addition, its empowerment approach is to create opportunities for all employees and to support the communities in which its businesses operate.

3.8.6 Refer to Annexure 7 for additional information on Kutana Group.

PART II – GENERAL

4. OVERVIEW OF THE BUSINESS

4.1 **Aveng**

4.1.1 Aveng owns and operates a portfolio of infrastructure, mining and manufacturing-related businesses, each of which targets top-quartile performance compared to its peers when measured against return on invested capital, earnings growth, and positive cash flow generation through the business cycle.

4.1.2 Over more than 125 years Aveng has evolved in character, capacity and reach. Its origins lie in modest construction projects but Aveng now boasts expertise in steel, engineering, manufacturing, mining, concessions, public infrastructure and water treatment. This South African consortium continues to make its mark across the globe. With a presence in Africa, Australia, New Zealand and South East Asia the company possesses diverse construction, infrastructure and engineering expertise through its various subsidiaries, which are outlined below.

Construction & Engineering: South Africa and rest of Africa

4.1.3 Aveng Grinaker-LTA is a multi-disciplinary construction and engineering group, anchored in South Africa and focused on selected infrastructure, energy, rail and mining opportunities in Africa. The company offers a comprehensive range of standalone or integrated services that cover building, civil engineering, roads, earthworks, concrete, ground engineering, mechanical, piping, electrical and instrumentation contracting which is delivered through focused business units acting in synergy. The business also offers a range of water treatment solutions with expertise in design, construction, operations and maintenance of permanent and modular water plants.

4.1.4 Aveng Capital Partners is a project sponsor, developer and investor in the private infrastructure and real estate sectors in South Africa and selective economies in Sub-Saharan Africa. The ACP investment strategy considers divesting or monetising its portfolio when the underlying projects reach commercial operation and the investments transition into marketable securities.

Construction & Engineering: Australasia and Asia

4.1.5 McConnell Dowell, Australian based, operates predominantly in the Eastern Time Zone, and is a major engineering construction, building and maintenance contractor servicing the building infrastructure and resource markets with expertise in building, rail, civil, electrical, marine, mechanical pipelines, fabrication, tunnelling and underground services, in Australia, New Zealand and Pacific Islands, South East Asia and the Middle East

4.1.6 Aveng Mining is one of only four deep-level shaft sinking companies worldwide and is involved in all aspects across the mining value chain, from turnkey solutions in shaft sinking, underground development and contract mining for surface and underground mining, to construction of mine infrastructure.

4.1.7 Aveng Manufacturing manufactures and supplies construction products to the construction sector, services and engineered solutions to mining, water, oil and gas and construction clients, and rail construction and maintenance services to the transport sector.

4.1.8 Aveng Steel supplies a wide product range to the steel construction and automotive industries in domestic markets, from its extensive steel yards, processing centres and manufacturing plants.

Overview of the Business post the Disposal

4.1.9 Post the Disposal, the only business area of Aveng that will be impacted by the Disposal is the *"Construction & Engineering: South Africa and rest of Africa"* area, described above. Aveng will still have an effective economic 55% interest in Aveng Grinaker LTA and Aveng Africa will remain actively involved in controlling and managing the business of Grinaker HoldCo. No other business area's described above will be impacted by the Disposal.

5. GROUP PROSPECTS

5.1 Aveng

5.1.1 Challenging economic conditions are expected to continue in the short term, although with more positive medium term opportunities in Australia. Aveng is a more focused business and well positioned for improved performance. We expect the benefits of business optimisation to further contribute to this improved performance in the next financial year. This allows the business to position itself for profitable growth within the second phase of our strategy.

5.1.2 The strategic focus of the Aveng's operations has shifted from recovery and stabilisation to optimisation and growth as they identify and position for future growth opportunities.

5.1.3 Through the implementation of the Proposed Transaction, Aveng will:

(a) Achieve its transformation objectives including:
- Introducing a black women-owned participant and emerging black contractors into the market; and
- Developing and attracting black professional and management skills in the construction sector;

(b) Create a platform for growth and sustainability for the Business within the South African construction industry. Aveng has stabilised the Business and is now moving boldly to position itself in South Africa and the rest of Africa for growth by transforming itself in a meaningful and irrevocable manner; and

(c) Align the strategy of the Business with the Governments economic transformation agenda and policies, to further the development and transformation of the South African construction industry as a whole, in a manner which would ultimately result in value enhancement for shareholders.

5.2 The business

5.2.1 Growth in the South African construction and engineering industry is expected to remain subdued for the remainder of the current calendar year. The 2017 calendar year will therefore, be a year of positioning for slow economic recovery and the resumption of opportunities.

5.2.2 A key challenge in 2017 will be increasing the revenue of Civil Engineering and Mechanical & Electrical in persistently difficult market conditions to restore a balance between the core disciplines and achieving target margins. Civil Engineering has made significant progress in completing loss-making projects and improving the margin on joint venture power contracts and has been vigilant in reducing costs in line with market contraction in civil infrastructure. Throughout the journey, it has maintained a presence in its market and, with its restructuring complete, is well positioned to participate in new opportunities.

5.2.3 The alignment of Aveng Water with Aveng Grinaker-LTA has realised efficiencies and strengthened the Business' capacity to pursue operate and maintenance work to mitigate an ongoing decline in other contracting opportunities. Their alignment has further strengthened the engineering, design and delivery capacity of Aveng Water which is leveraging its competitive advantages in response to growth opportunities in the South African mining and municipal water sectors.

5.2.4 The Building business remains relatively strong with several new projects awarded in the commercial and industrial sectors across South Africa and the rest of Africa.

5.2.5 While the weak trend in commodity pricing has impacted the strategy to expand in Africa, there have been several new awards in Southern Africa. The operating group will continue to pursue opportunities in building, civil engineering and operation and maintenance in the transport, mining and energy sectors for select clients in the rest of Africa.

6. FINANCIAL INFORMATION

6.1.1 In terms of the JSE Listings Requirements, a related party Category 1 transaction requires *pro forma* financial information showing the effects of the Proposed Transaction on the Company's statement of financial position and statement of comprehensive earnings for the year ended 30 June 2016.

6.1.2 The *pro forma* financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board.

6.1.3 The *pro forma* financial information is set out in Annexure 1 of this Circular.

6.1.4 The independent reporting accountant's limited assurance report on the *pro forma* financial information is set out in Annexure 2 of this Circular.

6.1.5 The *pro forma* financial information will be updated subsequent to the release of the interim results and will be released on SENS prior to the General Meeting.

7. HISTORICAL FINANCIAL INFORMATION

7.1 The audited historical financial information of the Business for the three years ended 30 June 2014, 2015 and 2016 is set out in Annexure 3 of this Circular. The historical financial information of the Business is the responsibility of the Board. The independent reporting accountant's assurance report on the report of historical financial information of the Business is set out in Annexure 4 of this Circular.

8. MATERIAL LOANS OF AVENG

8.1 Details relating to material loans made to Aveng and / or it subsidiaries are set out in Annexure 5 of this Circular.

9. MATERIAL CONTRACTS OF AVENG

9.1 Save for the agreements relating to the Proposed Transaction as described in this Circular and as set out below, neither Aveng nor any of its subsidiaries have entered into any material contract, other than in the ordinary course of business, within the two years prior to the Last Practicable Date or at any time and containing an obligation or settlement that is material to the Aveng Group at the Last Practicable Date.

(a) On Tuesday, 11 October 2016, Aveng (jointly with other participating construction companies) announced that Aveng Africa had entered into the Settlement Agreement with the Government. The Settlement Agreement contains certain transformation obligations. Kutana Construction and Aveng Africa have agreed that Aveng Africa will, at its election, cede delegate, assign and transfer any or all of its rights and obligations under the Settlement Agreement to EPC, subject certain conditions, inter alia, an indemnification by Aveng Africa to EPC against any and all costs and/or losses incurred by EPC in relation to the Settlement Agreement.

(b) On 10 August 2016, Aveng Africa announced that it has reached an agreement with Kutana Steel (Pty) Ltd (Kutana Steel) whereby Kutana Steel will acquire a 70% interest in the Aveng Steeledale business (Aveng Steeledale) owned and operated by Aveng Africa (Steeledale Transaction). In terms of the Steeledale Transaction, Aveng Africa shall dispose of Aveng Steeledale to Steeledale (Pty) Ltd (Steeledale). The shares in Steeledale, the shares in which are held 30% by Aveng Africa and 70% by Kutana Steel. It is envisaged that the Steeledale Transaction shall be effective on 9 November 2016, subject to the fulfilment of certain conditions precedent, including the approval of the Steeledale Transaction by Aveng Shareholders. A circular in respect of the Steeledale Transaction was posted to Aveng Shareholders on Wednesday, 12 October 2016 and approved by Aveng Shareholders on Monday, 14 November 2016.

(c) On 10 August 2016, Aveng Africa announced that it had reached an agreement with Royal Bafokeng Holdings (Pty) Ltd (RBH) in terms of which RBH would acquire the equity interests, which are managed by Aveng Capital Partners, in Blue Falcon 140 Trading (RF) (Pty) Ltd ("Blue Falcon"), Imvelo Concession Company (RF) (Pty) Ltd ("Imvelo"), N3 Toll Concessions (Pty) Ltd ("N3TC") and Windfall 59 Properties (RF) (Pty) Ltd ("Windfall") (collectively "ACP Transaction"). At the date of the announcement the ACP Transaction was subject to the fulfilment of the conditions precedent, including the completion of the pre-emptive process and the approval of the ACP Transaction by Aveng Shareholders. A circular in respect of the ACP Transaction was posted to Aveng Shareholders on Wednesday, 12 October 2016 by which date the pre-emptive process was complete with the result that N3TC was sold to Old Mutual Life Assurance Company (South Africa) Proprietary Limited – Futuregrowth and Blue Falcon, Imvelo and Windfall were sold to RBH. The ACP Transaction was approved by Aveng Shareholders on Monday, 14 November 2016.

(d) On 7 April 2015, Aveng announced that it had entered into an agreement in terms of which Dimopoint, a wholly owned subsidiary of Aveng Africa, sold 70% of its property portfolio to the Collins Property Group whilst retaining 30% thereof. The transaction was a Category 2 transaction in terms of Section 9 of the JSE Listings Requirements.

9.2 Save for the agreements relating to the Proposed Transaction as described in this Circular and as set out below, the Business has not entered into any material contract, other than in the ordinary course of business, within the two years prior to the Last Practicable Date or at any time and containing an obligation or settlement that is material to the Business at the Last Practicable Date.

(a) On 19 September 2014, Aveng announced that it had entered into an agreement in terms of which McConnell Dowell, a wholly owned subsidiary of the Company, disposed of Electrix, its utility resource and infrastructure contracting business in Australia and New Zealand to French based company Vinci Energies. The transaction was a Category 2 transaction in terms of Section 9 of the JSE Listings Requirements.

10. MAJOR SHAREHOLDERS

The following Shareholders held, directly and indirectly, equal to or in excess of 5% of the issued share capital as at the Last Practicable Date:

Investment Manager	Total Shares	%
Allan Gray Investment Council	97 596 622	23.42
Visio Capital Management	40 397 102	9.70
Public Investment Corporation	32 888 852	7.89
Corporation Fund managers	28 295 423	6.79
Mazi Capital	21 147 484	5.07
Investec Asset Management	20 960 063	5.02
Total	**241 285 546**	**39.32**

10.1 No Shareholder holds a controlling interest in Aveng.

10.2 The trading objects of Aveng and its major subsidiaries have not changed over the past five years.

11. DIRECTORS' AND OFFICERS' INTERESTS

11.1 Directors' interests in the proposed transaction

11.1.1 Ms Thoko Mokgosi-Mwantembe is a non-executive director of Aveng as well as the Chief Executive Officer and a shareholder of Kutana Capital. Other than Ms Thoko Mokgosi-Mwantembe, no Directors of Aveng have a material beneficial interest, whether direct or indirect, in the Proposed Transaction.

11.1.2 No Directors, including a director who resigned in the last 18 months, has or had any material beneficial interest, direct or indirect, in any transaction that was effected by the Company during the current or immediately preceding financial year or during any earlier financial year, and which remain in any respect outstanding or unperformed, save for:

i. In the Steeledale Transaction, Kutana Steel is an indirect subsidiary of Kutana Capital of which Ms Thoko Mokgosi-Mwantembe is the ultimate majority shareholder.

11.2 Directors' interests in Aveng shares

11.2.1 Set out below are the interests of Directors and associates of Directors in the Company at the Last Practical Date. This includes interests of persons who are no longer Directors, but resigned during the last 18 months. All of the securities held by Directors are beneficially held.

Name	Total shares held	Percentage Shareholding
MJ Killbride	10 000	0%
JJA Mashaba	523 930	0.13%
HJ Verster	139 661	0.03%
PK Ward (retired 30/06/2016)	10 000	0%
AWB Band (retired 19/08/2016)	20 000	0%
Total	**703 591**	**0.17%**

11.3 Directors' service contracts

11.3.1 Copies of the Directors' service contracts will be available for inspection in accordance with the procedure set out in paragraph 23 of this Circular.

11.4 Directors' remuneration and benefits

11.4.1 The Directors' remuneration and benefits are set out in note 47 of the Annual Report which is available on the Company's website: www.Aveng.co.za. There has been no change to the Directors' remuneration and benefits as a result of the Proposed Transaction.

12. APPLICATION OF THE SALE PROCEEDS

12.1.1 The proceeds from the Proposed Transaction will be used to primarily strengthen the statement of financial position of Aveng to support its move to the next phase of its strategy, namely, positioning for growth.

13. WORKING CAPITAL STATEMENT

13.1.1 The Board is of the opinion that the working capital of Aveng and its subsidiaries is sufficient for the current requirements of Aveng and will be adequate for at least the next twelve months from the date of issue of this Circular.

14. GENERAL MEETING

14.1.1 A General Meeting of the Aveng Shareholders has been convened and will be held on Wednesday, 29 March 2017 at 10:00 at the boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg, 1459 for the purpose of considering and, if deemed fit, passing, with or without modification, the necessary resolutions to give effect to the Proposed Transaction and the matters incidental thereto. The resolution to be put to the Shareholders for their approval is set out in the Notice of General Meeting which will be distributed to Shareholders on Monday, 27 February 2017. Copies of the Notice of General Meeting may be obtained from the registered office of Aveng, the Transaction Sponsor and the Transfer Secretaries, whose addressed are set out in the "Corporate Information" section of this Circular. A copy of the Notice of General Meeting of Aveng Shareholders will also be available on Aveng's website (www.aveng.co.za).

15. VOTING AT THE GENERAL MEETING

15.1.1 In terms of the JSE Listings Requirements, a 50% plus 1 majority of votes of all Aveng Shareholders, excluding Ms Thoko Mokgosi-Mwantembe, the related party, and her associates, present or represented by proxy at the General Meeting must be obtained in respect of the ordinary resolutions to approve the Proposed Transaction.

16. EXPENSES

16.1.1 The estimated costs of preparing and distributing this Circular, and all other annexures, holding the General Meeting and Proposed Transaction, including the fees payable to professional advisors, are approximately R34 million, excluding VAT, and include the following:

Expenses	R'000
Baker McKenzie – Legal Advisor	5 000
KPMG Services Proprietary Limited – Transaction Sponsor and Advisor	12 000
EY – Auditors and Reporting Accountant's	3 500
Nedbank – Advisor	11 000
Deloitte – Independent Expert	1 750
Computershare Investor Services Proprietary Limited	100
JSE Limited	71
Printing and other	600
Estimated total	**34 021**

17. DIRECTORS' RECOMMENDATION

17.1.1 The Directors have considered the terms and conditions of the Proposed Transaction and, taking into account the opinion of the Independent Expert, are of the opinion that the terms of the Proposed Transaction are fair and in the interests of Aveng's Shareholders.

17.1.2 The Directors entitled to vote at the General meeting recommend that Aveng Shareholders vote in favour of the resolutions to be proposed at the General Meeting.

18. MATERIAL CHANGES

18.1.1 The Board is not aware of any material changes in the financial or trading position of Aveng or the Business following the latest published results for the year ended 30 June 2016, save for the Group's two trading statements issued on 13 February 2017 and 15 February 2017 and the Group's interim results for the six months ended 31 December 2016 that were published on 20 February 2017.

18.1.2 The share trading history of the Company on the JSE up to the Last Practicable Date is set out in Annexure 6.

19. LITIGATION STATEMENT

19.1 The Aveng Group

19.1.1 The Aveng Group is a party to the following material disputes:

19.1.1.1 The Aveng Group had a claim against Kenmare Resources PLC for the payment of an entitlement, plus interest and costs. Kenmare Resources PLC had lodged a counterclaim against the Aveng Group linked to allegations of breach of contract and gross negligence. The Tribunal's partial final award was issued on 24 December 2016, in terms of which Aveng was successful in proving its entire claim, and substantially successful in defeating the counterclaim. Kenmare was ordered to pay R55,83 million, plus interest (being Aveng's claim minus its limit of liability which the Tribunal found to be R150 million) by 1 February 2017. Aveng has submitted a claim to their insurers to cover the R150 million counter claim, the Directors have no reason to believe that the policy will not respond;

19.1.1.2 A joint arrangement to which the Aveng Group is party has various contractual claims against QCLNG Pipeline Proprietary Limited, relating to the QCLNG pipeline constructed by the joint arrangement in Australia. The arbitration proceedings closed in June 2016 and the outcome is expected in the short term. The Directors consider the outcome of these claims to be a material risk to the Aveng Group. On 21 December 2016, the ICC indicated that delivery of the Award has been extended to 28 February 2017; and

19.1.1.3 in July 2015 the Aveng Group instituted action against Cardno and Arup in relation to the Gold Coast Rail Project in Australia. The principle claims have been made in terms of a legislative entitlement for loss caused to the Aveng Group. The Directors expect this matter to be resolved in the first half of 2018 and the outcome remains a material risk to the Aveng Group.

19.1.2 The total exposure to the Aveng Group relating to the above claims is approximately R4.7 billion in amounts due from contract customers, as disclosed in the consolidated annual financial statements for the year ended 30 June 2016 and R1.4 billion of counter claims that were considered to be remote at the time and have not been disclosed in the annual financial statements.

19.1.3 The outcome of the 19.1.2 and 19.3 above remains uncertain and may have an impact on future earnings.

19.1.4 Save for the above, there are no legal proceedings, including any proceedings that are pending or threatened, relating to the Aveng Group, of which Aveng is aware, that may have or have had during the past 12 months, a material effect on the financial position of the Aveng Group.

19.2 **The Business**

19.2.1 There are no legal or arbitration proceedings, including any proceedings that are pending or threatened, relating to the Disposal, of which Aveng is aware, that may have or have had during the past twelve months, a material effect on the financial position of the Disposal.

20. ADVISORS' CONSENTS

20.1 The parties referred to in the Corporate Information section on the inside front cover of this Circular have consented in writing to act in the capacities stated and to their names being stated in the Circular. The auditors, independent reporting accountants and the Independent Expert, have consented to the reference to their reports in the form and context in which they appear, and have not withdrawn their consents prior to the publication of the Circular.

21. DIRECTORS' RESPONSIBILITY STATEMENT

21.1 The Directors, whose names are given on the Corporate Information page of this Circular collectively and individually accept full responsibility for the accuracy of the information furnished relating to the Company and the Project Companies, and certify that to the best of their knowledge and belief, there are no facts which 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 this Circular contains all information required by law and the JSE Listings Requirements.

22. CORPORATE GOVERNANCE

22.1 Good corporate governance aligns Aveng's strategy and risk management with its performance to ensure that the Group is able to be sustainable in the long term and add value to its stakeholders. The Board unanimously embraces the principles of the King Code of Governance (King III) and benchmarks its compliance against this framework. Further, the Board subscribes to full compliance with applicable laws and regulations in jurisdictions in which Aveng operates. Aveng subscribes to the highest levels of professionalism and integrity. The Board and the Group's individual employees are committed to the Aveng Code of Business Conduct. This prescribes our approach to ethical business practices and our obligations to customers, shareholders, employees, representatives, suppliers and the authorities. Management is tasked to ensure compliance with the code, and all employees and representatives are expected to act in a manner that inspires the trust and confidence of the general public. Commitment to the Code of Business Conduct is embedded at Board meetings. The Code is available on the Company's website at www.aveng.co.za.

23. DOCUMENTS AVAILABLE FOR INSPECTION

23.1 The following documents, or copies thereof, will be available for inspection by Aveng Shareholders during normal business hours at the registered office of Aveng from Monday, 27 February 2017 to Wednesday, 29 March 2017 (both days inclusive):

i. the Memorandum of Incorporation of the Company and its subsidiaries;
ii. Agreements;
iii. the Reporting Accountant's report on the *pro forma* financial information of the Group;
iv. the consolidated historical financial information of the Business for the three years ended 30 June 2016, 2015 and 2014;
v. the Reporting Accountant's report on the report of historical financial information of the Business;
vi. the report of the Independent Expert;
vii. service contracts with Directors, managers, underwriters, vendors and promoters of the Company entered into during the last three years; and
viii. a signed copy of this Circular.

SIGNED AT SANDTON ON MONDAY, 17 FEBRUARY 2017 ON BEHALF OF ALL THE DIRECTORS OF AVENG LIMITED IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS

MAHOMED SEEDAT **KOBUS VERSTER**

PRO FORMA FINANCIAL INFORMATION OF THE AVENG GROUP

BASIS OF PREPARATION

The definitions and interpretations commencing on page 5 of the Circular apply *mutatis mutandis* to Annexure 1.

The *pro forma* financial Information has been prepared to provide details of how the Proposed Transaction, might affect the financial position and results of operations of the Aveng Group for the year ended 30 June 2016. The *pro forma* financial information is based on the audited results of Aveng for the year ended 30 June 2016, adjusted for the *pro forma* financial effects of the Steeledale Transaction, cumulatively the Steeledale and ACP Transactions and cumulatively for the Steeledale and ACP Transactions and the Proposed Transaction. The details of the Steeledale and ACP Transactions are included in the relevant Circulars to shareholders dated Wednesday, 12 October 2016. The *pro forma* financial effects are provided for illustrative purposes only.

The Directors are responsible for the preparation of the *pro forma* financial information. The *pro forma* statement of financial position of the Aveng Group at 30 June 2016 has been prepared on the assumption that each of the Steeledale Transaction, ACP Transaction and the Proposed Transaction, was effected on 30 June 2016. The *pro forma* statement of comprehensive earnings has been prepared on the assumption that each of the Steeledale Transaction, ACP Transaction and Proposed Transaction was effected on 1 July 2015.

Because of its nature, the *pro forma* financial information may not fairly present the Aveng Group's statements of financial position and results of operations after each of the Steeledale Transaction, ACP Transaction and the Proposed Transaction. The *pro forma* financial information has been prepared in accordance with the Group's accounting policies and the revised SAICA Guide on *Pro forma* Financial Information.

The *pro forma* financial information, as set out below, should be read in conjunction with the limited assurance report of the independent reporting accountant, which is included as Annexure 2 to this Circular, as well as the Circulars to Aveng Shareholders relating to the Steeledale and ACP Transactions.

PRO FORMA STATEMENT OF COMPREHENSIVE EARNINGS OF THE AVENG GROUP FOR THE YEAR ENDED 30 JUNE 2016

	Audited	Total after	Total after	*Pro forma*	*Pro forma*	*Pro forma*	*Pro forma*	*Pro forma*
Rm	30 June 2016 Audited	Steeledale transaction *pro forma* Column 1	Steeledale and ACP transaction *pro forma* Column 2	IFRS 2 charge Column 3	Manage-ment fee and Kutana executives' remuneration Column 4	Transaction costs Column 5	Taxation Column 6	Total Column 7
Revenue	33 755	32 660	32 660					32 660
Cost of sales	(31 260)	(30 187)	(30 187)					(30 187)
Gross earnings	**2 495**	**2 473**	**2 473**					**2 473**
Other earnings	591	548	377					377
Operating expenses	(2 808)	(2 750)	(2 754)	(14)	(7)	(3)		(2 778)
Loss from equity-accounted investments	(132)	(132)	(132)					(132)
Net operating earnings / (loss)	**146**	**139**	**(36)**	**(14)**	**(7)**	**(3)**		**(60)**
Impairment / loss on derecognition of property, plant and equipment and intangible assets	(333)	(331)	(331)					(331)
Impairment of goodwill arising on consolidation								
Profit on sale of subsidiary								
Profit on sale of property, plant and equipment	592	592	592					592
Earnings / (loss) before financing transactions	**405**	**400**	**225**	**(14)**	**(7)**	**(3)**		**201**
Finance earnings	211	209	209					209
Interest on convertible bonds	(225)	(225)	(225)					(225)
Other finance expenses	(327)	(324)	(324)					(324)
Earnings / (loss) before taxation	**64**	**60**	**(115)**	**(14)**	**(7)**	**(3)**		**(139)**
Taxation	(129)	(131)	(93)		2		(87)	(178)
Loss for the period	**(65)**	**(71)**	**(208)**	**(14)**	**(5)**	**(3)**	**(87)**	**(317)**

	Audited	Total after	Total after	*Pro forma*	*Pro forma*	*Pro forma*	*Pro forma*	*Pro forma*
Rm	30 June 2016 Audited	Steeledale transaction *pro forma* Column 1	Steeledale and ACP transaction *pro forma* Column 2	IFRS 2 charge Column 3	Management fee and Kutana executives' remuneration Column 4	Transaction costs Column 5	Taxation Column 6	Total Column 7
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):								
Exchange differences on translating foreign operations	786	786	786					786
Other comprehensive loss released / (recognised) from equity-accounted investments								
Other comprehensive earnings / (loss) for the period, net of taxation	**786**	**786**	**786**					**786**
Total comprehensive earnings / (loss) for the period	**721**	**715**	**578**	**(14)**	**(5)**	**(3)**	**(87)**	**469**
Total comprehensive earnings / (loss) for the period attributable to:								
Equity-holders of the parent	676	670	533	(14)	(5)	(3)	(87)	424
Non-controlling interest	45	45	45					45
	721	715	578	(14)	(5)	(3)	(87)	469
(Loss) / earnings for the period attributable to:								
Equity-holders of the parent	(101)	(107)	(244)	(14)	(5)	(3)	(87)	(353)
Non-controlling interest	36	36	36					36
	(65)	(71)	(208)	(14)	(5)	(3)	(87)	(317)
Other comprehensive earnings for the period, net of taxation								
Equity-holders of the parent	777	777	777					777
Non-controlling interest	9	9	9					9
	786	786	786					786
Results per share (cents)								
Headline earnings	(299)	(305)	(442)	(14)	(5)	(3)	(87)	(551)
Loss – basic	(25,4)	(27,0)	(61,5)					(88,9)
Loss – diluted	(25,1)	(26,6)	(60,7)					(87,8)
Headline loss – basic	(75,3)	(76,8)	(111,3)					(138,8)
Headline loss – diluted	(74,4)	(75,9)	(109,9)					(137,1)
Net asset value	13 556	13 545	13 545					13 437
Tangible net asset value	11 031	11 024	11 020					10 999
NAV per share	34,1	34,1	34,1					33,8
TNAV per share	27,8	27,8	27,8					27,7
Number of shares (millions)								
In issue	417	417	417					417
Weighted average	397	397	397					397
Diluted weighted average	402	402	402					402

NOTES TO THE *PRO FORMA* STATEMENT OF COMPREHENSIVE EARNINGS OF THE AVENG GROUP FOR THE YEAR ENDED 30 JUNE 2016:

1. The "30 June 2016" column presents the financial information relating to the Aveng Group, which has been extracted from the published results of the Aveng Group for the year ended 30 June 2016;
2. Column 1 presents the *pro forma* financial effects of Aveng subsequent to the Steeledale Transaction, the details of which are included in the relevant Circular to Aveng Shareholders dated Wednesday, 12 October 2016 and which was approved by the shareholders on Monday, 14 November 2016;
3. Column 2 presents the *pro forma* financial effects of Aveng subsequent to both the Steeledale and the ACP Transactions, the details of which are included in the relevant Circular to Aveng Shareholders both dated Wednesday, 12 October 2016 and which were approved by Aveng Shareholders on Monday, 14 November 2016;
4. Column 3 presents the following *pro forma* adjustment:
   (a) In terms of paragraph 3.5 of this Circular, the Proposed Transaction will be recognised as the issue of a synthetic instrument with a right in favour of Kutana Construction's shareholders to acquire a 45% economic interest in the Business, once the Deferred Payment is settled. This synthetic instrument is accounted for as an equity-settled share-based payment in terms of IFRS 2 *Share Based Payments*, the value of which was calculated using an option pricing model. The key assumptions applied in the model are as follows:
   - The current equity value of the 45% economic interest in Grinaker HoldCo was determined on a discounted cash flow basis, using a weighted average cost of capital of 28.84% and a volatility of 40%;
   - An implied strike price was calculated in terms of the formula, detailed in the Sale of Shares Agreement and adjusted for the 45% economic interest;
   - The present value of the above benefit was then reduced with the Net Upfront Payment to arrive at the IFRS 2 expense. The actual IFRS 2 charge will be determined at the Effective Date of the transaction. The current estimate of the present value of the benefit amounts to R34 million which equates to a R14 million expense after deducting the R20 million Net Upfront Payment. No tax adjustment is assumed as Aveng Africa is in a tax loss position on which further deferred tax assets are limited. This adjustment will not have an on-going effect on Aveng's statement of comprehensive earnings.
5. Column 4 presents the following *pro forma* adjustments:
   (a) Payment by Grinaker HoldCo of a management fee for strategic management services which will be determined on an annual basis, as stipulated in Clause 14 of the Shareholders Agreement, amounting to R6 million and which will be allocated in the following proportions:
   I. 55% to Aveng Africa (R3.3 million)
   II. 45% to Kutana Construction (R2.7 million).
   A tax credit is assumed in EPC as the amount would be recovered. This adjustment will have an ongoing effect on Aveng's statement of comprehensive earnings. As Aveng will consolidate Grinaker HoldCo, the *pro forma* adjustment includes only the portion payable to Kutana Construction.
   (b) As stated in the Shareholder Agreement, EPC will establish an ongoing profit share plan for the benefit of its employees which will take the form of a discretionary short-term incentive pool to which EPC will contribute a percentage of EBITDA or a fixed Rand amount which would be used to attract and retain black executives in EPC. There is no *pro forma* adjustment in this regard due to the losses incurred by the business to 30 June 2016.
   (c) As stated in the Shareholder Agreement, Kutana Construction will appoint certain executives who will be remunerated by EPC. The *pro forma* amount of R4 million represents the directors' best estimate. A tax credit is assumed in EPC as the amount would be recovered. This adjustment is expected to have an ongoing effect on Aveng's statement of comprehensive earnings.
6. Column 5 presents the following *pro forma* adjustment:
   (a) In terms of IAS 32 *Financial Instruments: Presentation*, transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Of the total transaction costs it is estimated that R3 million is not directly attributable to the equity transaction and is therefore not reflected as a deduction from equity. No tax adjustment is assumed as Aveng Africa is in a tax loss position on which further deferred tax assets are limited. The adjustment is not expected to have an ongoing effect on Aveng's statement of comprehensive earnings.
7. Column 6 presents the following *pro forma* adjustment:
   (a) In terms of the Agreements, the actual taxable income attributable to the Proposed Transactions will be less than what was anticipated at the time of performing the deferred tax asset recoverability assessment for the 30 June 2016 financial statements. Although management have other initiatives to support the recoverability of the deferred tax asset, for the purposes of these *pro forma* financial results the amount of the recovery attributable to the Proposed Transaction decreased and as a result R87 million of the deferred tax asset is derecognised. The adjustment is not expected to have an ongoing effect on Aveng's statement of comprehensive earnings.
8. Column 7 presents the *pro forma* statement of comprehensive earnings subsequent to the Steeledale Transaction, the ACP Transaction and the Proposed Transaction on a collective basis.

PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE AVENG GROUP AS AT 30 JUNE 2016

Rm	Audited 30 June 2016 Audited	Total after Steeledale transaction *pro forma* Column 1	Total after Steeledale and ACP transaction *pro forma* Column 2	*Pro forma* IFRS 2 charge Column 3	*Pro forma* Management fee and Kutana executives' remuneration Column 4	*Pro forma* Transaction costs Column 5	*Pro forma* Taxation Column 6	*Pro forma* Total Column 7
ASSETS								
Non-current assets								
Goodwill arising on consolidation	342	342	342					342
Intangible assets	325	325	325					325
Property, plant and equipment	4 843	4 843	4 843					4 843
Equity-accounted investments	100	150	150					150
Infrastructure investments	177	177	177					177
Deferred taxation	1 858	1 858	1 858				(87)	1 771
Derivative instruments								
Long-term receivable		24	24					24
Amounts due from contract customers	1 417	1 417	1 417					1 417
	9 062	9 136	9 136				(87)	9 049
Current assets								–
Inventories	2 211	2 211	2 211					2 211
Derivative instruments	20	20	20					20
Amounts due from contract customers	8 047	8 047	8 047					8 047
Trade and other receivables	2 058	2 058	2 058			(10)		2 048
Cash and bank balances	2 450	2 536	3 392	20	(7)	(24)		3 381
	14 786	14 872	15 728	20	(7)	(34)		15 707
Non-current assets held-for-sale	1 484	1 086	226					226
TOTAL ASSETS	**25 332**	**25 094**	**25 090**	**20**	**(7)**	**(34)**	**(87)**	**24 982**
EQUITY AND LIABILITIES								
Equity								
Share capital and share premium	2 009	2 009	2 009					2 009
Other reserves	1 821	1 821	1 821	34		(31)		1 824
Retained earnings	9 689	9 682	9 678	(14)	(5)	(3)	(87)	9 569
Equity attributable to equity-holders of parent	13 519	13 512	13 508	20	(5)	(34)	(87)	13 402
Non-controlling interest	37	37	37					37
Total equity	**13 556**	**13 549**	**13 545**	**20**	**(5)**	**(34)**	**(87)**	**13 439**
Liabilities								
Non-current liabilities								
Deferred taxation	266	266	233					233
Borrowings and other liabilities	1 770	1 770	1 770					1 770
Employee-related payables	379	379	379					379
	2 415	2 415	2 382					2 382
Current liabilities								
Amounts due to contract customers	1 322	1 322	1 322					1 322
Borrowings and other liabilities	1 214	1 214	1 214					1 214
Payables other than contract-related								
Employee-related payables	559	559	559					559
Derivative instruments	27	27	27					27
Trade and other payables	5 886	5 902	5 902					5 902
Taxation payable	106	106	139		(2)			137
	9 114	9 130	9 163		(2)			9 161
Non-current liabilities held-for-sale	247							
TOTAL LIABILITIES	**11 776**	**11 545**	**11 545**		**(2)**			**11 543**
TOTAL EQUITY AND LIABILITIES	**25 332**	**25 094**	**25 090**	**20**	**(7)**	**(34)**	**(87)**	**24 982**

NOTES TO THE *PRO FORMA* STATEMENT OF FINANCIAL POSITION OF THE AVENG GROUP AS AT 30 JUNE 2016:

1. The "30 June 2016" column presents the financial information relating to the Aveng Group, which has been extracted from the published results of the Aveng Group for the year ended 30 June 2016;
2. Column 1 presents the *pro forma* financial effects of Aveng subsequent to the Steeledale Transaction, the details of which are included in the relevant Circular to Aveng Shareholders dated Wednesday, 12 October 2016 and which was approved by Aveng Shareholders on Monday, 14 November 2016;
3. Column 2 presents the *pro forma* financial effects of Aveng subsequent to both the Steeledale and the ACP Transactions, the details of which are included in the relevant Circulars to Aveng Shareholders both dated Wednesday, 12 October 2016 and which were approved by Aveng Shareholders on Monday, 14 November 2016;
4. Column 3 presents the following *pro forma* adjustment
   (a) In terms of paragraph 3.5 of this Circular, the Proposed Transaction will be recognised as the issue of a synthetic instrument with a right in favour of Kutana Construction's shareholders to acquire a 45% economic interest in the Business, once the Deferred Payment is settled. This synthetic instrument is accounted for as an equity-settled share-based payment in terms of IFRS 2: Share Based Payments, the value of which was calculated using an option pricing model. The key assumptions applied in the model are as follows:
      - The current equity value of the 45% economic interest in Grinaker HoldCo was determined on a discounted cash flow basis, using an appropriate weighted average cost of capital of 28.84% and a volatility of 40%;
      - An implied strike price was calculated in terms of the formula, detailed in the Sale of Shares Agreement and adjusted for the 45% economic interest;

   (b) A Net Upfront Payment of R20 million will be received from Kutana Construction in terms of the Sale of Shares Agreement.
   (c) The present value of the above benefit was then reduced with this Net Upfront Payment to arrive at the IFRS 2 expense. The actual IFRS 2 charge will be determined at the Effective Date of the Proposed Transaction. The current estimate of the present value of the benefit amounts to R34 million which, as an equity settled share based payment in terms of *IFRS 2 Share Based Payment,* will be credited to an equity reserve. The R14 million expense is arrived at after deducting the R20 million Net Upfront Payment. No tax adjustment is assumed as Aveng Africa is in a tax loss position on which further deferred tax assets are limited.
   (d) The non-controlling interest of the 45% economic interest in Grinaker HoldCo will only be accounted for once the sale is recognised (Upon recognition of the Deferred Payment).
5. Column 4 presents the following *pro forma* adjustment
   (a) Payment by Grinaker HoldCo of a management fee for strategic management services which will be determined on an annual basis as stipulated in Clause 14 of the Shareholders Agreement, amounting to R6 million which will be allocated in the following proportions:
      I. 55% to Aveng (R3.3 million)
      II. 45% to Kutana (R2.7 million).

      As Aveng will consolidate Grinaker HoldCo, the *pro forma* adjustment includes only the portion payable to Kutana Construction. A tax credit is assumed in EPC as the amount would be recovered.
   (b) As stated in the Shareholder Agreement Kutana Construction will appoint certain executives who will be remunerated by EPC. The *pro forma* amount of R4 million represents the directors' best estimate. A tax credit is assumed in EPC as the amount would be recovered.
6. Column 5 presents the following *pro forma* adjustment:
   (a) In terms of IAS 32 *Financial Instruments: Presentation*, transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The estimated total transaction costs are R34 million as detailed in paragraph 16 of this Circular. Of this amount, it is estimated that R31 million are costs directly attributable to the equity transaction, which are therefore recognised against an equity reserve. It is estimated that R3 million are not costs directly attributable to the equity transaction which are therefore expensed. No tax adjustment is assumed as Aveng Africa is in a tax loss position on which further deferred tax assets are limited. Of the estimated total transaction costs of R34 million, R10 million were pre-paid at 30 June 2016.
7. Column 6 presents the following *pro forma* adjustment:
   (a) In terms of the Agreements, the actual taxable income attributable to the Proposed Transactions will be less than what was anticipated at the time of performing the deferred tax asset recoverability assessment for the 30 June 2016 financial statements. Although management have other initiatives to support the recoverability of the deferred tax asset, for the purposes of these *pro forma* financial results the amount of the recovery attributable to the Proposed Transaction decreased and as a result R87 million of the deferred tax asset is derecognised.
8. Column 7 presents the *pro forma* statement of financial position subsequent to the Steeledale Transaction, the ACP Transaction and the Proposed Transaction on a collective basis.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF AVENG

The Directors
Aveng Limited
Aveng Park
1 Jurgens Street
Jet Park
Boksburg
1459

17 February 2017

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF AVENG LIMITED INCLUDED IN THE CIRCULAR TO SHAREHOLDERS

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Aveng Limited by the directors. The *pro forma* financial information, as set out in Annexure 1 of the Circular relating to the proposed disposal of a 51% beneficial interest in the Aveng Grinaker-LTA business unit consists of the consolidated statement of comprehensive income for the year ended 30 June 2016, the consolidated statement of financial position at 30 June 2016 and the *pro forma* financial effects (collectively the "*pro forma* financial information"). The *pro forma* financial information has been compiled by the directors on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the transaction, described in Paragraph 3 on pages 15 to 19 of the Circular, on the Company's consolidated financial position as at 30 June 2016, as if the transaction had taken place at 30 June 2016, and the Company's consolidated financial performance for the year then ended, as if the transaction had taken place at 1 July 2015. As part of this process, information about the Company's consolidated financial position and consolidated financial performance has been extracted by the directors from the Company's consolidated financial results for the year ended 30 June 2016, on which an audit report has been published.

Directors' Responsibility for the *Pro Forma* Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements as described in paragraph 6 on page 21 of the Circular. The directors of Aveng Limited are also responsible for the financial information from which it has been prepared.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, Ernst and Young Inc. maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements. We conducted our engagement in accordance with the International Standard on *Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board, which is applicable to an engagement of this nature.

This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the directors have compiled the *pro forma* financial information, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in the Circular is solely to illustrate the impact of a significant corporate action or transaction on unadjusted financial information of the entity as if the transaction had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in paragraph 6 on page 21 of the Circular.

Ernst & Young Inc.
Director: Louis van Breda CA(SA)
Registered Auditor
Reporting Accountant Specialist

Date: 17 February 2017

REPORT OF HISTORICAL FINANCIAL INFORMATION

BASIS OF PREPARATION

On 11 October 2016 The Aveng Group announced its intention to sell a 51% beneficial interest in Aveng Grinaker – LTA ("the Business") to the Kutana Group of companies. The transaction includes the following:

1. Business divisions of Aveng Africa Limited:
    a. The building and coastal construction business
    b. The mechanical and electrical engineering business
    c. The civil engineering business
    d. The Rand Roads business
    e. The Ground Engineering Business
2. The Namibian Interest
3. The Botswana Interest
4. The Mauritian Interest
5. The Specialised Roads Technologies Interest
6. The Water Business

The above are collectively referred to as the Business as defined on page 5 of this Circular.

The historical financial information has been adjusted to exclude the financial information relating to certain foreign operations that are not sold as part of the transaction.

The preparation of the Historical Financial Information is in accordance with Section 8 of the Listings Requirements which requires, inter alia, that:

- The Report of Historical Financial Information be prepared on the subject of any substantial disposal and must include the additional information required in terms of paragraphs 8.11 and 8.12 of the JSE Listings Requirements, to the extent applicable; and
- the Historical Financial Information be prepared in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The Statements of Financial Position of the Business as at 30 June 2016, 2015 and 2014 and the Statements of Comprehensive Earnings and the Statement of Cash Flows of the Business for the twelve months ended 30 June 2016, 2015 and 2014 and the related accounting policies and notes ("Historical Financial Information") have been compiled, in accordance with the special purpose framework set out below, as follows:

The consolidated carve-out Historical Financial Information has been prepared on a carve-out basis from the accounting records of Aveng Limited and its subsidiaries using historical results of operations, assets and liabilities attributable to the Business.

The accounting policies are consistent with those applied in the 30 June 2016 Aveng Group Limited consolidated annual financial statements, except for taxation and equity. These exceptions have been explained as follows:

Taxation is calculated at an Aveng (Africa) Proprietary Limited level based on the different financial reporting packages. The base taxation numbers are an accumulation of these reporting packages which form part of the Business, adjusted for the taxation and deferred taxation effect of any adjustments processed to these historical numbers.

Included in the historical financial information, there are four separate statutory entities namely Aveng Water SA Proprietary Limited, Aveng Water Treatment Namibia Proprietary Limited, Aveng Namibia Proprietary Limited and Aveng Grinaker – LTA Botswana Proprietary Limited. The taxation and deferred taxation for these entities has been included based on the historical signed financial statements for these entities.

In accordance with the convention for carve-out financial statements, amounts due to and due from the Business to the Aveng Group are recognised within owner's equity in the consolidated carve-out Historical Financial Information. Long term Inter-group payables and receivables outstanding for the periods presented are deemed to have been treated as equity and no interest has been charged on outstanding balances, save for current payables and receivables.

The consolidated carve-out Historical Financial Information includes an allocation of expenses from the Aveng Group for example IT related services, payroll related services, internal audit and procurement related services which are performed at a Group level. Management believes the assumptions and allocation have been determined on a basis that is a reasonable reflection of the utilisation of services provided to, or the benefit received by, the Business during the periods presented.

The Directors are responsible for the report of the historical financial information. These results were prepared under the supervision of Adrian Macartney (CFO).

The consolidated carve-out Historical Financial Information may not be indicative of the financial position, results of operations and cash flows that would have been presented if the Business existed as a separate group during the periods presented. The business and entities included in these consolidated carve-out historical financial statements have not operated as a single entity or group. Therefore, the consolidated carve-out historical financial statements may not necessarily be indicative of the business' future financial position, results of operations and cash flows.

DIRECTORS' COMMENTARY

2014 Results

Revenue increased to R7,6 billion. The increase was as a result of the ramp up of the Nacala and Majuba Rail Link contracts as well as the commencement of the Mall of the South and the Sasol Corporate Head Office.

Although significant improvement was made from 2013, performance was negatively impacted by delays experienced on the Mokolo Crocodile Pipeline contract as a result of excessive rain and other non-contributing legacy contracts that continue to be worked out of the revenue stream.

The first half of the 2014 financial year was focussed on rebuilding morale within the business. Senior management embarked on client engagements on the problematic contracts. Capability assessments and business process mapping also received attention.

The second half of the financial year saw a strengthening of leadership in the Civil engineering business unit as well as increased focus on contract execution, commercial, tendering and financial functions.

A deferred tax assessment was completed on the timing differences as well as the assessed loss. Based on the assessment R7 million deferred tax on the assessed loss was raised for the 2014 financial year.

2015 Results

Revenue increased to R7,9 billion. The revenue included activity on the Sishen and Gouda renewable energy projects, the Nacala and Majuba rail contracts, work on Eskom-related projects and two major private sector contracts, namely Mall of the South in Alberton and Sasol Corporate Head office in Sandton.

The results were adversely affected by losses on legacy contracts, namely the Mokolo Crocodile Pipeline contract, the Grootegluk Cyclic Pond contract and certain contracts related to the Eskom build programme. The performance of Aveng Engineering weakened during the second half of the year due to the cost of remedial works in two water treatment contracts, combined with costs incurred due to a delay in technical sign-off of the Gouda renewable energy contract.

A deferred tax assessment was completed on the timing differences as well as the assessed loss. Based on the assessment R1 million deferred tax on the assessed loss was raised for the 2015 financial year.

2016 Results

Revenue decreased to R7,2 billion primarily due to lower work volumes in the Civil Engineering, Engineering and Mechanical & Electrical businesses.

Net operating losses for Aveng Grinaker-LTA decreased during the year as a result of the close out of loss-making contracts, including the Grootegeluk Cyclic Pond project, while the Mokolo Crocodile Pipeline project is in the process of being handed over. The ratio of projects executed at or better than tender margin has substantially improved.

One remaining water purification contract remains. The estimated loss for this contract has been accounted for in the 2016 year.

A deferred tax assessment was completed on the timing differences as well as the assessed loss. Based on the assessment R35 million deferred tax on the assessed loss was raised for the 2016 financial year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
ASSETS				
Non-Current Assets				
Intangible assets	6	–	1	6
Property, plant and equipment	5	432	495	677
Equity-accounted investments	7	6	7	(6)
Deferred taxation	8	13	53	14
		451	556	691
Current Assets				
Inventories	11	9	28	45
Loans to group companies	36	25	215	388
Amounts due from contract customers	9	846	1 700	1 463
Trade and other receivables	10	220	414	381
Cash and bank balances	12	507	211	195
Taxation receivable		4	1	5
		1 611	2 569	2 477
Total Assets		**2 062**	**3 125**	**3 168**
EQUITY AND LIABILITIES				
Equity				
Share capital and share premium		–	–	–
Other reserves		–	–	–
Retained earnings		71	(94)	800
Equity attributable to equity-holders of parent		71	(94)	800
Total Equity		**71**	**(94)**	**800**
Liabilities				
Current liabilities				
Loans from group companies	36	93	694	63
Amounts due to contract customers	9	456	541	570
Payables other than contract-related	14	–	102	197
Employee-related payables	16	192	199	184
Trade and other payables	15	1 250	1 683	1 354
		1 991	3 219	2 368
Total Liabilities		**1 991**	**3 219**	**2 368**
Total Equity and Liabilities		**2 062**	**3 125**	**3 168**

CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS

	Notes	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Revenue	19	7 243	**7 857**	**7 583**
Cost of sales	20	(6 966)	(8 119)	(7 608)
Gross earnings		**277**	**(262)**	**(25)**
Other earnings	21	51	22	46
Operating expenses	22	(600)	(660)	(555)
(Loss)/earnings from equity-accounted investments	9	(27)	13	3
Net operating loss		**(299)**	**(887)**	**(531)**
Impairment of property, plant and equipment and intangible assets	4	–	(128)	–
Reversal of impairment/(impairment) of financial assets	23	1	(9)	–
Loss before financing transactions		**(298)**	**(1 024)**	**(531)**
Finance earnings	24	158	113	54
Other finance expenses	25	(163)	(124)	(65)
Earnings/(loss) before taxation		**(303)**	**(1 035)**	**(542)**
Taxation	26	(40)	25	12
Earnings/(loss) for the period		**(343)**	**(1 010)**	**(530)**
Total comprehensive earnings/(loss) for the period		**(343)**	**(1 010)**	**(530)**
Total comprehensive loss for the period attributable to:				
Equity-holders of the parent		(343)	(1 010)	(530)
Non-controlling interest		–	–	–
Loss for the period attributable to:				
Equity-holders of the parent		(343)	(1 010)	(530)
Non-controlling interest		–	–	–
		(343)	(1 010)	(530)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Rm	Share premium Rm	Total share capital and premiums Rm	Retained earnings Rm	Total equity attributable to parent Rm
Balance at 1 July 2013	–	–	–	1 285	1 285
Loss for the period			–	(530)	(530)
Loans capitalised to equity				45	45
Balance at 1 July 2014	–	–	–	800	800
Loss for the period			–	(1 010)	(1 010)
Loans capitalised to equity				131	131
Dividend paid				(15)	(15)
Balance as at 1 July 2015	–	–	–	(94)	(94)
Earnings for the period			–	(343)	(343)
Loans capitalised to equity			–	508	508
Balance at 30 June 2016	**–**	**–**	**–**	**71**	**71**
Note	13	13	13		

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Operating activities				
Cash utilised by operations	27	(271)	(1 040)	(541)
Depreciation	5	74	64	96
Amortisation	6	1	5	13
Non-cash and other movements	28	(17)	116	(9)
Cash generated/(utilised) by operations		**(213)**	**(855)**	**(441)**
Changes in working capital:				
Decrease in inventories		19	16	31
Decrease/(increase) in amounts due from contract customers		854	(236)	(47)
(Increase)/decrease in trade and other receivables		194	(33)	(324)
(Decrease)/increase in amounts due to contract customers		(85)	(29)	(339)
Decrease in trade and other payables		(458)	328	228
Decrease in payables other than contract-related		(102)	(95)	(86)
Decrease in employee-related payables		(6)	15	3
Loans advanced to group companies		191	231	(49)
Loans advanced from group companies		(94)	753	877
Total changes in working capital		**513**	**950**	**294**
Cash generated/(utilised) by operating activities		**300**	**95**	**(147)**
Finance expenses paid	29	(161)	(124)	(65)
Finance earnings received	30	157	113	54
Taxation paid	31	(3)	(10)	(8)
Cash inflow/(outflow) from operating activities		**293**	**74**	**(166)**
Investing activities				
Property, plant and equipment purchased				
– expansion	5	(14)	(41)	(52)
– replacement	5	(27)	(55)	(29)
Proceeds on disposal of property, plant and equipment		44	50	25
Capital expenditure net of proceeds on disposal		**3**	**(46)**	**(56)**
Dividend earnings	32	–	3	7
Cash outflow from investing activities		**3**	**(43)**	**(49)**
Operating free cash inflow/(outflow)		**296**	**31**	**(215)**
Financing activities with debt-holders				
Dividends paid		–	(15)	–
Net (decrease)/increase in cash and bank balances before foreign exchange movements		296	16	(215)
Cash and bank balances at beginning of the period		211	195	410
Total cash and bank balances at the end of the period	12	**507**	**211**	**195**

1. PRESENTATION OF CONSOLIDATED CARVE-OUT HISTORICAL FINANCIAL INFORMATION

The accounting policies below are applied throughout the consolidated carve-out historical financial information.

Assessment of significance or materiality of amounts disclosed in these consolidated carve-out historical financial information

The Business presents amounts in these consolidated carve-out historical financial information in accordance with International Financial Reporting Standards ("IFRS"). Only amounts that have a relevant and material impact on the consolidated carve-out historical financial information 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. ACCOUNTING POLICIES

2.1 Basis of consolidation

i. *Business combination and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Business elects to measure the non-controlling interests in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Business acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of *IFRS 9*, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Business's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

ii. *Subsidiaries*

The results of any subsidiaries acquired or disposed of during the year are included from the effective dates of acquisition and up to the effective dates of disposal respectively, being the dates on which the Business obtains or ceases to have control. Control is achieved when the Business has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Business reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

iii. *Equity-accounted investments*

Equity-accounted investments consist of investments in associates and joint ventures.

Associates

Associates are all entities over which the Business has significant influence but not control or joint control, generally accompanying a shareholding of more than 20% of the voting rights.

Joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exist only when decisions about relevant activities require unanimous consent of the parties sharing control. The Business's interests in joint arrangements are either classified as joint operations or joint ventures.

A joint operation is a joint arrangement whereby the Business have rights to the assets and obligations for the liabilities, relating to the joint arrangement. The joint operators have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangements require unanimous agreement for financial and operating decisions among the joint operators. The Business recognises its interest in a joint operation by recognising its interest in the assets and liabilities of the joint operation as well as its share in the expenses that it incurs and its share of the earnings that it earns from the sale of goods or services by the joint operation.

A joint venture is a joint arrangement whereby the Business has rights to the net assets of the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated carve-out historical financial information include the Business's share of the earnings or loss and other comprehensive earnings of the associates and joint ventures, until the date significant influence or control ceases.

When the Business's share of losses in associates or joint ventures equals or exceeds its interest in that entity, including any other unsecured receivables, the Business does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. The total carrying amount of associates and joint ventures is evaluated when there is an indication of impairment.

The Business's interests in associates and joint ventures are considered individually immaterial based on their contribution to the Business and accordingly disclosures are aggregated separately for associates and joint ventures based on their risk profiles and characteristics in relation to their activities and association to the Business.

iv. *Transactions eliminated on consolidation*

When the end of the reporting period of a subsidiary, associate or joint arrangement is different to that of the Business, the subsidiary, associate or joint arrangements prepares, for consolidation purposes, additional financial statements as at 30 June. When it is impractical for the subsidiary, associate or joint arrangement to prepare additional financial statements as at 30 June, adjustments are made for the effects of significant transactions that occur between the subsidiary, associate or joint arrangement and the Business's reporting date.

Should a subsidiary, associate or joint arrangement apply accounting policies that are materially different to those adopted by the Business, adjustments are made to the financial statements to align the accounting policies.

All inter-Business transactions and balances are eliminated on consolidation. Unrealised earnings or losses are also eliminated, unless it reflects impairment in the assets so disposed.

2.2 **Foreign currency transactions and balances**

Items included in the consolidated carve-out historical financial information of each of the Business entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

Transactions denominated in foreign currencies are initially translated at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the ZAR rate of exchange ruling at the reporting date. All differences are taken to earnings with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognised in other comprehensive earnings and accumulated as a separate component in equity until disposal of the net investment, at which time they are recognised through other comprehensive earnings. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive earnings.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the ZAR rate of exchange ruling on the later of acquisition or revaluation dates. Gains or losses on translation are credited or charged against earnings.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Business (ZAR) at the rate of exchange ruling at the reporting date. The income and expenses of foreign operations are translated at the average exchange rates for the year. Equity is stated at historical rates.

Foreign currency differences arising on the translation are recognised in other comprehensive earnings and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is reclassified from other comprehensive earnings to earnings.

The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Business incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to earnings or loss during the reporting period in which they are incurred. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

2.3 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Land is not depreciated.

Buildings and other items of property, plant and equipment are depreciated on a straight-line basis over their useful lives to an estimated residual value. Where significant components of an item have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to be realised from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in earnings or loss in the year in which the item is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Item	Depreciation %/period
Buildings	2%
Leasehold property	Shorter of lease period and asset's useful life
Plant and machinery	5% – 33%
Furniture and fixtures	10% – 33%
Motor vehicles	10% – 33%
Office equipment	10% – 33%

2.4 **Intangible assets**

Recognition and measurement

Intangible asset	Accounting treatment
Trademarks and brand names	Following initial recognition at cost, trademark and brand names are measured at cost less accumulated amortisation and accumulated impairment losses. Trademarks and brand names with indefinite useful lives are not amortised and are measured at cost less accumulated impairment losses. Internally developed trademark expenses are written off as and when incurred.
Computer software	Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment. Internally developed computer software expenses are only capitalised when such costs are clearly associated with the development and production of identifiable and unique software products controlled by the Business, and will probably generate economic benefits exceeding one year.
Other intangible assets	Other intangible assets include customer lists and know-how acquired through business combinations. Following initial recognition, such assets are measured at cost less accumulated amortisation and accumulated impairment.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using a straight line method over their estimated useful lives, and is generally recognised in earnings or loss.

The estimated useful lives for current and comparative periods are as follows:

Item	Amortisation rate
Brand names with definite useful lives	5% – 10%
Know-how	20%
Computer software	10% – 33%

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to be realised from the continued use of the asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in earnings when the asset is derecognised.

2.5 **Impairment of property, plant and equipment and intangible assets**

The Business assesses, at each reporting date, whether there is an indication that a non-financial asset (other than inventories and deferred tax assets) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Business estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive earnings in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Business estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive earnings unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.6 **Inventories**

Inventories comprise raw materials, consumable stores, work-in-progress, and finished goods. Inventories are valued at the lower of cost and net realisable value generally determined on the first-in first-out ("FIFO") basis, standard costing and weighted average in respect of certain stock categories. The cost of manufactured goods and work-in-progress, in addition to direct materials and labour, include a proportion of production overheads based on normal operating capacity and the appropriate stage of completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

2.7 **Share-based payments**

The Business shares in the ultimate holding company's (Aveng Limited) share incentive plan for the granting of shares and/or share options to executives and senior employees as consideration for services rendered. Shares and/or share options are offered to executives and senior employees at the market price, upon recommendation by the remuneration committee. Shares and/or share options awarded to executives and senior employees are awarded over a period of three to four years. The shares and/or share options then vest within one year from the date awarded. Thus the shares and/or share options vest over a period of five years. Shares or share options not exercised within ten years are forfeited.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of performance conditions, other than conditions linked to the market value of the Aveng Limited's shares. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Business's best estimate as to the number of equity instruments that will ultimately vest. The earnings charge or credit for a period represents the movement in cumulative expense recognised at the beginning and at the end of each reporting period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Provided that all other performance conditions are satisfied, these awards are treated as vesting irrespective of whether or not the market condition is satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified.

In addition, an expense is recognised for any modification, which increases the consolidated total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation. Any expense not yet recognised for the award is immediately recognised. In the event that a new award is substituted for the cancelled award, and designated as a replacement award, the cancelled and new awards are treated as if they were a modification to the original award.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date by means of an adjusted binomial option pricing model which takes into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the vesting period with recognition of a corresponding liability. This liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings.

Subsidiaries
Share-based payments that are classified as equity or cash-settled at the Business level are classified as follows in the subsidiary level:

- Equity-settled, where the receiving subsidiary has no obligation to settle the transaction;
- Equity-settled, where the settling subsidiary has the obligation to settle in its own equity instruments;
- Cash-settled, where the settling subsidiary has the obligation to settle in cash or other assets, including equity instruments of another Business entity (where relevant).

2.8 Provisions

A provision is recognised when the Business has a present legal or constructive obligation as a result of past events for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.9 Employee benefits

Short-term employee benefits
All short-term benefits are charged as an expense in the period in which the related service is rendered by employees. A liability is recognised for the amount expected to be paid if the Business has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and this amount can be estimated reliably. The liability under short-term benefits is accounted for as the undiscounted amount expected to be paid in exchange for the services received.

Post-retirement benefits
The Business has a number of retirement benefit plans for its eligible employees. These plans comprise both defined contribution and a closed defined benefit plan. South African funds are governed by the Pension Funds Act, 1956 as amended. Other funds are governed by the respective legislation of the country concerned.

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The risks pertaining to the defined contribution plans does not lie with the Business regarding the sufficiency of the plan assets or returns on these assets. With regards to the closed defined benefit plan, the pensioner liabilities are fully funded and accordingly the Business have no foreseen future funding obligation. As such, the above information has been provided for information purposes only.

Defined contribution plans
Payments to defined contribution retirement benefit plans are charged as an expense in the reporting period to which they relate.

Defined benefit plans
In respect of the Grinaker Business Pension Fund pensioner liabilities are fully outsourced to Momentum Business Limited. The surplus member apportionment account is defined benefit in nature and fully funded and no further funding is required from the employer. However, should Momentum Business be unable to perform in terms of an Annuity Purchase Agreement, the obligation to fund the pensioner liabilities may revert to the Business.

The Business has assessed the likelihood of Momentum being unable to perform in terms of an annuity purchase agreement to be remote.

Other long term employee benefits
Other long term employee benefits include items such as the Business's long term disability benefits as well as the portion of the Business's leave pay benefits not expected to be settled wholly within twelve months after the annual reporting period in which the employees render the related service. The Business's portion of leave pay benefits not expected to be settled wholly within twelve months after the annual reporting period are classified as non-current and are discounted using the Business's weighted average cost of capital rate with any remeasurements being recognised directly in earnings.

Termination benefits
Termination benefits are expensed at the earlier of when the Business can no longer withdraw the offer of those benefits and when the Business recognizes costs for a restructuring. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

2.10 **Revenue**
Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Business and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and Value Added Taxation.

Construction contracts
Revenue from construction contracts is recognised, when the outcome of the construction contract can be measured reliably, by reference to the percentage of completion of the contract at the reporting date. The percentage of completion is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract, surveys of work performed, completion of a physical proportion of the contract work, and management's judgement of the contract progress and outstanding risks. Anticipated losses to completion are immediately recognised as an expense in contract costs.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

Where contract costs incurred to date plus recognised earnings, less recognised losses exceed progress billings, the surplus is reflected as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised earnings, less recognised losses, the surplus is reflected as amounts due to customers for contract work.

Amounts received before the related work is performed are included as a liability in the consolidated statements of financial position, as amounts received in advance under the amounts due from/ (to) contract customers. Amounts billed for work performed but not collected from customers are included as contract receivables. Variations in contract work, claims and incentive payments are included as part of contract revenue as follows:

Claims
Claims are subject to a high level of uncertainty, and revenue related to claims is only recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and the amount that is probable can be measured reliably.

Variations
Revenue is recognised when it can be reliably measured and it is probable that the variation will be approved by the customer.

Incentive payments
Revenue is recognised when the contract is sufficiently advanced that it is probable that the specified performance standard will be met or exceeded; and the amount of incentive payment can be measured reliably.

Combining and segmenting construction contracts
The Business's contracts are typically negotiated for the construction of a single asset or a Business of assets which are closely inter-related or inter-dependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a Business of contracts together in order to reflect the substance of a contract or Business of contracts.

Assets covered by a single contract are treated separately when:
- separate proposals have been submitted for each asset;
- each asset has been subject to separate negotiation and the Business and customer have been able to accept or reject that part of the contract relating to each asset; and
- the costs and revenues of each asset can be identified.

A Business of contracts is treated as a single construction contract when:
- the Business of contracts is negotiated as a single package;
- the contracts are so closely inter-related that they are, in effect, part of a single project with an overall positive margin; and
- the contracts are performed concurrently or in a continuous sequence.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales contract.

Rendering of services

Revenue from the rendering of services is recognised on a percentage of completion basis over the period for which the services are rendered.

Transport revenue

Transport revenue is recognised when the goods have been delivered to the customer.

2.11 **Interest earnings**

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset. An appropriate accrual is made at each reporting date.

2.12 **Other earnings**

Dividends received are included in earnings or loss on the date the Business's right to receive payment is established, when the dividend has been appropriately authorised and is no longer at the entity declaring the dividend's discretion.

2.13 **Financial instruments (based on early adopted *IFRS9* (2010))**

2.13.1 *Financial assets*

Initial recognition and measurement

The Business initially recognises financial assets when the Business becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value plus in the case of assets not measured at fair value through earnings or loss, directly attributable transaction costs. Subsequently financial assets, excluding derivatives, are classified as measured at amortised cost or fair value, depending on its business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Derivatives are subsequently measured at fair value through profit or loss. Changes in the fair value of derivatives used to economically hedge the Business's foreign exchange exposure are recognised in other earnings in the earnings or loss component of the statement of comprehensive earnings.

A financial asset qualifies for amortised cost, using the effective interest method net of any impairment loss if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The assessment of business model is made at portfolio level as this reflects best the way the business is managed and information is provided to management.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Business commits to purchase or sell the asset.

The Business's financial assets are classified as trade and other receivables, amounts due from contract customers, loans to Business companies and cash and bank balances.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost.

Loans to Business companies

Loans to Business companies are subsequently measured at amortised cost.

Amounts due from contract customers

Amounts due from contract customers are carried at cost plus margin recognised, less billings and recognised losses at the reporting date in accordance with the revenue recognition policy in section 2.10.

Contract receivables and contract retentions are initially recognised at cost plus margin, which approximates fair value, and are subsequently measured at amortised cost. Contract receivables and retentions comprise amounts due in respect of progress billings certified by the client or consultant at the reporting date for which payment has not been received and amounts held as retentions on certified work at the reporting date.

Contract costs include costs that are attributable directly to the contract and costs that are attributable to contract activity. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, technical assistance, and any other costs which are specifically chargeable to the customer in terms of the contract.

Contract costs incurred that relates to future activity are recognised as an asset to the extent that it is probable it will be recovered. Such costs represent amounts due from contract customers.

Cash and bank balances
Cash and bank balances comprise cash on hand and bank balances that are subsequently measured at amortised cost. Cash held in joint arrangements are available for use by the Business with the approval of the joint arrangement partners. Bank overdrafts are offset against positive bank balances where a legally enforceable right of offset exists and there is an intention to settle the overdraft and realise the net cash. For the purposes of the statement of cash flows, cash and bank balances consist of cash and bank balances defined above net of outstanding bank overdrafts.

Impairment of financial assets
The Business assesses, at each reporting date, whether there is objective evidence that a financial asset or a Business of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Business of financial assets that can be reliably estimated.

Financial assets not carried at fair value through profit or loss, including an interest in an equity-accounted investee are assessed at each reporting date to determine whether there is objective evidence of impairment. Accordingly, this accounting policy relates to *note 9: Amounts due from contract customers*, *note 10: Trade and other receivables, note 12: Cash and bank balances and note 36: Related parties.*

Objective evidence that financial assets are impaired includes:
- default or delinquency by a debtor in interest or principal payments;
- restructuring of an amount due to the Business on terms that the Business would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy or other financial reorganisation;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a Business of financial assets such as changes in arrears or economic conditions that correlate with defaults.

Derecognition
A financial asset is derecognised when:
- the rights to receive cash flows from the asset have expired; or
- the Business has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Business has transferred substantially all the risks and rewards of the asset, or (b) the Business has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Business has transferred its rights to receive cash flows from an asset, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Business's continuing involvement in the asset. In that case, the Business also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Business has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Business could be required to repay.

2.13.2 *Financial liabilities*
Initial recognition and measurement
The Business initially recognises financial liabilities when the Business becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified as measured at amortised cost or fair value, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Business determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and other liabilities, less directly attributable transaction costs. The Business's financial liabilities include trade and other payables, borrowings and other liabilities, bank overdrafts, employee-related payables, amounts due to contract customers, loans from Business companies and derivatives that are liabilities.

The Business has not designated any financial liabilities upon initial recognition as at fair value through profit or loss, except those financial liabilities that contain embedded derivatives that significantly modify cash flows that would otherwise be required under the contract.

Amounts due to contract customers
Where progress billings exceed the aggregate of costs plus margin less losses, the net amounts are reflected as a liability and is carried at amortised cost.

Trade and other payables
Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Loans from Business companies
Loans from Business companies are subsequently measured at amortised cost using the effective interest method.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in earnings.

2.14 **Tax**

Current taxation
Current taxation comprise the expected taxation payable and receivable on the taxable earnings for the year and any adjustment to taxation payable or receivable in respect of previous years. It is measured using taxation rates that are enacted or substantively enacted at reporting date.

Current taxation for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current or prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current taxation is charged to earnings except to the extent that it relates to a transaction that is recognised outside earnings or loss. In this case the current taxation items are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity.

Deferred taxation
Deferred taxation is recognised in respect of all temporary differences at the reporting date. Temporary difference are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation base.

Deferred taxation is not recognised for:
- Taxable temporary differences that arise from the initial recognition of goodwill.
- Temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profits nor taxable income.
- Temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Business and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets are recognised for all deductible temporary differences, carry forward of unused taxation credits and unused taxation losses, to the extent that it is probable that taxable income will be available against which they can be used.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates that are expected to apply to the year when the asset is realised or the liability is settled based on enacted or substantively enacted taxation rates at the reporting date.

Deferred taxation is charged to earnings or loss except to the extent that it relates to a transaction that is recognised outside earnings or loss. In this case the deferred taxation items are recognised in correlation to the underlying transaction either in other comprehensive earnings or directly in equity.

The effect on deferred taxation of any changes in taxation rates is recognised in earnings, except to the extent that it relates to items previously recognised in other comprehensive earnings or credited directly to equity. The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related taxation benefit will be realised. Unrecognised deferred taxation assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable income will allow the deferred taxation asset to be recovered.

Deferred taxation assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income taxation assets against current taxation liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Withholding Tax
A dividend withholding tax is withheld on behalf of the taxation authority on dividend distributions.

Other taxes
Revenues, expenses and assets are recognised net of Value Added Tax except for:

- Where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to the taxation authorities is included as part of receivables or payables in the statement of financial position.

2.15 **Leases**
Business as a lessee
Determining whether an arrangement contains a lease
At inception of an arrangement, the Business determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Business separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Business concludes for a finance lease that it is impracticable to separate payments reliably, then the asset and liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Business's incremental borrowing rate.

Leased assets
Assets held by the Business under leases that transfers to the Business substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Business's statement of financial position.

Lease payments
Payments made under operating leases are recognised in earnings or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Business as a lessor
Leases whereby the Business does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rental income is recognised as revenue during the period in which it is earned.

2.16 **Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 **Contingent liabilities**
A contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Business, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated carve-out historical financial information 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 Business's accounting policies, the Business have made the judgements relating to certain items recognised, which have the most significant effect on the amounts recognised in the consolidated carve-out historical financial information. 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 year, are described below. The Business based its assumptions and estimates on parameters available when the consolidated carve-out historical financial information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Business. Such changes are reflected in the assumptions when it occurs.

3.1.1 *Useful lives of property, plant and equipment*

The Business reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Business determined that the useful lives of certain items of equipment should be extended based on past experience and industry norms.

The change in useful lives was regarded as a change in an accounting estimate as per *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and is therefore accounted for prospectively.

Refer to note 5: *Property, plant and equipment* for further detail.

3.1.2 *Intangible assets*

The Business reviews the estimated useful lives of intangible assets at the end of each reporting period.

Refer to note 6: *Intangible assets* for further detail.

3.1.3 *Equity-accounted investments*

Equity-accounted entities are entities in which the Business holds less than 20% of the voting power, but the Business has determined that it has significant influence in entities where it holds less than 20% of the voting power. This includes Specialised Road Technologies Proprietary Limited and RPP Development Proprietary Limited. The Business's significant influence is due to the Business having a representation on the board of directors in each of these entities and the Business's participation in decisions over the relevant activities of the entities.

Refer to note 7: *Equity-accounted investments* for further detail.

Equity-accounted investments that are managed, reported and evaluated on a fair value basis are classified as infrastructure investments held at fair value.

3.1.4 *Deferred taxation*

Deferred tax assets are recognised for all unused tax 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 tax assets that can be recognised, based upon the likely timing and level of future taxable earnings. If the deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement, they have been offset in the statement of financial position.

Refer to note 8: *Deferred taxation* for further detail.

3.1.5 *Amounts due from contract customers*

The Business estimates the risk associated with the amounts due from contract customers in order to classify these assets according to their maturity profile.

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

3.1.6 *Trade and other receivables*

Allowance for doubtful debts

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

Refer to note 10: *Trade and other receivables* for further detail.

3.1.7 *Inventories*

Allowance for obsolete inventory

The Business estimates the level of allowance required for obsolete inventory on an ongoing basis based on historical experience as well as other specific relevant factors.

Refer to note 11: *Inventories* for further detail.

3.1.8 *Share-based payments*

Equity-settled

The Business measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

Cash-settled

The benefit payable to an employee on exercise date under both the Share Appreciation Right and Option plans is calculated as the higher of the difference between the spot share price at the time of exercise and the strike (or grant) price, and zero. The Business's share option methodology utilises the binomial tree/ lattice (based on risk-neutral principles). Sub-optimal exercise multiples are incorporated so as to include the possibility of early exercise. In addition, the following factors are taken into account as inputs in the option pricing methodology:

- Expected volatility of the share price.
- Expected dividend on the share during the life of the option.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 17: *Share-based payments.*

3.1.9 *Provisions*

In determining the fair value of the provisions, assumptions and estimates are made in relation to the discount rate and expected costs to settle. The hypothetical incremental borrowing rate for the Business was used as the discount rate. The rate was determined as follows:

Risk free rate

The risk free rate was determined by obtaining a zero coupon swap curve over 20 years, as the bond market in South Africa is not sufficiently liquid and deep to use the bond rate as a proxy for the risk free rate. The five-year zero coupon risk free rate is 8,79% per annum.

Hypothetical credit spread

The Business specific hypothetical credit spread was determined based on market risk indicators specific to the Business. The five-year credit spread was determined as 163 basis points. The five-year hypothetical incremental borrowing rate was determined as 9,26% per annum.

Refer to note 14: *Payables other than contract-related* and note 16: *Employee-related payables* for further detail.

3.1.10 *Impairment of property, plant and equipment and intangible assets*

The Business 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 CGU of the Business.

Impairment exists when the carrying amount of a CGU exceeds its recoverable amount, which is the higher of its fair value less costs to dispose of and its value-in-use. The fair value less costs of disposal calculation is based on available data (if applicable) from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from future budgets and do not include restructuring activities that the Business 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. The key assumptions used to determine the recoverable amount for the different CGUs, including sensitivities, are disclosed and further explained in note 4: *Impairments.*

3.1.11 *Revenue recognition*

The Business uses the percentage of completion method in accounting for its construction contracts.

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

- the determination of stage of completion,
- estimation of total contract revenue and total contract costs,
- assessment of the amount the client will pay for contract variations, and
- estimation of project production rates and program through to completion.

The construction contracts undertaken by the Business 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 Business , the knowledge and experience of the Business'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 amountscan be measured, the financial risks pertained to individual projects and the associated judgements and estimates employed. Cost and revenue estimates and judgements are reviewed and updated monthly, and more frequently as determined by events or circumstances. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

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

Material changes in one or more of these judgements and/or estimates, whilst not anticipated, would significantly affect the profitability of individual contracts and the Business's overall results. The impact of a change in judgements and/or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time.

3.1.12 *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* 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 company 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.

3.1.13 *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. The following factors are taken into account: future estimated revenues (including claims and variations, as disclosed in *note 2.10 Revenue*); the stage of completion of the contract; the nature and relationship with the customer; expected inflation; the terms of the contract and the Business's experience in that industry.

4. IMPAIRMENTS

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Impairments recognised during the year			
Intangible assets	–	11	–
Property, plant and equipment	–	117	–
	–	128	–

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

A CGU is defined as the smallest group of identifiable assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The Business performed its annual impairment test at 30 June 2016. An assessment of qualitative indicators for each CGU was undertaken to identify if any indications of impairment were present, mainly due to weak financial performance (losses and cash outflows).

The Business considers the external and internal factors affecting its carrying amount, amongst other factors, when reviewing for indicators of impairment. As at 30 June 2016, no impairment was necessary for the Business.

The value-in-use was determined based on management's past experience and best estimate. The cash flows have been based on the approved budget for the 2017 financial year, as well as a forecast until 2021 utilising the assumptions set out below:

Discount rate applied - The Business has calculated a weighted average cost of capital ("WACC") of 11.88%. This is utilised as a basis for performing the value-in-use calculation. In cases where the CGU is deemed to be of greater risk than the Business as a whole, a risk premium has been included in the discount rate. The discount rates utilised for the purposes of the impairment testing was between 12,81% to 14.5%.

Growth rate applied - In determining the growth rate, consideration was given to the growth potential of the CGU. As part of this assessment, a prudent outlook was adopted that mirrors an inflationary increase in line with the consumer price index and real growth expected within the market. Based on these factors, the nominal growth rate applied for the purposes of the impairment testing ranges between 4% and 5.5%.

Period of projection - The period of projection is influenced by the ability of management to forecast cash flows in the future. Forecasting has been performed for a period of five years with a growth rate as set out above.

Contract revenue and margin - Revenue and margins are based on management's best estimates of known contracts (both awarded and anticipated to be awarded).

During the year ended 30 June 2015 an impairment charge totalling R11 million relating to intangible assets was recognised in Aveng Engineering (Water).

As at 30 June 2015, an impairment charge totalling R117 million was recognised against ancillary operations comprising property, plant and equipment in the Aveng Grinaker-LTA (R74 million charge) and Aveng Engineering (R43 million charge) operating Businesss respectively, due to the subdued economic conditions and the resultant pressure on order book.

Refer to note 5: Property, plant and equipment and note 6: Intangible assets for further details.

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leased plant, equipment and vehicles Rm	Owned plant, equipment and vehicles Rm	Total Rm
Reconciliation of property and equipment – 2016 Audited				
Cost				
Opening balance	2	8	1 240	1 250
Additions	–	–	41	41
Disposals	(2)	(4)	(164)	(170)
Transfers	–	–	2	2
Reclassifications	–	–	(21)	(21)
Foreign translation differences	–	–	(6)	(6)
	–	(4)	1 092	1 096
Accumulated depreciation and impairment				
Opening balance	–	(25)	(730)	(755)
Depreciation*	–	(1)	(73)	(74)
Impairment	–	1	140	141
Reclassifications	–	–	21	21
Foreign translation differences	–	–	3	3
	–	(25)	(639)	(664)
Carrying value	**–**	**(21)**	**453**	**432**
Reconciliation of property and equipment – 2015 Audited				
Cost				
Opening balance	1	28	1 360	1 389
Additions	1	4	90	95
Disposals	–	(4)	(170)	(174)
Transfers	–	(20)	(60)	(80)
Reclassifications to intangible assets	–	–	20	20
	2	8	1 240	1 250
Accumulated depreciation and impairment				
Opening balance	–	(14)	(698)	(712)
Depreciation*	–	(1)	(63)	(64)
Impairment	–		(117)	(117)
Disposals	–	2	141	143
Transfers	–	(12)	(10)	(22)
Reclassifications to intangible assets	–	–	17	17
	–	(25)	(730)	(755)
Carrying value	**2**	**(17)**	**510**	**495**
Reconciliation of property and equipment – 2014 Audited				
Cost				
Opening balance	1	23	1 362	1 386
Additions		2	78	80
Disposals			(59)	(59)
Transfers			(18)	(18)
Reclassifications		3	(3)	–
	1	28	1 360	1 389
Accumulated depreciation and impairment				
Opening balance	–	(10)	(669)	(679)
Depreciation*	–	(3)	(93)	(96)
Impairment		–	45	45
Disposals		–	13	13
Reclassifications		(1)	6	5
	–	(14)	(698)	(712)
Carrying value	**1**	**14**	**662**	**677**

** Depreciation in cost of sales amounted to R65 million (2015: R52 milllion, 2014: R80 million) and amounts included in operating expenses amounted to R9 million (2015: R12 million, 2014: R16 million)*

The Business reviews the estimated useful lives of property, plant and equipment at the end of the reporting period.

6. INTANGIBLE ASSETS

	Know How Rm	Brand Names Rm	Computer Software Rm	Total Rm
Reconciliation of intangible assets – 2016 Audited				
Cost				
Opening balance	11	38	–	49
Adjustment to opening balance		(3)	–	(3)
Transfers between group companies	–	(34)	–	(34)
	11	1	–	12
Accumulated depreciation and impairment				
Opening balance	(11)	(37)	–	(48)
Adjustment to opening balance	–	2	–	2
Amortisation	–	(1)	–	(1)
Transfers between group companies	–	35	–	35
	(11)	(1)	–	(12)
Carrying value	**–**	**–**	**–**	**–**
Reconciliation of intangible assets – 2015 Audited				
Cost				
Opening balance	–	44	–	44
Disposals	–	(6)	–	(6)
Reclassifications from property, plant and equipment	11	–		11
	11	38	–	49
Accumulated depreciation and impairment				
Opening balance	–	(38)	–	(38)
Amortisation	–	(5)	–	(5)
Impairment	(11)	–	–	(11)
Disposals	–	6	–	6
	(11)	(37)	–	(48)
Carrying value	**–**	**1**	**–**	**1**
Reconciliation of intangible assets – 2014 Audited				
Cost				
Opening balance	–	34	–	34
Transfers between group companies	–	10	–	10
	–	44	–	44
Accumulated depreciation and impairment				
Opening balance	–	(18)	–	(18)
Amortisation	–	(13)	–	(13)
Transfers between group companies	–	(7)	–	(7)
	–	(38)	–	(38)
Carrying value	**–**	**6**	**–**	**6**

7. EQUITY-ACCOUNTED INVESTMENTS

		2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Opening balance		7	(6)	(9)
Obligation for Group share of Rehm Grinaker Construction losses*		26	–	–
Share of earnings before taxation and dividends		(27)	13	3
		6	7	(6)
Reconciliation of investments	**% holding 2016**			
Rehm Grinaker Construction Company Limited	43%	–	2	(9)
Specialised Road Technologies Proprietary Limited	15%	6	5	3
Aggregate carrying amount of associates		6	7	(6)

**Losses have been transferred to trade and other payables, being our share of guaranteed losses.*

8. DEFERRED TAXATION

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Reconciliation of deferred taxation asset			
At the beginning of the year	53	14	–
Transfer from statement of comprehensive earnings – current year	(42)	17	19
Transfer from statement of comprehensive earnings – prior year	2	22	(5)
	13	53	14
Deferred taxation asset balance at the year-end comprises:			
Accelerated capital allowances	(71)	(80)	(117)
Provisions	27	30	134)
Contracts	45	111	(18)
Other	(23)	(9)	8
Assessed losses carried forward	35	1	7
	13	53	14

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

As at June 2016 the Business had unused taxation losses of R4 407 million (2015: R5 161 million, 2014: R2 771 million) available for offset against future profits. A deferred taxation assets of R35 million (2015: R1 million, 2014: R7 million) has been recognised in respect of the total estimated tax loss. No deferred taxation has been recognised in respect of the remaining R1 199 million (2015: R1 444 million, 2014: R769 million) due to the uncertainty of future taxable profits in the related specific legal entities.

9. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Uncertified claims and variations(under claims) *[1]	241	604	542
Contract contingencies	(308)	(181)	(143)
Progress billings received (over claims) [2]	(352)	(425)	–
Uncertified claims and variations less progress billings received	**(419)**	**(2)**	**399**
Contract receivables [3]	915	1 267	1 064
Provision for contract receivables	(2)	–	–
Retention receivables [4]	–	10	–
	494	1 275	1 463
Amounts received in advance [5]	(104)	(116)	(570)
Net amounts due from contract customers	**390**	**1 159**	**893**
Disclosed on the statement of financial position as follows:			
Uncertified claims and variations*	241	604	542
Contract contingencies	(308)	(181)	(143)
Contract and retention receivables	915	1 277	1 064
Provision for contract receivables	(2)	–	–
Amounts due from customers	**846**	**1 700**	**1 463**
Progress billings received	(352)	(425)	–
Amounts received in advance	(104)	(116)	(570)
Amounts due to contract customers	**(456)**	**(541)**	**(570)**
Net amounts due from contract customers	**390**	**1 159**	**893**

** Provisions have been netted off against uncertified claims and variations*
[1] Includes revenue not yet certified – recognised based on percentage of completion/measurement and agreed variations, less provision 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 re fulfilled or until defects have been rectified.
[5] Advances are amounts received from the customer before the related work is performed.

10. TRADE AND OTHER RECEIVABLES

	2016	2015	2014
Financial assets			
Trade receivables	40	28	56
Provision for doubtful debts	(21)	(14)	(55)
Sundry receivables	125	331	353
Non-financial assets			
Prepayments	76	69	27
	220	414	381

Trade and other receivables comprise amounts owing to the Business in the normal course of business. Terms vary in accordance with contracts of supply and service and across business units, but are generally on 30 to 60 day terms from date of invoice. Indebtedness is generally interest free while within the terms of the original contract.

11. INVENTORIES

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Raw materials	8	12	16
Work-in-progress	5	17	30
Finished goods	4	4	2
Consumables	1	1	3
	18	34	51
Allowance for obsolete inventory	(9)	(6)	(6)
	9	28	45
Reconciliation of movement in allowance for obsolete inventory			
Opening balance	6	6	–
Allowance created	3	–	6
Allowance utilised	–	–	–
	9	6	6
Inventories utilised in cost of sales during the year	**552**	**1 321**	**807**

The value of inventory carried at net realisable value amounts to R 25 million (2015: R 25 million, 2014: R million), with the balance carried at cost.

12. CASH AND BANK BALANCES

	2016	2015	2014
Cash and bank balances consist of:			
Cash and bank balances	507	211	195
	507	211	195
Cash and bank balances at the end of the period include the following cash and bank balances that are restricted from immediate use.			
Business' share of cash held by joint operations	218	139	211

13. SHARE CAPITAL AND SHARE PREMIUM

The Business is a division within Aveng Africa Proprietary Limited and therefore does not have any authorised or issued share capital.

The share capital of the statutory entities within the Group are eliminated on consolidation.

14. PAYABLES OTHER THAN CONTRACT-RELATED

	Opening balance Rm	Utilised Rm	Unwinding of discount Rm	Total Rm
Reconciliation of payables other than contract-related -2016 Audited				
Payables other than contract-related	102	(102)	–	–
Reconciliation of payables other than contract-related – 2015 Audited				
Payables other than contract-related	197	(102)	7	102
Reconciliation of payables other than contract-related – 2014 Audited				
Payables other than contract-related	283	(102)	16	197

15. TRADE AND OTHER PAYABLES

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Trade payables	272	292	435
Subcontractors	146	187	169
Accrued expenses	832	1 204	750
	1 250	1 683	1 354

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

16. EMPLOYEE-RELATED PAYABLES

IFRS 2 Share-based payment obligation

Share-based payment obligations comprise cash-settled options for executives and senior employees. The cost of cash-settled transactions is measured initially at fair value at the grant date using an adjusted binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in earnings. Refer to *note 17: Share-based payments.*

Employee entitlements

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

Leave pay benefits

Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at year- end.

	Opening balance Rm	Recognised/ (reversed) earnings or loss Rm	Utilised Rm	Total Rm
Reconciliation of employee-related payables – 2016 Audited				
Employee entitlements	115	113	(109)	119
Leave pay benefits	84	63	(74)	73
	199	176	(183)	192
Reconciliation of employee-related payables – 2015 Audited				
IFRS2 – Share-based payment	7	(5)	(2)	0
Employee entitlements	94	128	(107)	115
Leave pay benefits	83	67	(66)	84
	184	190	(175)	199
Reconciliation of employee-related payables – 2014 Audited				
IFRS2 – Share-based payment	13	(6)	0	7
Employee entitlements	113	32	(51)	94
Leave pay benefits	55	64	(36)	83
	181	90	(87)	184

**Amounts less than R1 million*

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Non-current	180	189	184
Current	12	10	–
	192	199	184

17. SHARE-BASED PAYMENTS

17.1 Cash-settled share-based payment plan

17.1.1 *Share option plan*

In terms of the Aveng Limited Share Option Plan, certain full time employees of Aveng Limited and any of its subsidiaries, including directors holding full time salaried employment or office, are entitled under the plan to hold a limit of 5% of the issued share capital of Aveng Limited. No one participant may be allotted shares in excess of 2% of the issued share capital of Aveng Limited.

The movements during the year under review were as follows:

	2016 Audited		2015 Audited		2014 Audited	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Opening balances	36.52	166 506	40.06	942 791		1 098 135
Options forfeited/cancelled	35.78	(40 749)	42.25	(776 285)	36.74	(155 344)
	36.65	125 757	36.52	166 506	40.06	942 791

The right to take delivery or to exercise the option vests in tranches two years from the grant date at the rate of 25% each year for four years. Participants can defer exercising the options subject to the rules of the plan but must exercise within 10 years of the grant date.

The options outstanding at 30 June 2016 become unconditional between the following dates:

Grant date	Vesting period	Expiry date	Subscription price Rm	Number of options 2016	Number of options 2015	Number of options 2014
14 September 2007	14 September 2009 to 14 September 2012	14 September 2017	53.16	–	–	108 930
06 December 2007	6 December 2009 to 6 December 2012	6 December 2017	62.50	–	–	53 797
24 October 2008	24 October 2010 to 24 October 2013	24 October 2018	42.80	–	–	208 424
09 September 2009	9 September 2011 to 9 September 2014	9 September 2019	40.30	–	–	95 827
8 September 2010	8 September 2012 to 8 September 2015	8 September 2020	37.70	104 757	116 392	418 699
13 May 2011	13 May 2013 to 13 May 2016	13 May 2021	33.85	21 000	50 114	57 114
				125 757	166 506	942 791

Should the option holder resign from the group company prior to the vesting dates as indicated above, the right to the shares or options will be forfeited.

The fair value of the options granted under the scheme are estimated at the date of the rant using the adjusted binomial option pricing model.

The following assumptions were used in valuing the various options at grant date:

	2016 %	2015 %	2014 %
Expected volatility	42.9	32.1	28.6
Expected dividend yield	2.6	2.6	2.6

The risk free rates were interpolated from a term structure of interest rates. These rates were obtained with reference to the following market rates:

– Three to twelve month rates on forward rate agreements (“FRAs”); and
– One to ten year swap rates.

17. SHARE-BASED PAYMENTS continued

17.1 Cash-settled share-based payment plan continued

17.1.2 *Share Appreciation Rights Plan (SARs)*

In terms of the Aveng Limited Group SARs Plan which came into effect during the 2012 financial year, certain full time employees of Aveng Limited and its subsidiaries, including directors holding full time salaried employment or office, are entitled under the plan to hold a limit of 10% of the issued share capital (plan as a whole). No one participant may acquire shares in excess of 2,5% of the issued share capital of Aveng Limited.

The movements during the year under review were as follows:

	2016 Audited		2015 Audited		2014 Audited	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Opening balances`	29.39	4 464 200	32.60	3 622 400	–	2 594 900
Options forfeited/cancelled	27.60	(1 140 200)	28.50	(1 155 700)	31.50	(742 800)
Options granted	–	–	20.79	1 997 500	24.96	1 770 300
	26.37	3 324 000	29.39	4 464 200	32.60	3 622 400

The right to take delivery or to exercise the option vests in tranches three years from the date of allocation at the rate of 33.3% each year for three years. Participants may defer exercising the right subject to the rules of the plan and vesting criteria but must exercise within seven years of the allocation date.

The options outstanding as at 30 June 2016:

Grant date	Vesting period	Expiry date	Subscription price Rm	Number of SARS 2016	Number of SARS 2015	Number of SARS 2014
14 December 2011	13 December 2014 and 13 December 2016	14 December 2018	33.75	467 000	617 000	1 051 500
15 March 2012	15 March 2015 and 15 March 2017	15 March 2019	37.95	30 000	90 500	140 500
17 October 2012	17 October 2015 and 17 October 2017	17 October 2019	30.9	438 200	596 400	782 600
19 March 2013	19 March 2016 and 19 March 2018	19 March 2020	35.80	35 000	35 000	35 000
25 September 2013	25 September 2016 and 25 September 2018	25 September 2020	25.00	870 200	1 239 100	1 522 800
25 February 2014	25 February 2017 and 25 February 2019	25 February 2021	21.8	90 000	90 000	90 000
17 August 2014	27 August 2017 and 27 August 2019	27 August 2021	23.94	71 600	170 000	–
5 November 2014	5 November 2017 and 5 November 2019	5 November 2021	20.75	1 322 000	1 626 200	–
Total issued to date*				3 324 000	4 464 200	3 622 400

**This scheme has been replaced by Aveng Long Term Plan ("LTOP") approved by the Aveng Limited AGM in October 2015*

All unvested rights will be forfeited should the holder resign from a Group company prior to vesting dates.

For details of obligations raised with regard to cash-settled share-based payment plan, refer to *note 16: Employee related payables.*

17 SHARE-BASED PAYMENTS continued

17.2 Equity-settled share-based payment plan

17.2.1 *Forfeitable Share Plan*

In terms of the Aveng Limited Business Forfeitable Share Plan (FSP), senior executives of the Aveng Limited Business, including executive directors, are granted shares in the Aveng Limited for no consideration. The provision of shares will initially serve as a retention mechanism but can in future be used as an incentive mechanism with retention awards only made on an ad-hoc basis as and when required of three years. Vesting of the awards will be subject to the satisfaction of performance conditions measured over the performance period of three years. These shares participate in dividends and shareholder rights from grant date. The shares are subject to forfeit if the employee leaves the employment of the Aveng Limited Business prior to the third anniversary of the award date.

On resignation, the employee will forfeit all unvested shares. On death, retrenchment, sale of employer company, disability or retirement, only a portion of the shares will vest, calculated based on the number of months worked over the total vesting period, subject to the satisfaction of performance conditions, if any are applicable at that stage. The plan is settled in shares and therefore is equity-settled. There are no portions of the plan that have been cash-settled.

	2016 Number of shares	2015 Number of shares	2014 Number of shares
The movements during the year were as follows:			
Opening balance	45 872	45 872	–
Shares granted*	634 700	–	45 872
	680 572	45 872	45 872
Average purchase price of shares granted to participant (R)	5.15		24
Total value of forfeitable shares issued granted to participants (Rm)	3		1
Issued by other Aveng Limited companies:			
Total issued to date	680 572	45 872	45 872

**The shares were purchased on the market in the name of the participants and are currently held in escrow account.*

This scheme has been replaced by the Aveng Long Term ("LTIP") approved at the AGM in October 2015.

18. POST-EMPLOYEE BENEFITS

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Defined contribution plan			
Aveng Group and industry retirement plans*	3 465	6 583	6 463
Number of covered employees*	3 465	6 583	6 463
Number of employees not covered*	3 074	2 907	3 973
Total number of employees*	6 539	9 490	10 436
Cover ratio	53%	69.4%	61.9%
The Business's retirement expense (Rm)	90	111	190

**Number of employees*

Defined benefit plan

The fund is a closed defined benefit plan, in terms of which an Annuity Purchase Agreement was entered into in 2001, whereby the liabilities were fully outsourced to and guaranteed by Momentum Business Limited. In the event that Momentum Business is no longer able to perform in terms of an Annuity Purchase Agreement, the obligation to fund the pensioner liabilities may revert to the Business.

The member surplus account is defined benefit in nature, fully funded and accordingly has no foreseen future funding obligation by the Business. The Business is no longer making contributions to the fund and has no recourse to any of the assets of the fund.

The Business has assessed the likelihood of Momentum being unable to perform in terms of an annuity purchase agreement to be remote.

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
19. REVENUE			
Construction contract revenue	7 233	7 823	7 529
Other revenue	10	34	54
	7 243	7 857	7 583
20. COST OF SALES			
Operating lease charges	385	535	450
Earnings from contract-related property, plant and equipment	3	–	–
Depreciation of property, plant and equipment	65	52	80
Professional fees	23	55	21
Employee cost	1 910	2 256	2 109
Employee benefits	20	4	4
Materials	495	1 247	749
Sub-contractors	2 904	2 484	2 538
Plant costs	259	286	279
Preliminary costs	333	483	495
Other	569	717	883
	6 966	8 119	7 608
21. OTHER EARNINGS			
Dividends received	–	3	7
Discount received	3	3	4
Other income	22	6	31
Foreign exchanges gains/(losses)	6	1	–
Other gains	8	–	–
Management fees received	12	9	4
	51	22	46
22. OPERATING EXPENSES			
Operating lease charges	25	16	45
Rationalisation and restructuring	21	5	–
Depreciation of property, plant and equipment	9	12	16
Amortisation of intangible assets	1	5	13
Share-based payment expense	1	(7)	(7)
Employee costs	334	381	307
Consulting fees	6	13	19
Management fees paid	63	56	74
Other	140	179	88
	600	660	555
23. IMPAIRMENT OF FINANCIAL ASSETS			
(Reversal) / Impairment of financial assets	1	(9)	–
24. FINANCE EARNINGS			
Interest received	158	113	54
25. OTHER FINANCE EXPENSES			
Interest on debt and borrowings	163	124	65
	163	124	65

26. TAXATION

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Major components of the taxation expense			
Current			
Foreign income taxation or withholding taxation – current period	–	(14)	(2)
	–	(14)	(2)
Deferred			
Deferred taxation – current period	(42)	17	19
Deferred taxation – arising from prior period adjustments	2	22	(5)
	(40)	39	14
	(40)	25	12
	%	%	%
Reconciliation of the taxation expense			
Reconciliation between applicable taxation rate and average effective tax rate			
Effective tax rate on earnings / (loss)	(13.4)	(67.3)	2.2
Exempt income and capital profits*	4.1	(12.0)	(8.6)
Deferred taxation asset not recognised	(46.4)	72.2	32.1
Disallowable charges	1.6	19.7	8.5
Prior year adjustment	0.0	0.5	0.0
Effects of other jurisdictions and other withholding taxation	(10.7)	14.9	(6.4)
Change in tax rate	0.0	0.0	0.3
Withholding tax	(0.1)	0.0	0.0
	28.0	28.0	28.0

**The items impacting the tax rate in this regard relate mainly to the external dividends received and foreign exchange differences recognized in other comprehensive income*

South African income taxation is calculated at 28% (2015: 28%, 2014: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at the prevailing rates.

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
27. CASH UTILISED BY OPERATIONS			
Loss before taxation	(303)	(1 035)	(542)
Finance earnings	(158)	(113)	(54)
Finance expenses paid	163	124	65
Dividend earnings	–	(3)	(7)
Share of loss/(earnings) from equity-accounted investment	27	(13)	(3)
	(271)	(1 040)	(541)
28. NON-CASH AND OTHER MOVEMENTS			
Earnings from disposal of property, plant and equipment and financial assets	(16)	(21)	(9)
Impairment of goodwill, property, plant and equipment and intangible assets	–	128	–
(Reversal)/Impairment of financial assets	(1)	9	–
	(17)	116	(9)
29. FINANCE EXPENSES PAID			
Amount charged to the statement of comprehensive earnings	(163)	(124)	(65)
Movement in finance and transaction expenses unpaid	2	–	–
	(161)	(124)	(65)
30. FINANCE EARNINGS RECEIVED			
Interest received	158	113	54
Movement in accrued finance earnings	(1)	–	–
	157	113	54
31. TAXATION PAID			
Amounts unpaid at the beginning of the period	1	5	(1)
Amounts charged to the statement of comprehensive earnings – normal tax	–	(14)	(2)
Amounts(unpaid)/receivable at the end of the period	(4)	(1)	(5)
	(3)	(10)	(8)

32. DIVIDENDS RECEIVED

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Amount charged to the statement of comprehensive earnings	–	3	7

33. COMMITMENTS

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Amortised capital expenditure			
Contracted	15	–	1
Authorised, but not contracted	–	–	13
Total capital expenditure	15	–	14

It is anticipated that this expenditure will be in respect of capital equipment which will be financed from existing cash or borrowing facilities.

Operating leases commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
– Within one year	16	21	21
– In second to fifth year inclusive	12	16	68
– Later than five years	–	10	13
	28	47	102

34. CONTINGENT LIABILITIES

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

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
South Africa and rest of Africa			
– Guarantees and bonds (ZARm)	2 152	1 906	1 163
– Parent company guarantees (ZARm)	–	1 666	1 139
	2 152	3 572	2 302

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

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

35. RISK MANAGEMENT

The Business is exposed to currency, credit, liquidity and interest rate risks. In order to manage these risks, the Business may enter into transactions which make use of the financial instruments. The Business has developed a risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures.

The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments in excess liquidity.

The executive committee is responsible for risk management activities within the Group. The executive meets regularly to review market trends and develop strategies.

Business treasury is responsible for monitoring currency, interest rate and liquidity risk under policies approved by the Board of directors. Business treasury identifies, evaluates and hedges financial risks in close cooperation with the Business's operating Businesss.

35. RISK MANAGEMENT continued

The Business actively monitors the following risks:

35.1 **Capital risk management**

The primary objective of the Business's capital management policy is to ensure that the Business maintains healthy capital ratios, such as return on invested capital, debt to equity and return on equity, in order to support its business.

The Business manages its capital structure and makes adjustments to it in response to changes in economic conditions. To maintain or adjust the capital structure, the Business may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2016, 30 June 2015 and 30 June 2014.

The Business includes within its net cash position, cash and bank balances less borrowings and other liabilities.

Capital includes equity attributable to the equity-holders of the parent of R 71 million (2015: (R94) million, 2014: R 800 million).

35.2 **Liquidity risk**

Liquidity risk is the risk that the Business will be unable to meet a financial commitment in any location or currency. The Business manages its liquidity risk through its treasury function. Cash flow forecasting is performed by the operating units of the Business and consolidated by Business treasury.

35.3 **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Business does not have exposure to interest rate risk relates due to the fact that the Business does not have external debt obligations with variable interest rates.

The Business's policy is to manage interest rate risk through both fixed and variable, long and short instruments.

Deposits and cash balances all carry interest at rates that vary in response to prevailing market rates in the respective geographical areas of the Business's operations.

No financial instruments are entered into to mitigate the risk of interest rates.

35.4 **Credit risk**

The Business's only material exposure to credit risk is in its receivables (refer to *note 10: Trade and other receivables*), deposits and cash balances (refer to *note 12: Cash and bank balances*), and amounts due from contract customers (refer to *note 9: Amounts due from contract customers*), as well as loans to *Business* companies (refer to *note 36: Related parties*).

Deposits and cash balances are all kept at rated financial institutions within a credit limit policy which is subject to regular review.

The Business trades only with recognised, creditworthy third parties. It is the Business's policy that all customers who wish to trade on credit terms are subject to contractual terms and credit verification procedures.

35. RISK MANAGEMENT continued

35.4 **Credit risk continued**

35.4.1 *Trade and other receivables*

Ageing analysis of trade receivables

	<30 days Rm	**30 to 60 days Rm**	**60 to 90 days Rm**	**Past due and not impaired* Rm**	**Past due and impaired* Rm**	**Total Rm**
2016 Audited						
Trade receivables	103	10	3	47	2	165
Provision for doubtful debts	–	–	–	–	(21)	(21)
Net book value	**103**	**10**	**3**	**47**	**(19)**	**144**
2015 Audited						
Trade receivables	62	–	3	293	1	359
Provision for doubtful debts	–	–	–	–	(14)	(14)
Net book value	**62**	**–**	**3**	**293**	**(13)**	**345**
2014 Audited						
Trade receivables	159	11	3	232	4	409
Provision for doubtful debts	–	–	–	–	(55)	(55)
Net book value	**159**	**11**	**3**	**232**	**(51)**	**354**

** Represents amounts past due based on due date in accordance with the contractual payment terms.*

As at 30 June, trade receivables with a nominal value of R21 million (2015: R14 million, 2014: R55 million) were provided for in an allowance account.

The maximum exposure to credit risk in relation to trade and other receivables:

	2016 Rm Audited	**2015 Rm Audited**	**2014 Rm Audited**
Trade and other receivables	165	359	409
Allowance for impairment of trade and other receivables	(21)	(14)	(55)
	144	345	354
Reconciliation of provision for impairment of trade and other receivables			
Opening balance	14	55	75
Raised during the year	21	11	31
Utilised	(14)	(52)	(51)
	21	14	55

35. RISK MANAGEMENT continued

35.4 Credit risk continued

35.4.1 *Trade and other receivables continued*

Trade and other receivables impaired

		Past due not impaired*					
	Total past due not impaired Rm	Past due up to 1 month Rm	Past due 1-2 months Rm	Past due 2-3 months Rm	Past due 3-4 months Rm	Past due older than 4 months Rm	Past due and impaired Rm
2016 Audited							
Trade receivables	47	5	1	1	2	38	21
2015 Audited							
Trade receivables	293	7	4	–	–	282	14
2014 Audited							
Trade receivables	232	20	–	–	–	212	55

35.4.2 *Amounts due from/ (to) contract customers*

The maximum exposure to credit risk in relation to amounts due from/ (to) contract customers is equal to the carrying value as presented in *note 9: Amounts due from contract customers*.

	<30 days Rm	30 to 60 days Rm	60 to 90 days Rm	Past due not impaired* Rm	Past due and impaired* Rm	Total Rm
2016 Audited						
Contract and retention receivables	852	15	11	34	3	915
Provision for contract receivables					(2)	(2)
Net book value	**852**	**15**	**11**	**34**	**1**	**913**
2015 Audited						
Contract and retention receivables	993	90	16	175	3	1 277
Net book value	**993**	**90**	**16**	**175**	**3**	**1 277**
2014 Audited						
Contract and retention receivables	771	112	22	120	39	1 064
Net book value	**771**	**112**	**22**	**120**	**39**	**1 064**

35. RISK MANAGEMENT continued

35.4 Credit risk continued

35.4.2 *Amounts due from/ (to) contract customers continued*

Analysis of past due accounts

Included in contract receivables are amounts that are past due but not impaired, these have been adequately assessed for impairment.

		Past due not impaired*					
	Total past due not impaired Rm	Past due up to 1 month Rm	Past due 1-2 months Rm	Past due 2-3 months Rm	Past due 3-4 months Rm	Past due older than 4 months Rm	Past due and impaired Rm
2016 Audited							
Contract and retention receivables	34	19	2	2	–	11	2
2015 Audited							
Contract and retention receivables	175	39	25	24	2	85	–
2014 Audited							
Contract and retention receivables	120	9	24	2	–	85	–

** Represents amounts past due based on due date in accordance with the contractual payment terms.*

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Reconciliation of provision for impairment of contract receivables			
Opening balance	–	–	2
Raised during the year	2	–	–
Utilised	–	–	(2)
	2	–	–

	Uncertified claims and variations Rm	Contract Contin-gencies Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
2016 Audited						
Current assets	241	(308)	915	(2)	–	846
	241	(308)	915	(2)	–	846
2015 Audited						
Current assets	604	(181)	1 267	–	10	1 700
	604	(181)	1 267	–	10	1 700
2014 Audited						
Current assets	542	(143)	1 064	–	–	1 463
	542	(143)	1 064	–	–	1 463

35. RISK MANAGEMENT continued

35.4 **Credit risk continued**

35.4.3 *Credit risk mitigation and collateral*

Where appropriate, the Business obtains collateral to mitigate risk. In addition, the Business also has a first loss trade credit insurance in place.

"The Business has the following collateral over its contract and retention receivables:

–The Business has obtained security for payment in the form of a right to receive shares in the holding company of the operational mining entity against which a claim has been instituted. It is however unlikely that the shares in the holding company would be substituted for the claim against the operating entity."

The Business has credit risk mitigating policies in place for all its operating segments. Due to the significant credit risk associated with contract and retention receivables, it is the Business's policy to obtain unassignable security by bank guarantees or insurance bonds on extremely large projects returnable on the expiration of the defect liability period or practical completion, where part security is returnable. The security is callable in relation to the debt under construction contracts.

Credit risk mitigating measures include builder's liens. The Business has right of retention over the constructed, enhanced or repaired building or structure (site) or portion thereof by means of retaining physical control of the site to secure payment of the contract price. The builder's lien is not waived and remains in effect until the completion of the contract or credit worthiness and payment record of the contracting party has been established. A builder's lien may be waived in lieu of a bank guarantee in accordance with the Business's commercial risk framework. The builder's lien in respect of claims is not waived and remains in effect until such time as the Business's claim has been satisfied or the Business has been provided with appropriate alternative security in respect of its claim.

A holding company guarantee is obtained if required by the underlying contract from the contracting party's holding company. The Business may in certain instances institute a right to suspend the contract as recourse for non-payment in accordance with the Business's commercial risk framework. Where a suspension applies, it provides for demobilisation, mobilisation and delay costs associated with the extension of time.

35.5 **Maturity profile of financial instruments**

The maturity profile of the recognised financial instruments are summarised below. These profiles represent the undiscounted cash flows that are expected to occur in the future.

	Less than one year Rm	One to five years Rm	Beyond five years Rm	Total Rm
2016 Audited				
Financial Instruments				
Non-Derivative Financial Liabilities				
Amounts due to contract customers	456	–	–	456
Loans from Business companies	93	–	–	93
Trade and other payables	1 250	–	–	1 250
	1 799	–	–	1 799
2015 Audited				
Financial Instruments				
Non-Derivative Financial Liabilities				
Amounts due to contract customers	541	–	–	541
Loans from Business companies	694	–	–	694
Trade and other payables	1 683	–	–	1 683
	2 918	–	–	2 918
2014 Audited				
Financial Instruments				
Non-Derivative Financial Liabilities				
Amounts due to contract customers	570	–	–	570
Loans from Business companies	63	–	–	63
Trade and other payables	1 354	–	–	1 354
	1 987	–	–	1 987

36 RELATED PARTIES

Ultimate holding company	Aveng Limited
Holding company	Aveng (Africa) Proprietary Limited
Associate and joint venture companies	Refer to note 7: *Equity accounted investments*

	2016 Rm Audited	2015 Rm Audited	2014 Rm Audited
Related party balances			
Loan accounts - Owing (to) / by companies with holding company and fellow subsidiaries			
Aveng Africa Proprietary Limited	(54)	(623)	166
Aveng Mozambique Limitada	3	63	66
E+PC Engineering and Projects Company (Australia) Proprietary Limited	22	18	23
Aveng Construction (Mauritius) Road Limited	–	7	7
Grinaker-LTA Construction (Zambia) Limited	–	40	40
E+PC Engineering and Projects Company (Zambia) Proprietary Limited	(3)	(1)	(1)
Aveng Proprietary Limited (Malawi)	–	3	2
Grunwald Construction Proprietary Limited	–	(1)	(1)
Macintosh Property Holding Company Proprietary Limited	–	84	84
Pybus 108 Proprietary Limited	(1)	(65)	(57)
Micawber 282 Proprietary Limited	–	(4)	(4)
Grinaker-LTA Engineering and Mining Services Proprietary Limited	(35)	–	–
	(68)	(479)	325
Comprising:			
Current assets	25	215	388
Current liabilities	(93)	(694)	(63)
	(68)	(479)	325
Loan accounts - Owing (to) / by associates and joint ventures			
Loans advanced - Associates and joint ventures	12	(23)	(16)
	(56)	(502)	309
Related party transactions			
Interest paid to / (received from) related parties			
Aveng Africa Proprietary Limited	–	2	(6)
Aveng Mozambique Limitada	(1)	–	–
Management fees paid to / (received from) related parties			
Aveng Africa Proprietary Limited	52	54	74
Aveng Mozambique Limitada	–	(4)	–
Dividends paid to / (received from) related parties			
Aveng Africa Proprietary Limited	–	15	–
Operating lease rental paid to / (received from)			
Aveng Africa Proprietary Limited	(7)	(3)	4
Pybus 108 Proprietary Limited	16	15	17

37. GOING CONCERN

These historical financial statements have been prepared on a going concern basis as it is carved out from financial statements (or information) prepared on a going concern basis.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE BUSINESS

The Directors
Aveng Limited
Aveng Park
1 Jurgens Street
Jet Park
Boksburg

To the Directors of Aveng Limited

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CARVE-OUT HISTORICAL FINANCIAL INFORMATION OF THE BUSINESS FOR THE YEARS ENDED 30 JUNE 2016, 2015 AND 2014

We have audited the accompanying Carve Out Historical Financial Information of the Business ("Historical Financial Information") set out on pages 32 to 68 for the years ended 30 June 2016, 2015 and 2014, comprising the Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash flows, and related explanatory notes. The Historical Financial Information has been prepared by the directors of Aveng (Africa) Proprietary Limited using the basis of accounting set out on pages 32 and 33.

Directors' responsibility for the Historical Financial Information

The directors are responsible for the preparation of the Historical Financial Information in accordance with the basis of accounting described on pages 32 and 33, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Carve Out Historical Financial Information of the Business for the years ended 30 June 2016, 2015 and 2014 is prepared, in all material respects, in accordance with the basis of accounting described on pages 32 and 33 of the Business Historical Financial Information.

Basis of accounting and restriction of use

Without modifying our opinion, we draw attention to pages 32 and 33 of the Historical Financial Information which describes the basis of accounting. The Historical Financial Information is prepared to assist Aveng Limited shareholders to understand the proposed internal restructuring and disposal of an effective 45% economic interest in the Business to Kutana Construction. As a result, the Historical Financial Information may not be suitable for another purpose.

Ernst & Young Inc.
Director: Cornelius Els CA(SA)
Registered Auditor
Reporting Accountant Specialist

17 February 2017

DETAILS OF MATERIAL LOANS

BORROWINGS AND OTHER LIABILITIES

Borrowings held at amortised cost

Description	Finance providers	Note	Terms	Rate of interest	2016 Rm	2015 Rm
Convertible bond of R2 billion	Various public bondholder	7	Interest coupon is payable bi-annually until July 2019	Coupon rate of 7.25%	**1 731**	1 651
Finance sale and lease back amounting to AUD3 million*	CBA	2	Monthly instalment ending in June 2018	Fixed interest rate of 5.52% to 6.08%	**34**	91
Hire purchase agreement amounting to AUD1 million*	United Overseas Bank	1	Monthly instalment ending in May 2018	Fixed interest rate of 1.60%	**11**	–
Hire purchase agreement amounting to AUD5 million*	CTA Finance	4	Monthly instalment ending in May 2018	Fixed interest rate of 5.90%	**51**	–
Short term facility of AUD10 million****	HSBC		Repayable in November 2016	Bank bill swap rate plus 0.70%	**110**	94
Short term facility of AUD60 million***	ANZ		Repayable in November 2016	Bank bill swap rate plus 2.20%	**658**	–
Hire purchase agreement amounting to AUD4 million	ME Bank	3	Monthly instalment ending in August 2017	Fixed interest rate of 6.81%	**42**	65
Hire purchase agreement denominated in USD*	CAT	5	Quarterly instalments ending June 2017	Fixed interest rate of 4.58% to 4.65%	**138**	253
Hire purchase agreement denominated in ZAR*	WesBank	6	Monthly instalment ending in December 2017	South African prime rate less 2.00%	**46**	74
Hire purchase agreement denominated in ZAR*	WesBank	6	Monthly instalment ending in November 2019	South African prime rate less 1.70%	**101**	148
Hire purchase agreement denominated in ZAR*	WesBank	6	Monthly instalment ending in May 2018	Fixed interest rate of 9.70%	**49**	69
Finance lease facilities denominated in ZAR*	Various	6	Monthly instalment ending in March 2020	South African prime rate	**11**	13
Total Interest-bearing borrowings					**2 982**	2 458
Interest outstanding on interest bearing borrowings**					**2**	5
Total interest bearing borrowings					**2 984**	2 463

* These borrowings and other liabilities are finance leases.

** Interest outstanding in the current year relates to finance leases.

*** Backed by bank guarantee.

**** Secured by cash collateral in South Africa.

	2016 Rm	2015 Rm
BORROWINGS AND OTHER LIABILITIES continued		
Borrowings held at amortised cost continued		
Finance lease liabilities are payable as follows:		
Minimum lease payments due		
– within one year	**321**	369
– in two to five years	**194**	411
Less: future finance charges	**(30)**	(62)
Present value minimum lease payments	**485**	718

1. The *Australasia and Asia* operating segment entered into a finance sale and leaseback arrangement in the 2012 financial year and in the current year entered into asset-based finance arrangements.

2. The arrangement amounting to AUD3 million R34 million (2015: R91 million) has been secured by plant and equipment with a net carrying amount of R22 million (2015: R60 million).

3. The arrangement amounting to AUD4 million R42 million (2015: R65 million) has been secured by assets with a net carrying amount of R44 million (2015: R49 million).

4. The arrangement amounting to AUD5 million R51 million has been secured by assets with a net carrying amount of R22 million.

5. The Mining operating segment entered into various asset-based finance lease agreements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in November 2019. Equipment with a net carrying amount of R471 million (2015: R613 million) has been pledged as security for the facility.

6. The Mining and Manufacturing and Processing operating segments entered into various vehicle lease arrangements. Equipment with the net carrying amount of R7 million (2015: R10 million) has been pledged as security.

7. Except for convertible bonds, all borrowings and other liabilities are secured and not convertible or redeemable.

All short term borrowings that are re-payable within 12 months of 30 June 2016 will be financed out of working capital.

All loans relate to Aveng Limited and its subsidiaries (intercompany), however the Business does not have any external loans.

Convertible bonds

During July 2014, Aveng issued convertible bonds denominated in South African Rand with a nominal value of R2 billion and a coupon of 7.25%. The convertible bonds were listed on the JSE during August 2014. The proceeds from the bonds were used primarily to restructure Aveng's existing short term South African Rand bank debt and allow the Group to benefit from the financial opportunities offered by the international convertible bond market. Interest is payable bi-annually for a period of five years with the bond repayment date being five years from the issue date at par plus interest.

A list of bondholders on 27 January 2017 is available on the Aveng website: www.aveng.co.za.

The bonds are convertible into 69.6 million Aveng Limited shares at the holder's option based on a conversion price of ZAR28.76 subject to shareholders' approval, which was received on 19 September 2014.

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

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

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

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

The convertible bond is unsecured.

The effective interest rate associated with the convertible bond liability is 13.6% per annum.

2016	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	Total Rm
Opening balance	**1 651**	**–**	**390**	**2 041**
Coupon bi-annual payment	**(145)**	**–**	**–**	**(145)**
Recognition of deferred tax on convertible	**–**	**–**	**(122)**	**(122)**
Interest determined with the effective rate*	**225**	**–**	**–**	**225**
Accrual of coupon interest for convertible bond	**145**	**–**	**–**	**145**
Unwinding of liability owing to:				
– Transaction costs capitalised	**7**	**–**	**–**	**7**
– Effect of fair value adjustment of derivative liability	**6**	**–**	**–**	**6**
– Effect of fair value of conversion option reclassification to equity	**67**	**–**	**–**	**67**
	1 731	**–**	**268**	**1 999**

2015	Convertible bond liability Rm	Derivative liability Rm	Convertible bond equity reserve Rm	Total Rm
Issued July 2014	1 562	438	–	2 000
Transaction costs	(41)	–	–	(41)
Coupon bi-annual payment	(73)	–	–	(73)
Fair value adjustment to comprehensive earnings*	–	(36)	–	(36)
Transfer to equity	–	(402)	402	–
Transaction costs allocated to equity component	–	–	(12)	(12)
Interest determined with the effective rate*	203	–	–	203
Accrual of coupon interest for convertible bond	136	–	–	136
– Transaction costs capitalised	6	–	–	6
– Effect of fair value adjustment of derivative liability	5	–	–	5
– Effect of fair value of conversion option reclassification to equity	56	–	–	56
	1 651	–	390	2 041

* Interest on convertible bond.

SHARE TRADING HISTORY

The high and low price of Aveng Shares on the JSE, and the aggregated monthly volumes and values traded since 1 February 2016 to 31 January 2017 were as follows:

Aveng Group Limited

Month ended	High (Cents per share)	Low (Cents per share)	Volume	Value
2017/01/31	816	655	8 475 354	6 178 533 066
2016/12/31	830	720	25 920 618	20 580 970 692
2016/11/30	800	583	19 746 022	14 612 056 280
2016/10/31	749	640	22 960 322	16 232 947 654
2016/09/30	768	540	36 768 614	25 333 575 046
2016/08/31	647	366	55 600 257	31 080 543 663
2016/07/31	419	330	15 291 642	6 086 073 516
2016/06/30	410	325	14 762 233	5 181 543 783
2016/05/31	480	371	17 901 377	7 053 142 538
2016/04/30	490	362	28 274 150	13 119 205 600
2016/03/31	440	280	53 309 538	20 790 719 820
2016/02/29	374	231	57 234 349	17 113 070 351

The high and low price of Aveng Shares for each trading day commencing from 30 December 2016 to Friday, 17 February 2017, and the daily trading volumes and values were as follows:

Date	High (Cents per share)	Low (Cents per share)	Volume	Value
2017/02/17	758	710	642 194	459 810 904
2017/02/16	756	685	3 034 459	2 233 361 824
2017/02/15	718	667	2 389 068	1 693 849 212
2017/02/14	740	691	559 136	386 362 976
2017/02/13	731	656	1 104 263	793 965 097
2017/02/10	750	727	103 839	75 802 470
2017/02/09	750	723	602 798	443 056 530
2017/02/08	746	724	56 312	41 051 448
2017/02/07	750	720	71 184	52 533 792
2017/02/06	757	730	435 689	3 251 446
2017/02/03	739	722	272 460	1 991 677
2017/02/02	729	711	368 291	2 660 425
2017/02/01	740	710	799 779	5 814 972
2017/01/31	730	700	177 635	1 283 515
2017/01/30	738	693	447 183	3 179 301
2017/01/27	735	716	1 353 848	9 800 711
2017/01/26	741	655	712 221	5 144 898
2017/01/25	755	723	214 561	1 576 746
2017/01/24	758	725	287 195	2 142 855
2017/01/23	778	727	121 212	912 057
2017/01/20	768	751	152 950	1 156 422
2017/01/19	793	751	100 368	760 839
2017/01/18	775	760	58 922	451 348
2017/01/17	784	760	409 546	3 152 458
2017/01/16	783	750	272 127	2 060 734
2017/01/13	775	750	156 378	1 198 430
2017/01/12	777	752	760 988	5 889 571
2017/01/11	770	760	88 878	679 089
2017/01/10	784	760	257 069	1 979 365
2017/01/09	785	771	1 498 331	11 686 983
2017/01/06	800	740	778 653	6 008 911
2017/01/05	794	783	317 187	2 502 525
2017/01/04	816	760	137 056	1 070 777
2017/01/03	800	770	173 046	1 343 716
2016/12/30	820	765	235 042	1 860 369

DETAILS OF THE KUTANA GROUP OF COMPANIES ("KUTANA GROUP")

Details relating to Kutana Capital

The name, registration number and addresses of Kutana Capital are set out in the Corporate Information section of this Circular.

The Kutana Group Structure:

The Kutana Group is a black-women-owned and led investment group. Ms Thoko Mokgosi-Mwantembe, a related party, holds 100% of the shares in Kutana Capital. Kutana Capital holds 100% of the shares in Kutana Construction.

The directors of the Kutana Group are as follows:

- Thoko Martha Mokgosi-Mwantembe; and
- Anthony Barnard.

General information relating to the Proposed Transaction:

Both Aveng Africa and Kutana have provided normal warranties in respect of the Proposed Transaction.

Aveng Africa has not guaranteed the book debts of the Business in terms of the Sale of Shares Agreement other than with regards to the Identified Contracts and Excluded Contracts, the details of which are set out in this Circular.

There are no restraint of trade clauses in the Sale of Shares Agreement.

Neither Aveng Africa nor Kutana have warranted any liability for accrued taxation in the Sale of Shares Agreement.

The Proposed Transaction is a related party transaction as detailed in paragraph 3 of this Circular. The details of Directors' interests in the Proposed Transaction are detailed in paragraph 11.1 of this Circular. Other than as disclosed in this paragraph, no Directors or promoter of Aveng have any interests in the Proposed Transaction.

No payment has been made to any promoter of Aveng over the past three years.

The Proposed Transaction will be effective on the Effective Date. On that date, the Grinaker HoldCo Shares will transfer to Kutana Construction, subject to the Lock-in detailed in paragraph 3.3(b) of this Circular. The Sale of Shares Agreement is subject to the suspensive conditions, including obtaining the necessary funding, detailed in the Sale of Shares Agreement and set out in paragraph 3.2 of this Circular. Should the suspensive conditions of the Sale of Shares Agreement not be met, the agreement will be null and void, and Aveng will exercise the Call Option to take the Grinaker HoldCo Shares back from Kutana Construction and the Put Option to put the NVE Instrument back to Kutana Construction.

INDEPENDENT EXPERT'S REPORT ON THE PROPOSED TRANSACTION

17 February 2017

The Directors
Aveng Limited
Aveng Park
1 Jurgens Street
Jet Park
Boksburg
1459

Dear Sirs

FAIRNESS OPINION ON THE PROPOSED DISPOSAL OF A 51% BENEFICIAL INTEREST IN THE GRINAKER-LTA BUSINESS (THE "BUSINESS"), OWNED AND OPERATED BY AVENG AFRICA PROPRIETARY LIMITED ("AVENG AFRICA"), A WHOLLY OWNED SUBSIDIARY OF AVENG LIMITED (THE "COMPANY" OR "AVENG"), TO KUTANA CONSTRUCTION PROPRIETARY LIMITED ("KUTANA CONSTRUCTION"), AND THE SUBSEQUENT ISSUE OF THE NON-VOTING EQUITY INSTRUMENT ("NVE INSTRUMENT") IN KUTANA CONSTRUCTION TO AVENG AFRICA RESULTING IN AVENG DISPOSING OF AN EFFECTIVE 45% ECONOMIC INTEREST IN THE GRINAKER-LTA BUSINESS

INTRODUCTION

Shareholders were advised in an announcement published on SENS on 11 October 2016 that Aveng, and various of its subsidiaries including Aveng Africa, have entered into Agreements to implement the Internal Restructuring and to dispose of an effective 45% economic interest in the Business to Kutana Construction. The transaction will be effected through the disposal by Aveng Africa of 51% of its beneficial interest in the Business to Kutana Construction and the subsequent issue of the NVE Instrument in Kutana Construction to Aveng Africa (the "Proposed Transaction"). Aveng has communicated that the Proposed Transaction is in line with the Company's stated objective to substantially transform the Business through improving the B-BBEE score of the Business and working towards a black ownership structure in relation to the Business.

The Proposed Transaction constitutes a related party category 1 transaction which, in terms of the JSE Listings Requirements, is subject to Shareholder approval by way of an ordinary resolution.

THE INTERNAL RESTRUCTURING

Aveng has undertaken the Internal Restructuring in order to facilitate the disposal of a 51% beneficial interest in Grinaker HoldCo to Kutana Construction.

The Internal Restructuring does not require Shareholder approval as the restructure is conducted between wholly owned subsidiaries of the Company and as a result the Aveng Shares' value will not be affected.

Details of the Internal Restructuring are set out in detail in this circular.

It is our understanding based on the information provided relating to the Internal Restructuring that the Internal Restructuring is entirely internal to the Aveng group of companies and that no value leakage shall result from the Internal Restructuring, requiring no valuation work around the transactions comprising the Internal Restructuring.

DISPOSAL OF 51% OF GRINAKER HOLDCO TO KUTANA CONSTRUCTION

- Aveng Africa and Kutana Construction have entered into the Sale of Shares Agreement in terms of which Aveng Africa will sell 51% of its beneficial interest in Grinaker HoldCo to Kutana Construction. The Proposed Transaction aims to achieve the Company's transformation objectives.
- The Sale of Shares Agreement is subject to the fulfilment of the following suspensive conditions, on or before 31 March 2017:
  - o the approval of the Disposal by the Competition Commission, the Competition Tribunal and the Competition Appeal Court or their respective successors;
  - o approval by Shareholders of the Disposal resolution at the General Meeting;
  - o the necessary funding arrangements in respect to the net Upfront Payment with third party financiers being entered into on terms and conditions that are agreeable to both Aveng Africa and Kutana Construction.
- The purchase consideration for the Disposal is calculated as 51% of a six times multiple of the average EBITDA for EPC over a three year period to be settled with an Upfront Payment and Deferred Payment as follows:
  - o An Upfront Payment of:
    - – R20.0 million by way of a non-refundable, cash payment; and
    - – R2.67 million by way of set-off against the amount payable by Aveng Africa to Kutana Construction in respect of the Subscription Price for the NVE Instrument as set out in the NVE Instrument Subscription Agreement.

- o Deferred Payment
  - – The Deferred Payment shall be calculated as follows:
    Deferred payment = ((a x 6 x 51%) – Net Upfront Payment)

    where

    a = the average of the adjusted EBITDA of EPC for the three financial years beginning 1 July 2017 and ending 30 June 2020, and this amount is to be determined within 30 calendar days of the finalisation of the audited financial statements of EPC for its financial year ending 30 June 2020.

- The Deferred Payment shall not be less than the Deferred Payment floor and more than the Deferred Payment cap calculated as follows:
  - o The Deferred Payment floor shall be 51% of the Fair Value of the Business as determined by a valuation expert as at the end of the 30 June 2020 less the Net Upfront Payment and will be triggered in the event that the calculation pertaining to the Deferred Payment is less than or equal to 95% of the total NAV of the Business less the Net Upfront Payment.
- The adjusted EBITDA for each financial year shall be the actual EBITDA determined with reference to the audited financial statements of EPC, adjusted for the following:
  - o the profits earned or losses incurred relating to the Excluded Contracts. The Identified Contracts form part of the Excluded Contracts for purposes of the Sale of Shares Agreement. In addition, the Excluded Contracts includes Bop Kusile (contract number 214MEGRP03) and the commission agreement with Karibib Mining and Construction (Namibia) Ltd, details of which are included in the extracts from the Sale of Shares Agreement set out in Annexure 10 to this Circular, as well as the Phase 1 D&B Emalahleni Contract, the Phase 2 D&B Emalahleni Contract and Pembani (contract number 6943) only in the event that a new contract is not negotiated;
  - o any profit or loss on sale of assets;
  - o any retrenchment and restructuring costs;
  - o any income or expenses associated with lawsuits, arbitrations, insurance losses, insurance claim recoveries and once-off disputes;
  - o any income or expenses associated with the Identified Contracts;
  - o payments of any annual contributions made by Aveng Africa to EPC to enable EPC to discharge its obligations in terms of the Settlement Agreement;
  - o any profits or loss arising out of the Grinaker Co-Operation Agreement, and the activities of Aveng Extractive Technologies (Pty) Ltd following exercise of the AET Put Option (as defined in Annexure 9).
  - o any costs associated with any employee incentive schemes;
  - o any once-off professional fees; and
  - o any recognised expenses associated with legacy funded share based payments incurred prior to the Effective Date.
- The Deferred Payment is capped at R920.0 million for the Disposal, which is the purchase price cap of R942.7 million less the Upfront Payment.
- Security for Deferred Payment
  Any amount declared and paid as dividend by Grinaker HoldCo will be retained or paid as follows:
  (iv) 11.8% of any dividend income attributable to Kutana Construction will be paid to Aveng Africa in the form of dividends relating to the NVE Instrument;
  (v) 80% of the difference between Kutana Construction's dividend income and the amount calculated in (i) to be paid into and retained in trust by Fluxman's as security in favour of Aveng Africa for the Deferred Payment; and
  (vi) the remaining dividends will be paid to Kutana.
- Important highlights of the Shareholders Agreement include the following:
  - o In terms of the Shareholders Agreement, Kutana Construction has undertaken to facilitate the introduction of:
    (ii) a Construction Industry Development Board (CIDB) certified Emerging Contractor(s) into the business through:
      a. a possible sale of the Emerging Contractor(s) business(es) into EPC; and
      b. acquiring a minimum of 10% and up to a 30% equity stake in Kutana Construction;
    (ii) any further relevant and appropriate parties into Kutana Construction as identified by Aveng Africa and acceptable to Kutana Capital, to subscribe for shares in Kutana Construction, on terms to be agreed between the parties to any such agreement.

    The introduction of the Emerging Contractor(s) or other relevant and appropriate parties into either EPC or Kutana Construction as detailed in point (a) above will be formalised at a future date. An assessment of any such corporate action or any future amendments to the Shareholders Agreement will be done at such future date and any applicable shareholders approval and or listings requirements will be complied with.
  - o Notwithstanding the aforegoing, Kutana Capital's interest in Kutana Construction shall not fall below 51% (Kutana Interest). In giving effect to aforegoing undertakings, Kutana Capital may elect for the Kutana Interest to be transferred to a wholly owned subsidiary of Kutana Capital and any such subsidiary shall be agreed upon in writing by Aveng Africa, which approval shall not be unreasonably withheld.
  - o Employee Incentive Schemes:
    (i) So as to attract and retain key talent, particularly black professional and management talent, EPC will implement a forfeitable share plan to incentivise senior management in EPC, in terms of which 15% of the shares in Kutana Construction will be contributed by Kutana Capital.
    (ii) In addition, the employee incentive schemes will be implemented in place of the current incentive schemes in operation within/relating to the Business.
  - o Lock in: Kutana Construction and Aveng Africa will be locked-in to the Proposed Transaction for a period of five (5) years from the Effective Date.
  - o Casting vote: The Shareholders' Agreement provides that Aveng Africa has a casting vote in relation to strategic decisions in respect of (i) business plans; (ii) budgets; (iii) dividend distributions; and (iv) approval of the delegation authority frameworks relating to EPC and Grinaker HoldCo.

- o Settlement Agreement undertakings: Kutana Construction has committed to assisting Aveng Africa to fulfil its transformation obligations in terms of the Settlement Agreement;
- o B-BBEE undertakings: Kutana Construction has committed to maximising the BEE score of Grinaker HoldCo and it is the joint objective of Aveng Africa and Kutana Construction to obtain a level 2 B-BBEE score as soon as possible after the Effective Date. Kutana Construction has undertaken to remain a black women owned and led entity to assist in achieving this objective.

SUBSCRIPTION FOR THE NVE INSTRUMENT IN KUTANA CONSTRUCTION

- It is envisaged that Aveng Africa will remain actively involved in controlling and managing the business of Grinaker HoldCo. As compensation for the risks and responsibilities of a controlling shareholder, Aveng Africa and Kutana Construction have entered into an agreement in which Aveng Africa will be entitled to a further 6% of the economic benefit in Grinaker HoldCo via the subscription for the NVE Instrument in Kutana Construction. This results in a net 45% economic interest in Grinaker HoldCo being attributable to the ordinary shareholders of Kutana Construction.
- The subscription consideration payable by Aveng Africa in respect of the NVE Instrument is R2.67 million (the "Subscription Price"), which will be set off against the Upfront Payment payable by Kutana Construction to Aveng Africa in terms of the Sale of Shares Agreement.
- The NVE Instrument shall have the following rights and privileges:
  - i. to receive *pari passu* with the ordinary shares of Kutana Construction, on each date that Grinaker HoldCo pays a dividend or makes a distribution to its shareholders, an amount equal to 11.8% of all dividends received and any other distributions received by Kutana Construction from Grinaker HoldCo;
  - ii. to receive *pari passu* with the ordinary shares of Kutana Construction, an amount equal to 11.8% of all profits received by Kutana Construction in respect of any disposal of any of its shares in Grinaker HoldCo; and
  - iii. to receive in preference to the ordinary shares in Kutana Construction, an amount equal to 11.8% of all amounts available to the shareholders in relation to the interest in Grinaker HoldCo on liquidation or winding up of Kutana Construction;
- The NVE Instrument has the economic effect of reducing Kutana Construction's beneficial shareholding from 51% to an effective 45% economic interest in Grinaker HoldCo.
- Aveng Africa shall be entitled to exercise the Put Option in the event, inter alia, of any of the following in relation to Kutana Construction:
  - i. Kutana Construction experiences a change in shareholders;
  - ii. Grinaker HoldCo fails to pay dividends to Aveng Africa following a declaration of dividends by Grinaker HoldCo;
  - iii. Kutana Construction disposes of its Grinaker HoldCo Shares;
  - iv. Failure to effect payment of the deferred payment; or
  - v. Kutana Construction's memorandum of incorporation being amended in a way that negatively affects Aveng Africa's rights in terms of the NVE Instrument.
- In the event that Grinaker HoldCo requires funding to finance its capital expenditure and/or working capital and it is unable to finance its requirements from its own resources or from third party financiers, it will make a written request for such funding from its shareholders. Aveng, Kutana Capital and Kutana Construction will be required to provide the necessary funding to Grinaker HoldCo in proportion to their beneficial interest in Grinaker HoldCo at the time of the cash call.
- On the date of payment of the Deferred Payment, the following funding obligations will come into effect:
  - o Aveng will subscribe for further NVE Instruments in Kutana Construction for an amount equal to 11.8% of the Deferred Payment, which amount will be set off against the Deferred Payment; and
  - o Kutana Construction will do everything necessary to ensure that its shareholders subscribe for further shares in Kutana Construction for an amount equal to 88.2% of the Deferred Payment, which amount will be utilised by Kutana Construction to discharge the Deferred Payment.

Full details of the Proposed Transaction are contained in the Circular which will include a copy of this letter. Unless stated otherwise, all terms contained herein have the same meaning ascribed to them in the definitions and interpretations section of the Circular.

SCOPE

Entering into a transaction with Kutana Construction will amount to a related party category 1 transaction, for purposes of the JSE Listings Requirements. Under section 10.4 (f) of the JSE Listings Requirements, a fairness opinion is required from an independent professional expert, acceptable to the JSE, indicating whether or not the terms and conditions of the Proposed Transaction are fair to the shareholders of Aveng.

The board of directors of Aveng has appointed the Corporate Finance division of Deloitte & Touche to act as the independent professional expert to provide the required opinion, indicating whether the terms and conditions of the Proposed Transaction are fair to the shareholders of Aveng.

For purposes of our opinion, our assessment of fairness is primarily based on quantitative issues. Aveng Africa is effectively disposing of 45% of Grinaker HoldCo to Kutana Construction in return for the Upfront Payment and the Deferred Payment, to be determined after 30 June 2020. Additionally, Aveng Africa will pay the NVE Instrument Subscription Price. The Proposed Transaction would be considered fair to shareholders of Aveng if the fair value of the Purchase Consideration, being the sum of the Upfront Payment and the Deferred Payment, is greater than or equal to the sum of the fair value of 45% of Grinaker HoldCo, following the Restructuring and the NVE Instrument Subscription.

Fairness opinions do not purport to cater for individual shareholders but rather the general body of shareholders. Also, an individual shareholder's decision may be influenced by such shareholder's particular circumstances and, accordingly, a shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the Proposed Transaction.

INFORMATION CONSIDERED

In arriving at our opinion we have considered the following information which has been provided by management of the Company and the Business or obtained from publicly available sources:

- information on the Business, including the history, nature of business, products, key customers and competitor activity
- financial information for the Business for the financial years ended 30 June 2014 to 30 June 2016
- financial information for the Business for the five months ended 30 November 2016
- projected financial information for the Business for the financial years ending 30 June 2017 to 30 June 2020
- valuation analysis supporting the Purchase Consideration, prepared by Nedbank Capital
- audited financial information for EPC for the financial year ended 30 June 2015
- unaudited financial information for EPC for the year ended 30 June 2016
- taxation information and discussions with management in relation to EPC and the Business
- Certain information regarding the financial guarantees provided by the Company and recoveries to the Company in this regard
- recent share prices and other publicly available financial information on listed companies with operations similar to those of the Business ("peer companies")
- analysts' reports on the Company and peer companies
- publicly available information regarding the pricing of recent transactions in significant equity interests in companies with operations similar to those of the Business
- other publicly available information relevant to the industry in which the Business operates
- information and explanations obtained in discussions with management of the Company and the Business

Information regarding the Proposed Transaction:

- the Sale of Business Agreement between Aveng Africa and EPC dated 11 October 2016
- the Shareholders Agreement between Aveng Africa, Kutana Construction and Grinaker HoldCo dated 11 October 2016
- the Sale of Shares Agreement between Kutana and Aveng Africa dated 11 October 2016
- the NVE Instrument Subscription Agreement between Kutana, Aveng Africa and Kutana Capital Proprietary Limited dated 11 October 2016
- the Share Exchange Agreement between Grinaker HoldCo and Aveng Africa dated 11 October 2016
- the Share Exchange Agreement between Grinaker IP and Aveng Africa dated 11 October 2016
- the Trademark Sale Agreement between Grinaker IP and EPC dated 11 October 2016
- Addendums to the above Agreements, where applicable, relating to the inclusion of the Water Business
- the Settlement Agreement entered into between Aveng Africa and the Government of the Republic of South Africa on 11 October 2016
- the SENS announcement of 11 October 2016
- the organogram setting out the structure and steps of the Proposed Transaction provided by Aveng management
- the Circular to Aveng Shareholders of which this report forms a part

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussion with management of the Company or the Business.

OUR APPROACH AND PROCEDURES PERFORMED IN CONSIDERING THE PROPOSED TRANSACTION

In considering the terms and conditions of the Proposed Transaction, we have performed an indicative valuation of the Business at the most recent practical date, being 30 November 2016. We considered significant events which occurred in the Business subsequent to 30 November 2016 as discussed with management of Aveng and we have considered market and economic conditions up to the date of issue of this report.

For the purposes of our valuation analysis we used the income approach (discounted cash flow) as our primary approach. In addition, we considered the market approach (based on publicly available financial data for Aveng and comparable publicly traded companies and for recent transactions in significant equity interests in comparable companies) as an alternative valuation approach to support the results of our income approach analysis. We also considered the Net Asset Value for the Business provided by management.

Specifically, we analysed the information provided to us by comparing forecast performance for the Business, including the revenue growth rates, gross margins and EBITDA margins implied by the forecasts, to historical performance and obtained reasons for differences in performance from communications with Nedbank Capital and discussions with Aveng management. We further analysed the information by reviewing the breakdown of the forecast cash flows for the Business into the assumptions underlying the revenue, gross profit, EBITDA, net working capital and capital expenditure projections and considering the reasonableness of the significant assumptions by consulting with Nedbank Capital, discussing the basis for the assumptions with Aveng management and comparing the growth assumptions to macroeconomic research resources and the assumptions around margins, reinvestment in net working capital and the capital expenditure levels to publicly available analyst reports on peer companies of the Business.

As our analysis of the fair value of the Purchase Consideration has taken into account management's forecast EBITDA for the Business for the period 1 July 2017 to 30 June 2020, we considered the EBITDA forecasts as described above.

We have taken cognisance of information shared by Aveng management around the Company's process undertaken in respect of the Internal Restructuring as well as the Company's process undertaken to consider factors affecting the construction sector in South Africa, the medium term prospects of the sector, the competitive landscape and alternative strategic options available to Aveng in terms of the Business, including interactions with potential investors. We have also taken cognisance of the fact that Aveng retains an effective economic 55% interest in the Business and therefore Shareholders will still have the opportunity to benefit from any potential upturn in the sector over the medium term. Furthermore, it is our understanding that Aveng Africa will remain actively involved in controlling and managing the business of Grinaker HoldCo.

We held discussions with management to identify and understand the impact on the Business if the Proposed Transaction is not concluded. We note that as a consequence of not meeting the BEE transformation requirements, the Business' ability to generate revenue from government contracts and retain its existing contracts, in particular its government and municipal contracts, may be compromised. In addition, we considered Aveng's obligations in relation to the Settlement Agreement and assessed sensitivities on those Business earnings dependent on its BEE status. We also considered information available in the public domain in relation to BEE transactions.

As part of our analysis, we considered the terms of the Deferred Payment cap and Deferred Payment floor and the requirement of a fair value determination under certain instances. We also analysed the protection and participation rights provided by the conditions of the Proposed Transaction, including, inter alia, the Put Option and Call Option, shared funding obligations, additional rights as shareholders in Grinaker HoldCo under certain conditions and security for the Deferred Payment.

We performed an analysis of the Enterprise Value ("EV") to EBITDA multiple at which the Aveng Group traded over a five year historical period. Furthermore, we performed an analysis of the EV/EBITDA multiple at which the Aveng Group traded at the commencement of negotiations of the Proposed Transaction and the perceived demand for the Business from potential acquirers given its historical losses.

We considered the Historical Financial Information of the Business for the three years ended 30 June 2014, 2015 and 2016 and assessed the Net Asset Value of the Business as at these dates.

We discussed with management historical assessed tax losses arising from the Business and any benefits that would be available to the Company post the Proposed Transaction and we also considered after discussions with management and Nedbank Capital the fees to be received by Aveng from the Business in relation to services based on usage thereof as well as the fees that would be charged by Aveng to the Business post the Proposed Transaction relating to, *inter alia,* the financial guarantees and overdrafts. In this regard, we held discussions with management to understand the average historical rate paid on the guarantees, the historical proportion of guarantees which have been called upon, the likelihood of the guarantees being called upon in the future and the intention to and proposed principles for on-charging the costs after assessing the costs to EPC on a standalone basis.

In performing our valuation analysis of the Business and the Purchase Consideration, we identified the key internal value drivers of the Business to include estimates of revenue growth, gross margins, movements in net working capital, capital expenditure requirements, the weighted average cost of capital and the terminal growth rate. The key external value drivers identified, and the respective estimated ranges thereof, include the average real GDP growth rate per annum (range: 1.5% to 2.4%), the long term forecast annual inflation rate (range: 5.7% to 6.2%), the prevailing prime interest rate in South Africa (10.5%), South Africa's credit risk rating and its potential impact on the economy, as well as market and industry conditions specific to the construction sector, including the market's expectations around public sector infrastructure spend in South Africa. Free cash flow and the valuation of the Business is sensitive to the above key internal and external value drivers.

In order to test our conclusion on the fairness of the Proposed Transaction, we performed sensitivity analyses whereby certain key value drivers were varied under a range of reasonable assumptions and subject to sensitivity considerations. In this regard, we performed sensitivity analyses on:

- Forecast revenue by assuming forecast revenue growth will be 1.0% lower and 1.0% higher than the base case revenue growth forecasts provided in each year of the forecast period and assessing the impact on the valuation of the Business.
- Forecast EBITDA margin by assuming that forecast EBITDA margins will be 5.0% lower and 5.0% higher than the base case EBITDA margins provided in each year of the forecast period and assessing the impact on the valuation of the Business.
- The weighted average cost of capital (WACC) by assuming a WACC rate which was 0.5% lower and 0.5% higher than the base case rate and assessing the impact on the valuation of the Business.
- The terminal growth rate by assuming a rate which was 0.5% lower and 0.5% higher than the base case rate and assessing the impact on the valuation of the Business.

A higher WACC rate and lower terminal growth rate resulted in a lower value of the Business whilst a lower WACC rate and higher terminal growth rate resulted in a higher value of the Business.

Our valuation results are also sensitive to the enterprise value to EBITDA multiple as well as the price to book multiple applied under the market approach. We concluded on ranges of reasonable assumptions for the above key value drivers for our valuation of the Business.

Critically, we have considered and relied upon, amongst others, the following assumptions:

- There will be no material disruptions to the competitive landscape of the construction sector in South Africa.
- The terms of all agreements will be fulfilled, including the conclusion of the Proposed Transaction which implies that all the suspensive conditions would have been met and, inter alia, that Kutana Construction will obtain the necessary funding to meet its obligations in terms of the Deferred Payment in terms of the Sale of Shares Agreement and the Shareholders Agreement.
- There are no undisclosed contingencies that could affect the value of the Business or Grinaker HoldCo.
- The Proposed Transaction will not give rise to any undisclosed tax liabilities.
- Representations made by Aveng management during our process of analysis.

Finally, we compared the fair value of the Purchase Consideration to be received and benefits available to Aveng Shareholders to the sum of the fair value of the 45% interest in the Business and the NVE Subscription Price and we considered the terms and conditions of the Proposed Transaction.

OPINION

Based upon and subject to the foregoing, we are of the opinion that the terms and conditions of the Proposed Transaction are fair to the shareholders of the Company.

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

LIMITING CONDITIONS

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to the financial projections provided to us.

Our procedures and inquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express an audit opinion on the financial data or other information used in arriving at our opinion.

INDEPENDENCE

We confirm that we have no financial interest in Kutana Construction and Aveng and in the outcome of the Proposed Transaction. Furthermore, we confirm that our professional fees are not contingent upon the successful conclusion of the Proposed Transaction.

CONSENT

We hereby consent to this letter being included in the circular to Aveng Shareholders to be dated on or about 17 February 2017.

Yours faithfully

H Martins
Partner
Deloitte & Touche
Corporate Finance
Registered Auditors
Woodlands Drive
Woodmead
Sandton
2196

SUMMARY OF THE SALIENT TERMS OF THE NACALA CONTRACT, THE COMMISSION AGREEMENT, THE GRINAKER CO-OPERATION AGREEMENT AND THE EMALAHLENI PROJECT

NACALA CONTRACT

- On 30 January 2013, Aveng Mozambique Limitada ("Aveng Mozambique") entered into the Nacala Contract with Corredor Logistico Integrado de Nacala, SA, in relation to the Nacala Rail Project. Aveng Mozambique has completed the performance of obligations in terms of the Nacala Contract, and the Nacala Contract has entered into the Defects and Liabilities Period. As a result of the Proposed Transaction, Aveng Mozambique will be unable to perform any remedial work in relation to any defects or claims that may arise in terms of the Nacala Contract ("Nacala Claims"). The parties agree that EPC will manage the Nacala Claims and perform any remedial work in relation to the Nacala Claims. EPC will invoice Aveng Africa for any costs incurred, in relation to the remedial work, on a monthly basis. Aveng Africa will indemnify EPC for any costs and/or losses incurred by EPC in relation to the remedial work performed under the Nacala Contract.

COMMISSION AGREEMENT

- Namibia Co has entered into a settlement arrangement with a third party ("Settlement Arrangement"), in terms of which Namibia Co has agreed to waive its right to claim from such third party on condition that the third party extended a mining contract concluded with Karibib Mining Construction Company (Namibia) (Pty) Ltd ("Karibib") for 5 years ("Mining Contract"). As a result of the Settlement Arrangement, Karibib and Namibia Co may enter into the Commission Agreement, whereby Namibia Co shall be entitled to certain commission based payments from Karibib, as compensation for Namibia Co waiving its right to claim from the third party in terms of the Settlement Arrangement and, therefore, assisting Karibib with obtaining the extension of the Mining Contract;

GRINAKER CO-OPERATION AGREEMENT

- Aveng Africa owns 51% of the issued shares in AET, the remaining 49% is held by Andrew Bassil ("Bassil"). AET is an SPV, formed for the purpose of developing and implementing certain intellectual property involving a mineral process concept pertaining to the extraction and purification of metals and the recovery of reagents and high value chemicals in both metallic and non-metallic processes ("Intellectual Property"). AET currently runs a pilot plant in Kazakhstan, in terms of which the Intellectual Property is developed and tested ("Pilot Plant").
- In terms of the co-operation agreement ("Co-Operation Agreement") and shareholders' agreement ("AET Shareholders' Agreement") entered into between Aveng Africa and Bassil, Aveng Africa currently provides the following services to AET through the mechanical and electrical engineering division of the Business ("M&E"):
  - o fulfilling the obligations of a director of the company as required from time to time;
  - o providing strategic oversight and advice to assist and enhance the growth strategy of the AET business;
  - o engaging with potential and/or existing clients as and when required;
  - o providing oversight in relation to the:
    - budget and monthly accounts;
    - any material expenditure;
    - technical development of products;
    - the delivery of projects;
    - bidding for any new projects, including approval thereof; and
    - approving/rejecting any new proposed agreements,

  ("Management Services").
- Aveng Africa and EPC agree that, following the sale of the Business to Grinaker HoldCo, they will enter into the Grinaker Co-Operation Agreement, to allow for the continued provision of the Management Services by M&E to AET, in fulfilment of its obligations under the Co-Operation Agreement and AET Shareholder's Agreement.
- In terms of the Grinaker Co-Operation Agreement, Grinaker HoldCo will grant in favour of Aveng Africa, the irrevocable right and option ("AET Put Option"), subject to the waiver by Bassil of any pre-emptive and tag along provisions contained in the AET Shareholders' Agreement, to put the entire shareholding in AET ("AET Put Shares") and corresponding loan account against AET ("AET Corresponding Loan Account") held by Aveng Africa to Grinaker HoldCo, in the event that the Pilot Project is developed into a fully operational commercial plant. The purchase price payable to Aveng Africa by Grinaker HoldCo will be the Fair Value of the AET Put Shares and AET Corresponding Loan Account. If the AET Put Option is exercised, the purchase price at the time of exercise will be assessed as a percentage of Aveng's market capitalisation at the time and any JSE Listings Requirements pertaining to the exercise of the AET Put Option will be complied with.
- Any profit or loss arising out of the Grinaker Co-Operation Agreement, and the activities of AET following the exercise of the AET Put Option, shall be excluded for purposes of calculating the EBITDA in terms of the Deferred Payment.

LIABILITY IN RELATION TO THE EMALAHLENI PROJECT

- Aveng Water closed contracts, the performance obligations in terms of which have been completed and including the Phase 1 D&B Emalahleni Contract ("Aveng Water Closed Contracts"), will remain in Aveng Water, including the provision made in the management accounts of Aveng Water ("Aveng Water Provisions") for any claim in relation to the Aveng Water Closed Contracts in the ordinary course of business. The Aveng Water Provisions will be utilised for such claims in the manner detailed in the Sale of Business Agreement;
- Aveng Water current contracts, ongoing contracts with third parties including the Phase 1 O&M Emalahleni Contract and, in the event that it is awarded to Aveng Africa, the Phase 2 O&M Emalahleni Contract, and the Phase 2 D&B Emalahleni Contract ("Aveng Water Current Contracts"), will remain in Aveng Water, including the related Aveng Water Provisions. The relevant Aveng Water Provisions will be utilised for any claims in relation to the Aveng Water Current Contracts, excluding the Phase 2 D&B Emalahleni Contract, in the manner detailed in the Sale of Business Agreement;

- With regards to the Phase 2 D&B Emalahleni Contract, Aveng Africa has warranted that the Aveng Water Provision relating to the Phase 2 D&B Emalahleni Contract is adequate and, to the extent that it is sufficient, such Aveng Water Provision will be utilised to settle any claims relating to the Phase 2 D&B Emalahleni Contract. In the event that the Aveng Water Provision requires further funding, the Aveng Water Provision will be funded as follows:
  - o Firstly from EPC, Aveng Water and/or Grinaker HoldCo's own resources;
  - o Secondly by means of third party funding put in place by EPC, Aveng Water and/or Grinaker HoldCo;
  - o To the extent that internal resources of EPC, Aveng Water and/or Grinaker HoldCo and the third party funding is not sufficient to fund the Aveng Water Provision, Kutana Construction and Aveng Africa will fund the shortfall by means of a shareholders loan to Grinaker HoldCo in proportion to their respective shareholding; and
  - o In the event that Kutana Construction is unable to provide the necessary funding in terms of a proportionate shareholders loan, Aveng Africa will provide the funding on behalf of Kutana Construction. No dividends will be paid by Grinaker HoldCo until any shareholder loans have been repaid.
- In the event that the Aveng Water Provision relating to the Phase 2 D&B Emalahleni Contract is inadequate, Aveng Africa will be in breach of its warranty and has indemnified EPC for any loss suffered by it due to a need to fund the deficit in the relevant Aveng Africa Provision;
- To the extent that certain Aveng Water contracts remain in Aveng Africa, Aveng Africa will remain liable for any claims in respect of such Closed Contracts and Current Contracts.

SUMMARY OF SELECTED CLAUSES OF THE SHAREHOLDERS AGREEMENT

SHAREHOLDERS AGREEMENT

Aveng Africa, Kutana Construction and Grinaker HoldCo have entered into the Shareholders' Agreement which governs the relationship between them as co-shareholders in Grinaker HoldCo, and which contains a mechanism for the incorporation of Construction Industry Development Board certified Emerging Contractor(s) into the Business.

Salient Aspects of the Shareholders Agreement include:

Strategic Decisions and Management

The ultimate control of and responsibility for the day to day management, administration and operations of the business of Grinaker HoldCo shall vest in the Grinaker HoldCo Board, however, the parties shall endeavour to agree on the design, approval and implementation of all strategic decisions taken by Grinaker HoldCo or any of its subsidiaries. In the event that the parties do not unanimously agree in relation to the strategic decisions, the chairman of the Grinaker HoldCo Board as elected by Aveng shall have a casting vote.

Shares Lock-in

In terms of the Shares Lock-in, neither Kutana nor Aveng Africa will be entitled to sell or dispose, in any way, of their Grinaker HoldCo Shares to a third party, unless the other party has consented to such disposal in writing and has waived, in writing, its Pre-emptive Rights. In addition, neither Kutana nor Aveng Africa shall be entitled to encumber their Grinaker HoldCo Shares without the written consent of the other shareholders, except that Kutana is entitled to encumber its Grinaker HoldCo Shares as follows:

- for the sole purpose of procuring and raising funding in discharge of its obligations in terms of the Sale of Shares Agreement and the Shareholders Agreement; or
- in the event that such encumbrance does not have a negative impact on the B-BBEE score of Grinaker HoldCo and/or the undertakings of Aveng Africa in terms of any agreement that may be concluded between the Government and various South African construction companies whereby possible civil claims which certain Government agencies may have against such construction companies will be fully and finally settled, pursuant to investigations made by the relevant Competition Authorities.

Employee Share Incentive Schemes

The Shareholders Agreement also provides for the establishment of the following employee incentive schemes for the purposes of attracting and retaining black management and professionals in EPC as follows:

- Kutana will establish a forfeitable share plan to incentivise senior black management in EPC. In terms of the forfeitable share plan, 9% of the shares held in Kutana Construction by Kutana Capital will be held by Kutana Capital for the purpose of contributing them to senior management;
- Grinaker HoldCo will procure that EPC establishes:
  - a profit share plan for the benefit of the employees; and
  - a discretionary pool STI ("War Chest") to which EPC shall contribute a percentage of profit or a fixed Rand amount which would be used to attract and retain black executives in EPC.

Pre-emptive Rights

The Shareholders Agreement provides for the Pre-emptive Rights which apply to both Kutana and Aveng Africa. Should some or all of the parties to the Shareholders Agreement decline to purchase the Grinaker HoldCo Shares which the selling party wishes to sell or has received an offer in respect of, then the selling party may sell the Grinaker HoldCo Shares to a third party. The price at which the Grinaker HoldCo Shares are sold to a third party may not be lower, and the conditions may not be more favourable to the third party, than the price and terms on which the Grinaker HoldCo Shares were offered to the other parties to the Shareholders Agreement. The third party will need to be approved of in writing by the Board of directors of Grinaker HoldCo and will need to agree to be bound by the terms and conditions of the Shareholders Agreement.

Deemed offer

In the event that any of the parties to the Shareholders Agreement are liquidated, sequestrated, wound up or placed under judicial management or any party compromises or offers to compromise with its creditors generally, such party will be deemed to have offered to sell all of its Grinaker HoldCo Shares and corresponding loan account to the remaining shareholders. Any such deemed offer will be subject to the terms and conditions detailed in the Shareholders Agreement.

Shares Call Option

Aveng Africa has the irrevocable right and option to require Kutana to sell all of its Grinaker HoldCo Shares and all of its corresponding loan account in the following circumstances:

– where there has been a change of control in Kutana;
– where Kutana has breached any material provisions of the Shareholders Agreement;
– where Kutana is unable to fulfil its payment obligations in respect of the deferred payment; and
– where Kutana has breached any of its B-BBEE undertakings as detailed in the Shareholders Agreement.

In this event the consideration at which the Shares Call Option will be exercised is as follows:

– if the Shares Call Option is exercised as a result of a change in control, the consideration shall be the fair value of the Shares Call Option as calculated in terms of the Shareholders Agreement and the fair value of the corresponding loan account less 30%.
– if the Shares Call Option is exercised as a result of non-payment, the consideration shall be ZAR 1 in respect of the Grinaker HoldCo shares that are the subject of the Shares Call Option and the fair value of the corresponding loan account.

AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06)
Share code on the JSE: AEG ISIN: ZAE000111829
("**Aveng**" or "**the Company**")

NOTICE OF GENERAL MEETING OF AVENG SHAREHOLDERS

All defined terms and interpretations are set out on page 5 in the definitions and interpretations section of the Circular.

Notice is hereby given that a General Meeting of Aveng Shareholders will be held in the boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg, 1459 at 10:00 on Wednesday, 29 March 2017 to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions set out hereunder in the manner required by the Companies Act, as read with the JSE Listings Requirements, which meeting is to be participated in and voted at by the Aveng Shareholders as at the record date of Friday, 24 March 2017.

1. ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE PROPOSED TRANSACTION

"RESOLVED AS AN ORDINARY RESOLUTION that the directors of Aveng be authorised, in terms of the JSE Listings Requirements, to implement the Sale of Shares Agreement between Aveng Africa and Kutana Construction, the details of which are contained in paragraph 3, of the Circular to which this notice is attached, and a copy of which agreement is available for inspection and has been initialled by the Chairman for purposes of identification, in order to implement the disposal of a 51% beneficial interest in the Grinaker-LTA business, owned and operated by Aveng Africa, to Kutana Construction and the subsequent issue of the non-voting equity instrument by Kutana Construction to Aveng Africa resulting in Aveng disposing of an effective 45% economic interest in the Grinaker-LTA business to Kutana Construction, together with the related put and call options."

Related party transaction

Kutana Construction and Kutana Capital are related parties in terms of the JSE Listings Requirements and the votes of Ms Thoko Mokgosi-Mwantembe and her associates will not be taken into account in determining the results of the voting in relation to this resolution.

2. ORDINARY RESOLUTION NUMBER 2 – SIGNING AUTHORITY

"RESOLVED AS AN ORDINARY RESOLUTION that any one director of the Company or the company secretary be, and is hereby authorised to sign, all such documents and do all such things as may be necessary or incidental to the implementation of the above resolution to be proposed at the General Meeting and to the implementation of the Disposal and the NVE Instrument Subscription as described in the Circular."

Electronic participation

Should any Shareholder wish to participate in the General Meeting by way of electronic participation, such Shareholder shall make application in writing (including details as to how the shareholder or its representative can be contacted) to participate, to the transfer secretaries at the applicable address set out below at least 5 (five) business days prior to the General Meeting in order for the transfer secretaries to arrange for the Shareholder (or its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right not to provide for electronic participation at the General Meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the Shareholder so accessing the electronic participation.

Proxies and voting

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the General Meeting, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a Shareholder and shall be entitled to vote on a show of hands or poll. It is requested that forms of proxy be forwarded so as to reach the transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107), by no later than 48 (forty-eight) hours before the commencement of the General Meeting. If Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the General Meeting 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 General Meeting immediately prior to the General Meeting, in accordance with the instructions therein, with the chairman of the meeting.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker to:

- furnish them with their voting instructions or
- in the event that they wish to attend the General Meeting, obtain the necessary letter of representation to do so.

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

Shareholders or proxies are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the General Meeting 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.

By order of the board
Michelle Nana
Company Secretary
17 February 2017

Registered office
Block A, Aveng Park
1 Jurgens Street
Jet Park, Boksburg, 1459

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2916

AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1944/018119/06)
Share code on the JSE: AEG ISIN: ZAE000111829
("**Aveng**" or "**the Company**")

FORM OF PROXY

For use by the registered holders of certificated Aveng shares and the holders of dematerialised Aveng shares in their own name at the General Meeting ("General Meeting") of the Company to be held in the boardroom of the Company, Block A, Aveng Park, 1 Jurgens Street, Jet Park, Boksburg, 1459 on Wednesday, 29 March 2017 at 10:00.

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

I/We (Full names in BLOCK LETTERS please) ______________________________

of (address) ______________________________

Telephone number ______________ Cellphone number ______________

Email address ______________________________

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 chairman of the General Meeting, as my / our proxy to vote on my/our behalf at the General Meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed at the General Meetings and at each adjournment of the General Meeting and to vote for or against the 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):

	Number of shares		
Proposed resolutions	**For**	**Against**	**Abstain**
1. Ordinary resolution 1: Approval of the Proposed Transaction			
2. Ordinary resolution 2: Signing authority			

Signed at ______________ on ______________ 2017

Signature ______________________________

Assisted by me (where applicable) (state capacity and full name) ______________________________

Each shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the Company) to attend, speak and, vote in his stead at the General Meeting.

Please read the notes on the reverse side of this form of proxy

NOTES TO THE PROXY FORM

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space(s) provided, with or without deleting "the chairman of the General Meeting" 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 General Meeting 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 General Meeting 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 General Meeting.
3. Forms of proxy must be lodged with or posted to the Company's share registrar, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), to be received by no later than 10:00 on, Monday, 27 March 2017. Alternatively, such forms of proxy may be handed to the company secretary or chairman of the General Meeting not later than 30 minutes prior to the commencement of the General Meeting.
4. The completion and lodging of this form of proxy will not preclude the member from attending the General Meeting 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 (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the Company's share registrar or waived by the chairman of the General Meeting.
6. An alteration or correction made to this form of proxy must be initialled by the signatory/ies.
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 chairman of the General Meeting, 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 chairman of the General Meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the General Meeting is satisfied as to the manner in which the member wishes to vote.
10. A proxy need not be a member of the Company.
11. On a show of hands every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.
12. On a poll, every shareholder present in person or represented by proxy or a duly authorised representative shall have one vote for every share held by such shareholder.
13. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the General Meeting. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

BASTION GRAPHICS