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business units, measured in unit sales per man, have now reached international best practice levels and operating costs per unit sales have declined in real terms for the third consecutive year, further growth is expected to be gained. Approximately half of these retrenched employees have continued in employment as a result of the company having outsourced many non-core services to these employees. Unfortunately this reduction in operating costs was offset to some extent by a real decline in sales revenue as a result of a market that declined by 2,7% in cement and considerably more than that in stone and ready mix concrete. Alpha nevertheless achieved an operating income improvement of 5,3%.

The drive to internationalise the business is proving successful and at the end of the financial year some 17% of Alpha's earnings were generated by investments outside of South Africa compared with 12% a year ago. Export turnover (outside the South African Customs Union) increased by 80% to R26 million.

The cement market started to improve from October 1999 but the heavy summer rains delayed the recovery in the first quarter of 2000. Sales in the last two months of the financial year were again more encouraging and significantly better than the prior year – hopefully an indication of better times to come. Similar trends are evident in the demand for stone and concrete.

Cement and clinker production was maintained in spite of major refurbishment work carried out at the Dudfield plant. This work was completed ahead of schedule and within budget.

A major review of logistics has led to the outsourcing of most of the transport fleet in the Gauteng area which has led to significantly improved efficiencies and lower costs. Cement transport is managed through Klipstone, a joint venture between Alpha and Unitrans, holding the balance of equity.

Income from local associates Ash Resources, Natal Portland Cement, Slagment, Klipstone and Omnia declined by 9% to R28 million. Although Omnia posted poor results it delivered a credible performance in a difficult market.

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MANAGING DIRECTOR'S REPORT

The backlog of infrastructural work caused by the severe summer rains in 2000 and current volume trends suggest that market conditions will be buoyant this year and with its operating costs at internationally best practice levels, Alpha is in an excellent position to participate in that market growth.

Bearing Man

Positive growth, which accelerated in the second half of the year, was experienced in all divisions. The previous year's acquisition of the Fenner group has ensured that Bearing Man remains the leading "one-stop-shop" supplier of dynamic engineering consumables to the industry.

While exports continued into sub-Saharan Africa, they were negatively affected by the political instability in Zimbabwe.

Turnover climbed 13% to R560 million but as a result of an additional leave pay provision of R2,3 million, operating profit grew by only 1% to R54 million. Headline earnings increased by 21% to 28,3 cents per share on the prior year. The dividend for the year has been increased by 11% to 10 cents/share, giving a cover of 2,9 times.

Management was outstandingly successful in its endeavour to manage working capital more effectively reflected in the debt to equity ratio having more than halved to 41%. Interest-bearing debt including debenture loans stood at R116 million at year end.

Aveng has agreed to sell its shareholding in Bearing Man to Invicta Holdings as at 1 July 2000 subject to all conditions precedent being met.

Grinaker

The 1999/2000 year was a satisfying year for Grinaker Construction with the completion of a major restructuring programme resulting in positive financial results. Amongst the highlights were outstanding performances on a number of large fast-track contracts by the building division;

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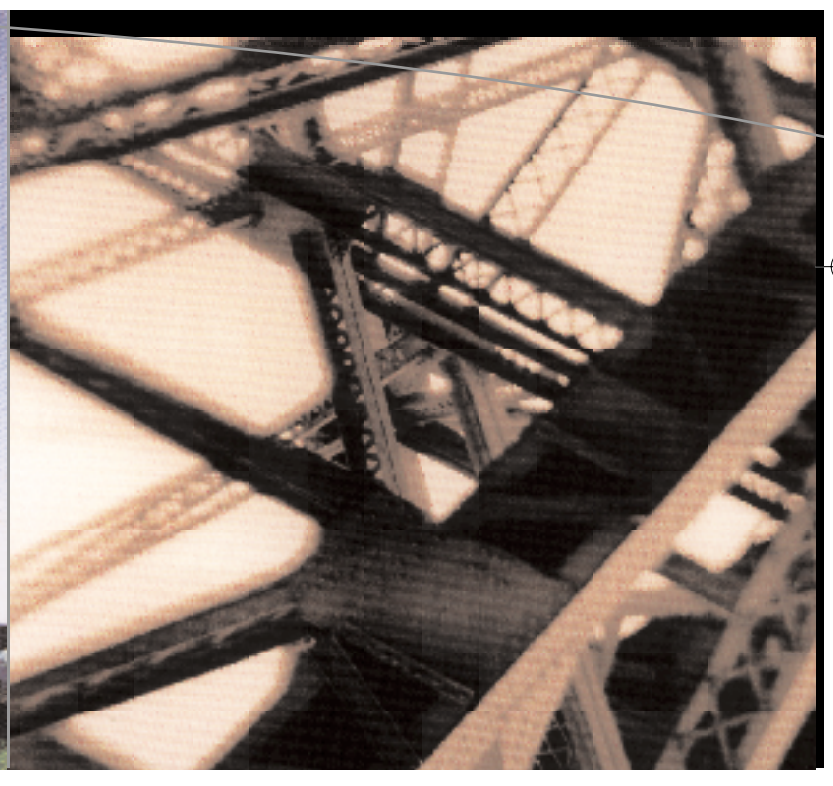
the civil engineering division's return to profitability in spite of the tough trading conditions in the industry; and an excellent recovery from the setback last year in the underground mining branch where good progress has been made in improving the skills levels and professionalism. In addition, the international division has succeeded in procuring a number of road construction contracts in Africa; the Namibia, Botswana and Mauritian companies have recorded solid performances; and all three Zimbabwe-based businesses traded profitably despite the political instability and shocking state of the economy in that country.

Turnover for the period increased by 9,5% to R3,1 billion due mainly to the successful growth of the group's international operations and the large projects undertaken by the building division. Profit before tax and exceptional items increased by 24,5% to R90 million. Headline earnings of R63,5 million reflected a 12,5% increase when compared to the R56,4 million achieved last year.

The restructuring of the group led to the creation of five focused sectors, each of which finalised its own growth and strategic objectives during the course of the year and positive results are already evident. The sectors are:

- Construction and mining
- Construction international
- Mechanical, electrical and instrumentation
- Development and management services
- Infrastructure and mining products



Good progress was made with regard to the sale and realignment of some of Grinaker's non-core businesses and investments. The sale of Soshanguve Shopping Centre, our interests in Climatron, our airconditioning contracting company and surplus land.

Grinaker Housing, having received the "Developer of the Year" award last year, had a disappointing year largely as a result of the failure of the housing authorities to deliver subsidies as anticipated and the business has been substantially downsized.

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MANAGING DIRECTOR'S REPORT

The infrastructure and mining products division has acquired a controlling stake in Zambia Concrete and has purchased Fraser Fyfe as part of a strategy to provide a more comprehensive service to the railway and infrastructure markets throughout southern Africa. The latter deal is subject to Competition Commission review.

The group's cash position strengthened over the year with net cash increasing from R75,7 million to R141 million, placing the group in a favourable position to take advantage of future investment opportunities and progress its growth objectives.

With work on hand exceeding R2 billion and good prospects both locally and internationally, Grinaker is confident that it will continue to generate acceptable earnings growth in the 2000/2001 financial year and beyond.

Tristel Holdings

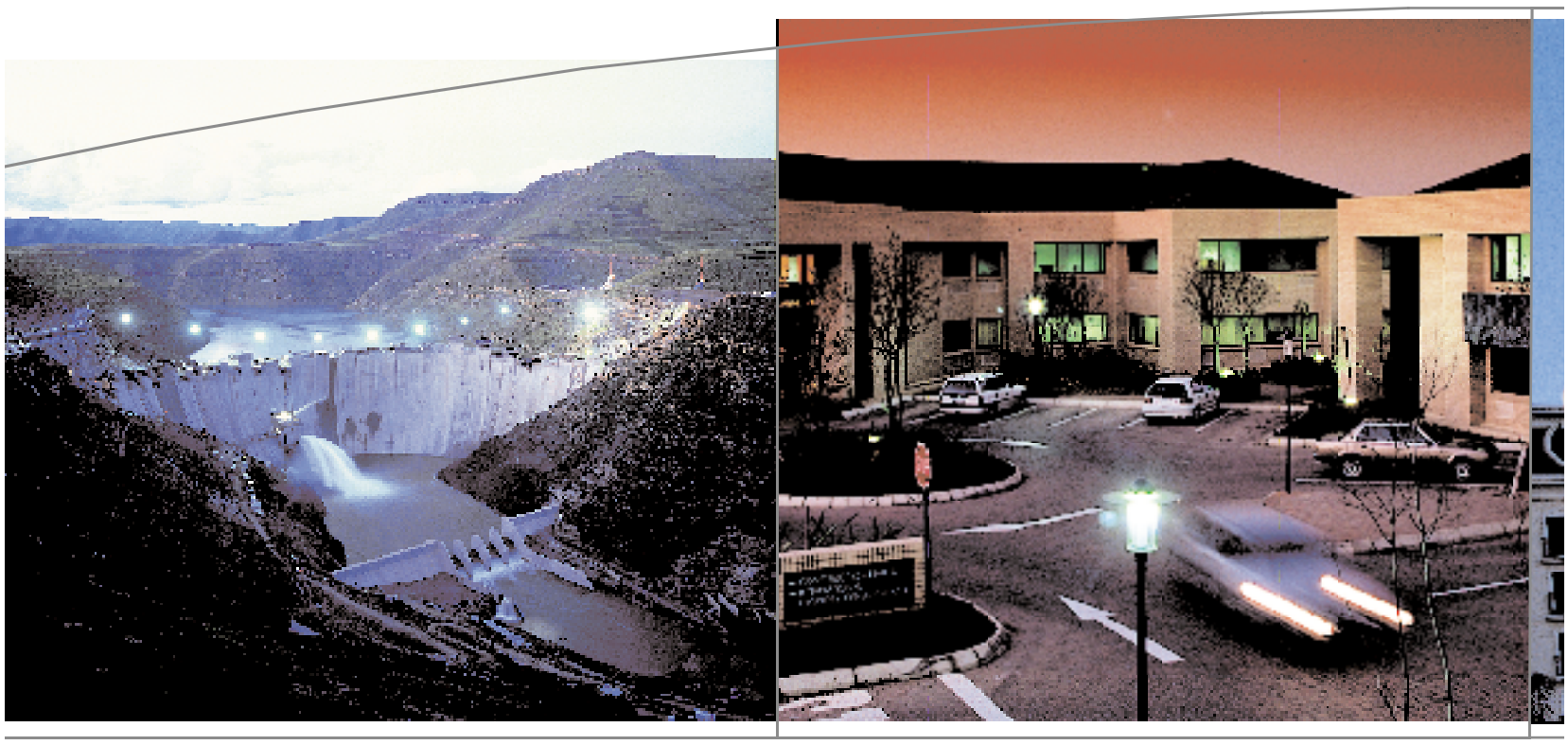
The Trident Group recorded a 6% decline in tonnage sales over the previous year as the domestic economy failed to revive. Careful control of costs and operating efficiencies resulted in a satisfactory increase in operating profit.

Activity within the building and construction sectors remained subdued and an improvement in demand for structural steel is only expected in 2001.

Tshipi, the company's empowerment steel trading company, continues to trade profitably.

Exports to Zimbabwe were hampered by the political turmoil in that country.

During the year the company formed a new subsidiary, Trident Midrand Steel (Pty) Limited, to exploit opportunities in 3CR12 long products, spring and speciality steel. Trident has also made an offer to Dorbyl Limited to purchase 100% of the assets of its Baldwins businesses based in Rosslyn, Port Elizabeth and Durban. This transaction, which is subject to Competition Commission approval, will enhance Trident's ability to service the automotive industry.



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This acquisition, which includes a press feed line, removes the need for Trident to spend R100 million on such a facility and a PE steel processing centre as originally envisaged.

Management is confident that the demand for steel products for both infrastructural development and the automotive industry will accelerate as the economy revives with positive prospects for Trident.

Corporate activity

LTA Limited

On 10 July shareholders were advised that Aveng intended to make an offer of R46 per share or alternatively 667 Aveng shares for each 100 LTA shares with a view to acquiring the entire shareholding of LTA Limited effective from 1 July 2000. It was announced that such an offer would be implemented by way of a scheme of arrangement, or if the scheme failed, by means of a general offer.

Shareholders were also informed that Anglo South Africa (Pty) Limited, the holder of approximately 68% of the issued share capital of LTA, had given an irrevocable undertaking to vote in favour of the scheme or accept the general offer and that it would accept cash.

The offer was conditional on the fulfilment of the following conditions precedent:

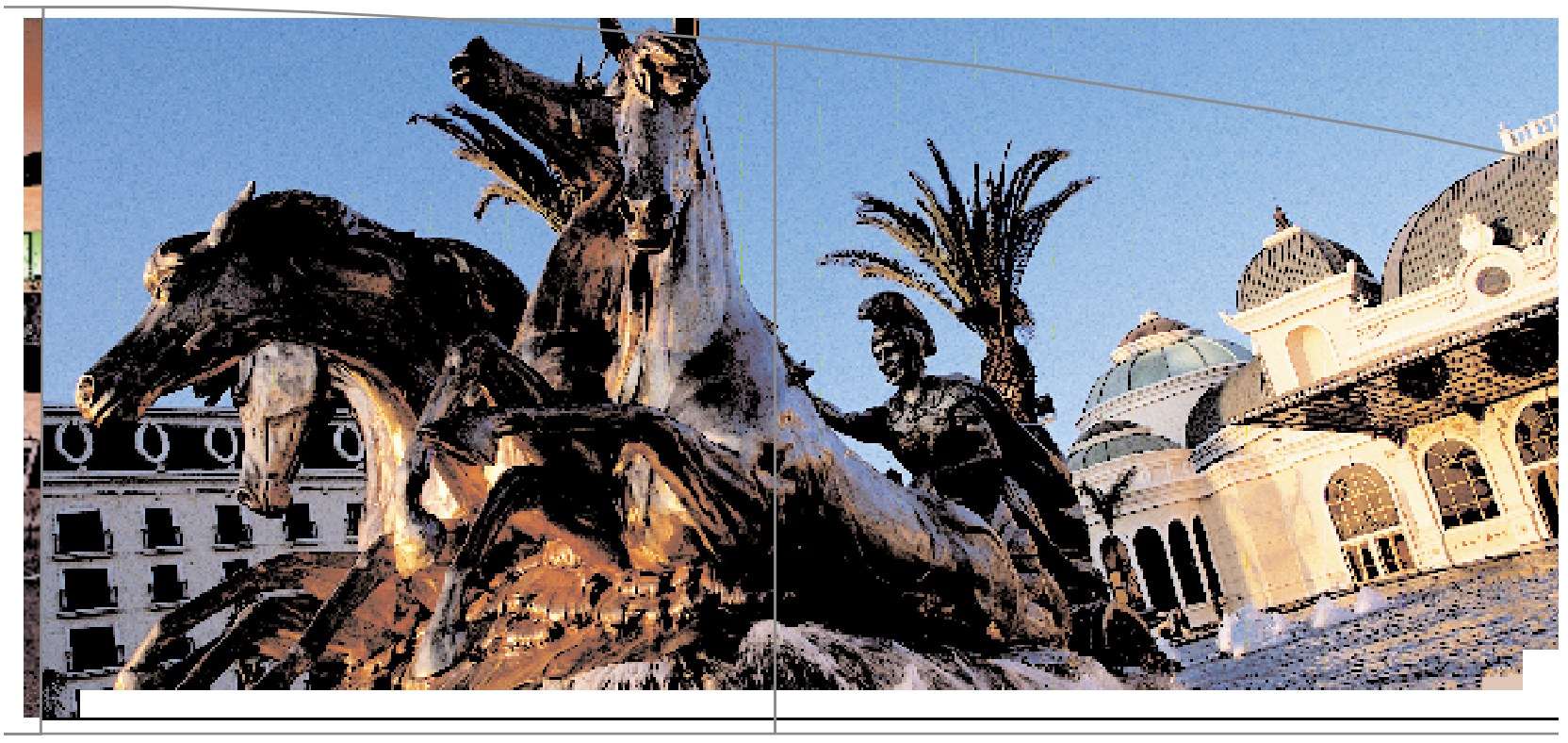
(i) JSE, SRP and other regulatory approvals.

(ii) Approval by the competition authorities.

(iii) Approval of the transaction by ordinary resolution by the Aveng shareholders in general meeting.

(iv) Regulatory approval by the Australian authorities as may be required in respect of LTA's holding in McConnell Dowell. (This approval was obtained in August.)

Should the LTA transaction become unconditional, the impact on Aveng will be considerable. The following numbers are based on the LTA results to 31 December 1999 and Aveng results to June 1999.



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potential partners/acquisition targets that broaden rather than deepen its construction footprint. Aveng recognises that competitiveness, in what is essentially a service business, derives from breadth of scope, rather than the economies of scale important in a manufacturing environment. We believe that the concept of breadth is enhanced by running successful brands representing different construction services, often in different markets, alongside one another rather than by trying to integrate them.

Grinaker, LTA and McConnell Dowell are powerful brands each representing a particular capability in specific markets. Each company also has its own management team, customer base and corporate culture honed over many years and tailored to the needs of its own markets. Aveng acknowledges the vital importance of these stabilising forces in a highly volatile and dynamic construction environment and we would be loath to make changes unless clear competitive advantage resulted.

Naturally there are some areas of overlap between Grinaker and LTA. While not significant in the larger scale of things, they will be carefully and sensitively addressed. A construction strategic committee (Stratcom), consisting of the managing directors of Grinaker and LTA and their alternates, will meet regularly under my chairmanship to resolve these issues through co-operation and, if necessary, the marginal re-alignment of each brand. The focus will however always be on growth, and we aim to harness the skills and resources that may be released as a result of this process to capitalise on international opportunities.

The final task for the year ahead will be to carefully formulate “Stage II” of the Aveng strategy. Having met our initial objectives three years early, and having acquired access to an additional reserve of people with experience and insight, we plan to reassess our position in the construction industry in the developing world, paint the three to five-year picture, and as a team commit to making it an exciting reality.

Appreciation

In our first year as a listed group we have focused on finding our feet in a new and a less certain environment. We have had to take the tough decisions necessary to secure Aveng’s long-term success. The Grinaker team relinquished the autonomy associated with a separate JSE listing and our Bearing Man people recognised and accepted that their future did not lie with Aveng. In the likely event that the Bearing Man transaction does become unconditional, I would like to record my personal thanks to Greg Till and his team for their solid contribution to Aveng over many years and wish them well for the future. I am confident that Bearing Man will benefit from a congruent strategic environment and that the team will continue to acquit itself with distinction.

Most importantly, I want to convey my personal and heartfelt thanks to our people, their spouses and families. The market environment has been uncompromising and the resultant demands on time and personal commitment onerous. Thank you too for your willingness to embrace change – so necessary if we are to build Aveng into that globally competitive group that we can all be proud of.

SIG TO COME

CARL GRIM

Date

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INCOME STATEMENTS

SIX YEAR SUMMARY

PRO FORMA CONSOLIDATED PROFIT HISTORY
YEARS ENDED 30 JUNE

	2000 Rm	1999 Rm	1998 Rm	1997 Rm	1996 Rm	1995 Rm
REVENUE	5 683,9	5 126,0	4 342,9	3 941,0	3 146,3	2 770,7
Income before interest paid	433,0	435,2	314,9	281,4	254,2	217,1
Interest paid	42,6	78,7	42,5	44,0	39,4	34,3
	390,4	356,5	272,4	237,4	214,8	182,8
Income from associates	12,5	13,8	54,2	60,5	60,3	57,0
Income before exceptional items	402,9	370,3	326,6	297,9	275,1	239,8
Exceptional items	(21,4)	(77,4)	16,0	(6,3)	(1,5)	(7,5)
Income before taxation	381,5	292,9	342,6	291,6	273,6	232,3
Taxation	100,8	48,2	85,9	82,5	70,5	61,4
Income after taxation	280,7	244,7	256,7	209,1	203,1	170,9
Minority interests	17,1	34,0	44,7	35,1	30,5	24,8
Earnings	263,6	210,7	212,0	174,0	172,6	146,1
Determination of headline earnings						
Adjustment for exceptional items net of attributable taxation and minority interests (note xx)	13,8	59,6	(16,7)	5,8	1,3	6,7
Headline earnings	277,4	270,3	195,3	179,8	173,9	152,8
Earnings per share (cents)*	75,1	62,5	62,9	51,6	51,2	43,3
Headline earnings per share (cents)*	79,2	80,2	57,9	53,3	51,6	45,3

Note:
**based on average number of weighted shares in issue.*

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OVERSET

INCOME STATEMENTS

FOUR YEAR REWIEW

PRO FORMA CONSOLIDATED
BALANCE SHEETS
YEARS ENDED 30 JUNE

	2000	1999	1998	1997
EMPLOYMENT OF CAPITAL				
Property ,plant and equipment	898,2	903,0	505,2	472,7
Investments	193,4	142,5	740,7	666,1
Inventories and receivables	1 826,4	1 690,7	1 434,0	1 145,2
Deposits and cash	762,0	701,0	523,3	501,4
	3 680,0	3 437,2	3 203,2	2 785,4
FINANCED BY				
Ordinary shareholder's interest	1 616,3	1 468,2	1 549,9	1 333,7
Convertible debentures	171,2	177,7	177,7	177,7
Minority interests	111,6	251,1	236,1	224,8
Permanent capital	1 899,1	1 897,0	1 963,7	1 736,2
Interest bearing borrowings	305,6	306,8	205,1	220,9
Deferred taxation	134,3	149,5	51,2	36,4
Payables	1 341,0	1 083,9	983,2	791,9
	3 680,0	3 437,2	3 203,2	2 785,4

Notes
Alpha (Pty) Limited has been equity accounted for the 12 months to June 1998,and proportionately consolidated for the latest two years.

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CORPORATE GOVERNANCE

Code of corporate practices and conduct

Aveng Limited is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders. The Company and its subsidiaries apply the principles set out in the Code of Corporate Practices and Conduct in the King Report as a means of conducting the affairs of the Group.

Board of directors and board meetings

The board of directors is set out on page xx of the annual report. The board meets at least four times a year to conduct the normal business of the Company. Additional board meetings are convened at short notice when individual matters of importance to the Group require urgent discussion and decision. There is a non-executive chairman and deputy chairman and the majority of the directors are non-executive. The non-executive directors are selected on the basis of their experience and knowledge of the industries in which the Group operates and hence their ability to add considerable value to the activities of the Group. None of the non-executive directors has a service contract with the Company.

The appointment of new directors is approved by the board as a whole and these directors, in terms of the articles, hold office until the next annual general meeting, at which they retire. Their re-appointment is required to be approved by the shareholders. Relevant, new appointees are appropriately familiarised with the Group's businesses. All directors serve for no more than three years before retiring and, if eligible for re-election, their names are submitted for election at the annual general meeting.

Aveng's policy is one of decentralised management regarding the day-to-day management of its operations. The executive directors of the Company meet at least four times a year in order to review performance of the operations compared with budget and the progress in achieving the strategy of the Group as formulated by the board of directors.

The board monitors the performance of executive management and addresses strategy, policy and performance.

All directors have access to the advice and services of the company secretary and in appropriate circumstances may, at the Group's expense, seek independent professional advice concerning its affairs.

Financial statements

The directors of the Company are responsible for preparing financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the Company and the Group.

The independent external auditors are responsible for carrying out an independent examination of the financial statements in accordance with statements of South African auditing standards and reporting their findings thereon. The auditors' report is set out on page xx.

Audit committee

The audit committee consists of five members, three of whom, including the chairman, are non-executive directors. The committee meets at least three times a year. The Company's independent external auditors are present at this meeting. This provides an effective forum through which the Company's independent external auditors report to the board of directors and at which matters of mutual concern are discussed.

A function of the committee is to assist the board in discharging its responsibilities under the Companies Act and at common law, with regard to the financial affairs of the Group.

The audit committee reviews the effectiveness of internal financial controls in the Group with reference to the findings of both the internal and external auditors. Other areas covered include the regular review of current accounting issues, including specific disclosures in the financial statements and ensuring that all such disclosures are in accordance with Statements of Generally Accepted Accounting Practice; and a review of the internal and external audit recommendations.

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CORPORATE GOVERNANCE

The audit committee assesses the business risks facing the group and the steps taken to address these, and monitors the risk control programmes in the Group.

The committee reviews the quality of internal and external audits and would recommend any changes in external auditors.

Internal audit

The Group's internal audit function is decentralised and in certain operations outsourced but performs an independent, objective assurance and consulting activity with the full co-operation of the board and management throughout the Group. Its objective is to assist management in the effective discharge of their responsibilities and ultimately to aid the Group to accomplish its objectives. Internal audit's approach is to evaluate and improve the effectiveness of the risk management, control and governance processes. By virtue of its mandate any control weaknesses that it identifies are brought to the attention of management and the Group audit committee for consideration and to ensure that the necessary remedial action is taken.

Remuneration committee

The remuneration committee, which comprises two non-executive directors and the managing director, is responsible for approving remuneration policies.

This includes terms and conditions of employment as well as all benefits for executive directors and senior staff. The committee also approves any amounts, other than directors' fees, paid to non-executive directors. The present directors' fees paid to non-executive directors are R70 000 per annum in respect of the chairman and R40 000 per annum in respect of the other non-executive directors. Increases in such fees are approved by the members in general meeting.

Employee participation and develpopment of individual skills

The Group has established a variety of participative structures to deal with issues which affect employees. These include, inter alia, collective bargaining mechanisms and structures to promote productivity improvements and safety. In general, they are designed to achieve good relations through the sharing of information, consultations and the identification and resolution of conflict.

The Group's affirmative action policies are based on the recognition that a significant proportion of the country's workforce needs special assistance if full individual potential is to be achieved to enable effective competition in the labour market. The Group believes that the development of skills is a critical issue which is being implemented rigorously at all subsidiary companies.

The Group is committed to the provisions of the Employment Equity Act and Group companies have developed strategies to ensure that employee profiles will be more representative of the demographics of the regions in which the Group conducts its business activities. Progress in this respect is monitored at board level in the underlying subsidiary companies.

Environment

Environmental responsibility is an integral element of Group operations. Group companies have committed themselves to pursuing the provision of environmental legislation to ensure the sustainable development of Group business operations. Companies have established environmental policies and management systems to meet or exceed the minimum environmental standards set by law. Training is undertaken to ensure that all staff members enhance overall environmental awareness.

Relationships are developed with stakeholders to ensure that the environmental needs and concerns of shareholders, employees and regulatory authorities are addressed.

The regular review of safety, health and environmental standards and practices at all Group operations by the audit committees is standard procedure.

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DEFINITIONS

The Group or Aveng and its subsidiaries

In respect of the pro forma numbers presented for the prior years. Aveng Limited and subsidiaries Grinaker Construction Limited, Bearing Man Limited, Tristel Holdings (Pty) Limited and the joint venture company Alpha (Pty) Limited which has been proportionally consolidated.

Earnings

Income after taxation, less amounts attributable to minority interests and preference dividends.

Headline earnings

Earnings as defined above, adjusted for the specific items detailed in note xx to the financial statements and exceptional profits and losses on disposal of plant and equipment.

Earnings and headline earnings per share

Earnings and headline earnings divided by the weighted average number of shares in issue (note xx to the financial statements).

Exceptional items

Items of income and expense which are not typical of the ordinary trading and operating activities, and therefore cannot be regarded as constituents of sustainable earnings.

Net asset value per ordinary share

Ordinary shareholders' interest divided by the total number of ordinary shares in issue.

Return on ordinary shareholders' interest/equity

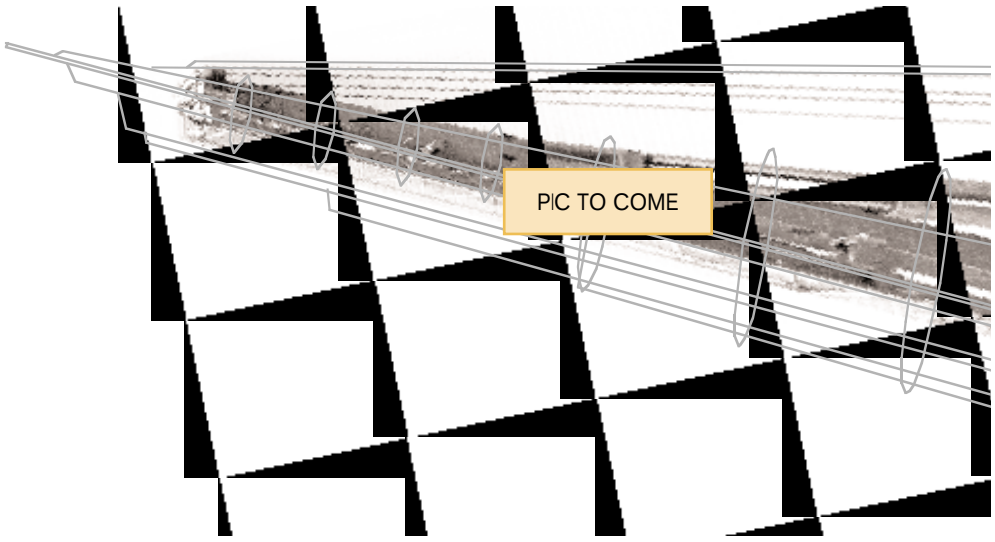
Headline earnings as a percentage of average ordinary shareholders' interest.

Return on capital employed

Income before interest paid, taxation and exceptional items, as a percentage of average capital employed.

Turnover per employee

Turnover divided by the number of employees, adjusted where appropriate to take account of material acquisitions and disposals during the year.



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