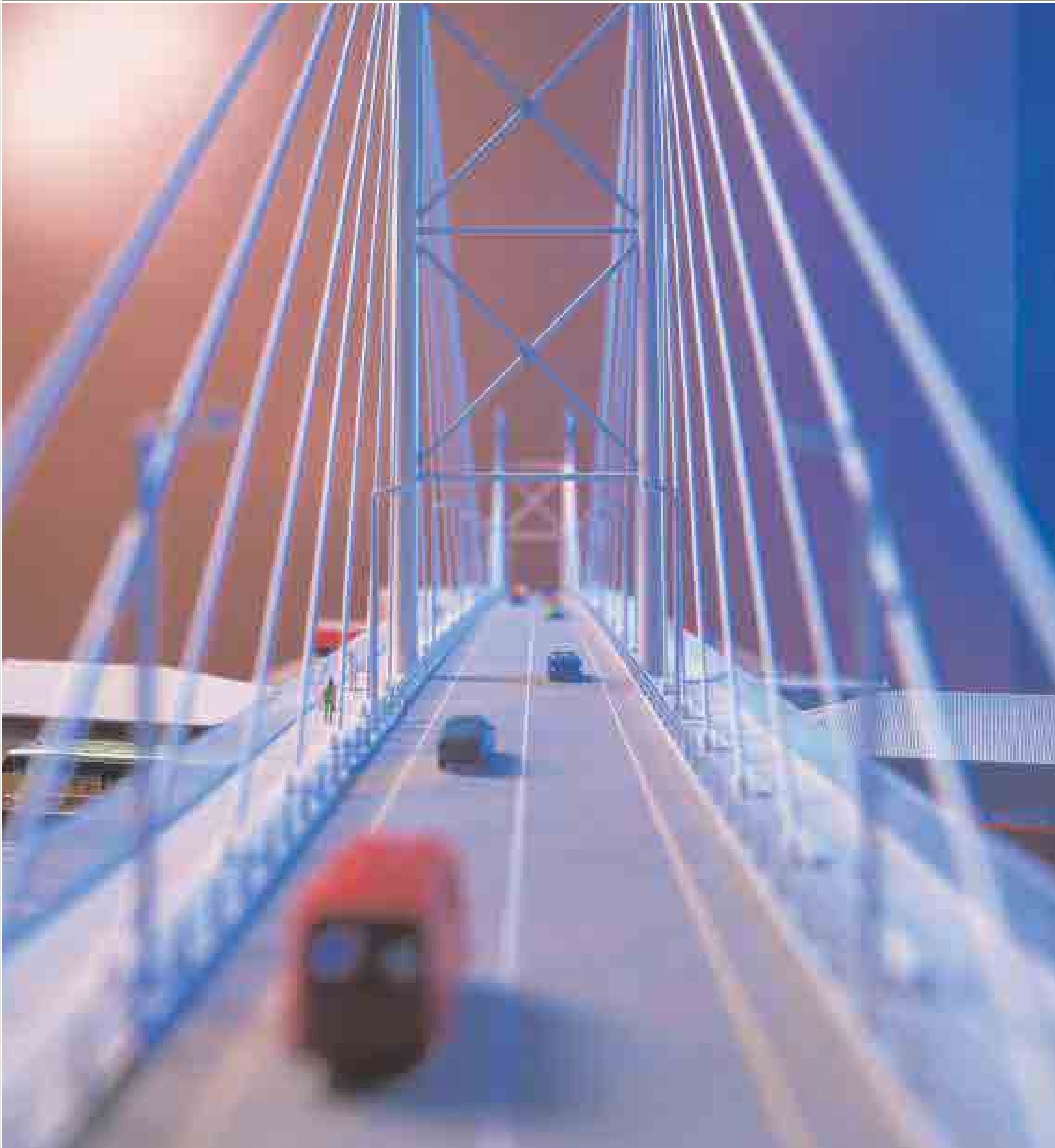
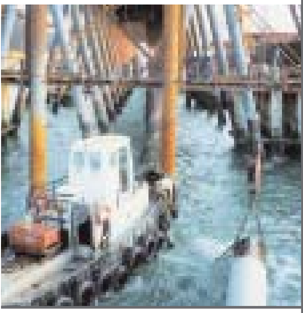
Aveng 2001
Annual report

AVENG



Contents

Outside front cover: *Future Nelson Mandela bridge linking Braamfontein and Newtown, Johannesburg.*

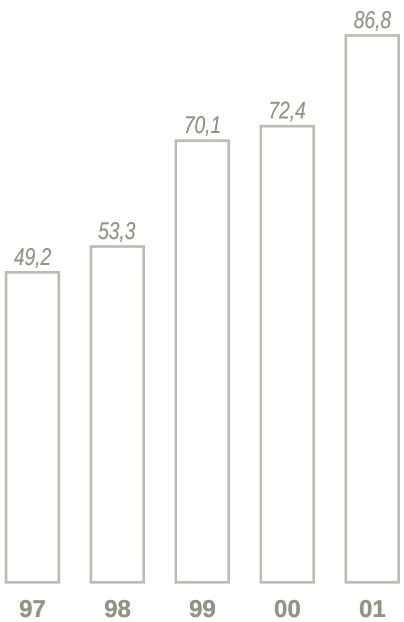


Delivering shareholder value

Financial highlights

	2001	2000	% change
FINANCIAL RESULTS (Rm)			
Turnover	**10 317,1**	4 926,1	109,4
Operating profit	**430,8**	251,1	71,6
Headline earnings	**326,5**	277,6	17,6
ORDINARY SHARE PERFORMANCE (cents per share)			
Headline earnings	**99,4**	79,3	25,3
Diluted headline earnings	**86,8**	72,4	19,9
Dividend	**22,5**	18,5	21,6
CAPITAL EXPENDITURE AND DEPRECIATION (Rm)			
Capital expenditure	**536,1**	132,6	304,3
Depreciation	**292,1**	81,4	258,8

Diluted headline earnings per share (cents)



Objectives report card

• Rated top 3 of sector	✔
• Real ROE of 10%	✔
• 25% of earnings in hard currency	✔

Vision

"Building a

- globally competitive
- construction-related group
- focused principally on the developing world."

Strategy

- Maintaining *financial stability* by nurturing the profit and cash generating capacities of the southern African-based steel, cement and construction businesses.
- Promoting *sustainable growth* by building a globally competitive international construction capability with specialised niche skills and operating in selected areas of the developing world.

Corporate objectives

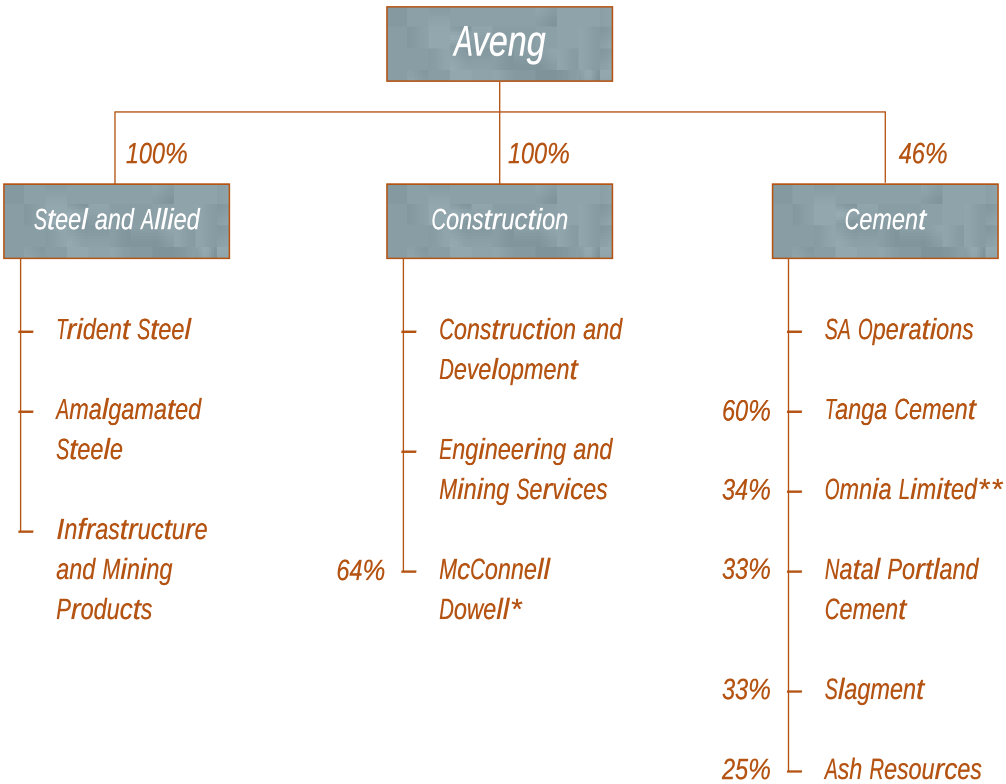
- To command a price-earnings rating within the top three of our sector.
- To achieve a long-term *real* return on equity of 10%.
- To generate 25% of earnings in hard currencies.

One billion rand invested in South Africa's infrastructural development:

- creates 16 000 new jobs
- boosts GDP by R440 million
- generates R175 million of additional taxes

Source: SAFCEC

Group structure



* Listed on the Australian and New Zealand stock exchanges.
** Listed on the JSE Securities Exchange.

“Our emphasis has now shifted to the fourth growth objective – that of building global-competitiveness in carefully chosen international niche markets”

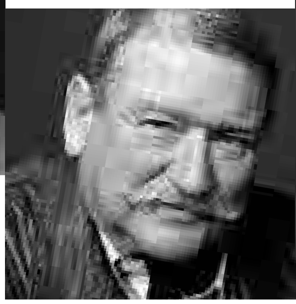
Areas of activity as at June 2001.

Board of directors

"... an effective board with a broad range of skills and experience and balanced between executive and non-executive directors"

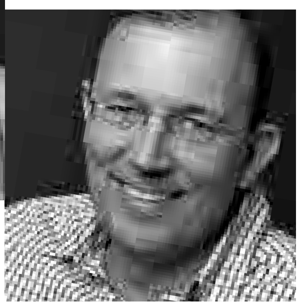
Richard Savage, age 58
Chairman (non-executive)
CA(SA)

Phil Erasmus, age 60
Deputy chairman
(non-executive)



Colin Campbell, age 64
Chairman, Audit Committee
(non-executive), CA(SA)

Carl Grim, age 50
Managing director
Pr Eng; BSc Eng (Civil); BA; MBA; MSICE

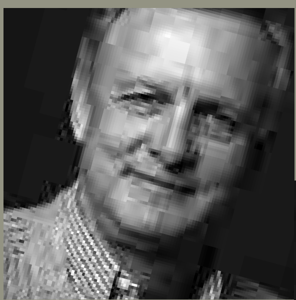


Dennis Gammie, age 47
Financial director
CA(SA)

Mike Doyle, age 55
Managing director,
Alpha (Pty) Limited
BCom

Ernie Behr, age 65
Managing director, Trident Steel
Holdings (Pty) Limited

Frank Crowley, age 56
Managing director,
Grinaker-LTA Limited
Pr Eng; BE (Civil); FSICE



James Hersov, age 36
Non-executive director
MA (Cantab)

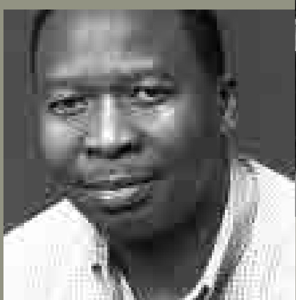
Ami Mpungwe, age 50
Non-executive director
BA (Hons)

Alan Dawson, age 58
Executive director
Pr Eng; BSc Eng (Civil)

Howard Jones, age 52
Executive director
Pr Eng; BSc Eng
(Civil); MSICE;
MSAIOB

Vincent Mntambo, age 43
Non-executive director
BJuris, LLB, LLM (Yale)

Wolf Wassermeier, age 57
Executive director



Peter Owen, age 61
Non-executive director
CA(SA); PMD (Harvard)

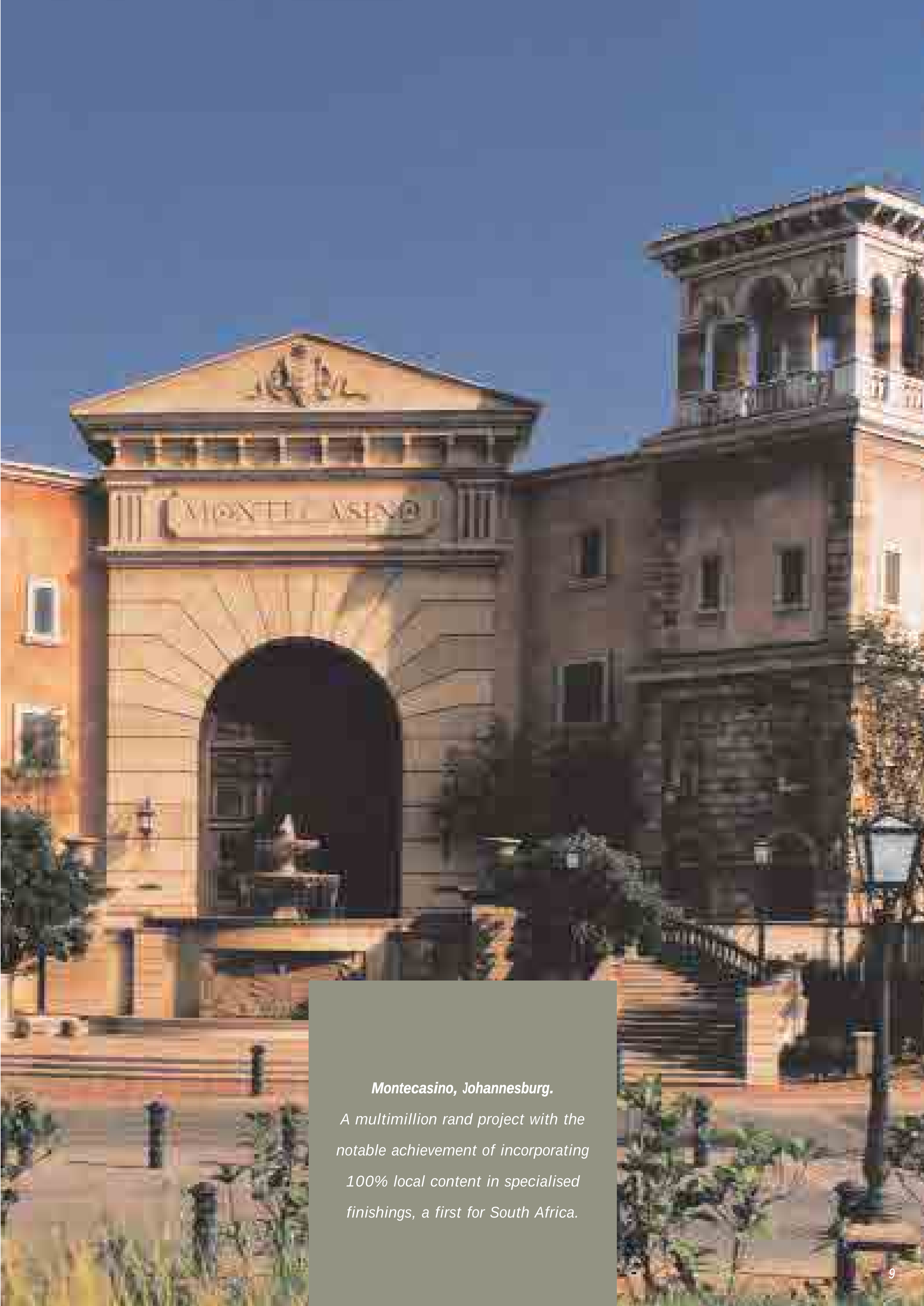
Mervyn Taback, age 54
Non-executive director
BCom LLB; H Dip Tax

"... our businesses are well balanced between those that are cash generative and financially stable on the one hand, and those that present opportunities for sustainable growth on the other"

A year ago when chairman Basil Hersov noted that the challenge going forward would be to consolidate the initiatives embarked on by Aveng, particularly the LTA acquisition, and realise the potential that lies within the operating companies.

It gives me considerable pleasure to report to shareholders that Aveng management has more than met that challenge in what can only be described as difficult economic conditions, both in South Africa and in the other developing markets in which Aveng now operates.

With growth in the South African economy remaining flat, management focused its energies on concluding a number of pivotal acquisitions and integrating them into Aveng. The repositioning of the new Grinaker-LTA business is a major task that should be substantially completed in the next financial year. Forging two large corporations with differing styles and managements into a cohesive force is no easy task. The project is on track and the costs of the merger, which have been substantial, have been absorbed into this year's operating costs. The management team is focused on optimising skills within the enhanced group and the loss of people has been minimal. Similarly, the Trident Steel team has done an outstanding job in integrating the Baldwins business into their group.



Montecasino, Johannesburg.

A multimillion rand project with the notable achievement of incorporating 100% local content in specialised finishings, a first for South Africa.

"After only three years Aveng is well on the road to becoming a global player . . ."

Financial results

Against that background, the enlarged group performed well with revenues increasing 109% to R10 billion while operating income rose from R251 million to R430 million. Headline earnings per share is 25% up on the prior year. The board declared a dividend of 22,5 cents per share, triggering the conversion of the convertible debentures issued by Aveng on 30 November 2001.

The major impact of the LTA acquisition was felt on the balance sheet and Aveng ended the year with net gearing of 54,6%, a significant improvement on the 62% reported at the half-year. With its strong cash flow, Aveng should further reduce gearing by the end of the 2002 financial year.

Strategy

At listing Aveng stated that its strategy was to broaden, rather than deepen, its construction footprint to encompass construction skills complementary to those it already had, while at the same time moving into new developing markets which deal in hard currencies. Last year's acquisition programme and the sale of Aveng's 55% interest in Bearing Man achieved much of that strategy and today with 35% of its revenue generated outside of the South African common monetary area, Aveng can be accurately described as a construction-related group with a significant presence in developing world markets.

Before moving on again, the group needs to consolidate the successes of the merger of the Grinaker and LTA businesses and ensure that its construction business is globally competitive. Our businesses are well balanced between those that are cash generative and financially stable on the one hand, and those that present opportunities for sustainable growth on the other. Aveng has an expanding global reach but, to be a contender in the major league, it will need to grow further and, most importantly, become more competitive within its chosen niche markets. Global competitiveness is accordingly our key focus for the year ahead.

Looking ahead

A great deal has been accomplished at Aveng within a relatively short time. The true test of the recent repositioning strategy lies in extracting earnings growth from the group in an economic environment that does not offer much promise. Unfortunately leading indicators suggest that the world's major economies will continue to slow, which will have a negative impact on South Africa and other developing markets. Clearly this will affect Aveng as its business is aligned with the growth in gross fixed investment.

However, construction has a strong order book and should achieve ongoing benefits from the merger while our Steel and Allied strategic grouping expects to profit from the growth in the automotive industry and from any revival in construction. Cement's performance is directly related to the building and construction components of South Africa's capital formation, projected to be buoyant for the next year. Within the businesses, management will concentrate on reducing borrowings and turning assets, which should result in a real increase in earnings again next year.

Appreciation

Aveng was indeed fortunate to have a man with the experience and judgement of Basil Hersov to lead the company through its transformation into a focused construction company listed on the JSE Securities Exchange, South Africa. His wise counsel and sage advice have been greatly valued by the directors and on behalf of all stakeholders I would like to thank him for his considerable contribution. That Aveng is well on the road to becoming a global player in its chosen fields after only three years, is a tribute to his leadership.

It is with great sadness that I must report the sudden death in January of Bean Bornheimer, whose association with the group extended over 32 years. His counsel is sorely missed.

I would like to welcome to the board four new non-executive directors – Colin Campbell, Vincent Mntambo, Ami Mpungwe and Mervyn Taback – and look forward to the fresh perspectives they will bring to our deliberations.

The past year required both great commitment and resilience from our teams in Construction, Steel and Allied, and Cement as they collaborated to achieve the satisfactory results reported here. On behalf of all shareholders I would like to thank them for their contributions.

Succeeding in business reflects not only the endeavours of the employees but also the quality of the leadership. I believe that at Aveng we are fortunate to have a superb management team led by managing director, Carl Grim. Under his able direction Aveng has prospered and looks well set for another period of growth.

Richard Savage

Chairman

4 September 2001

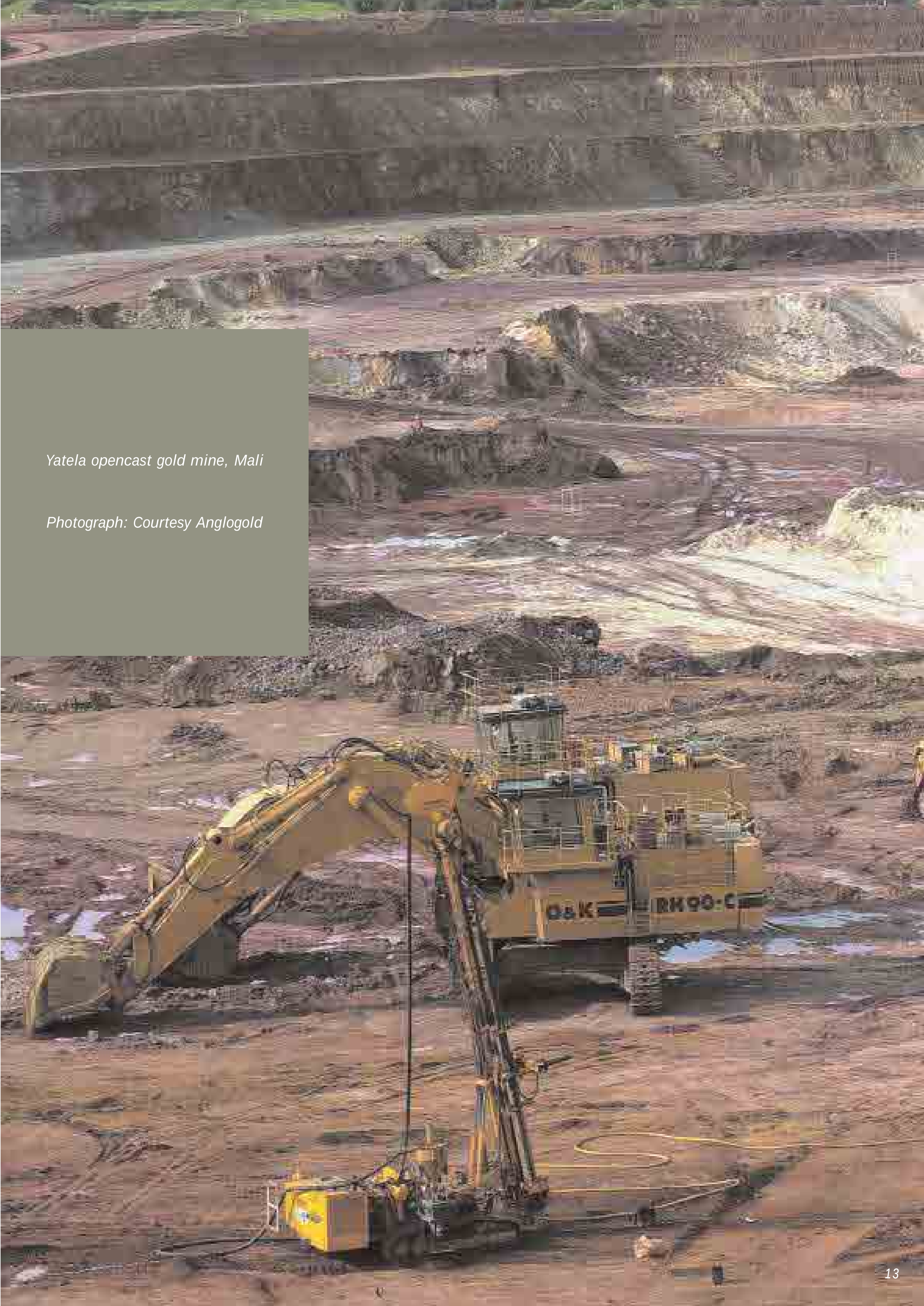
Managing director's report

". . . a year of pivotal acquisitions and disposals in the pursuit of our strategy"

The past year was both eventful and gratifying. Phase one of Aveng's growth strategy was completed during the first six months and included the following corporate activity:

- Acquisition of LTA Limited
- Disposal of Bearing Man Limited
- Acquisition of Fraser Fyfe Limited
- Acquisition of the Baldwins automotive business
- Acquisition of the remaining 50% of Namascor (Pty) Limited
- Acquisition of the remaining 50% of Amalgamated Reinforcing (Pty) Limited

The latter half of the year was devoted to the integration of these businesses into Aveng.



Yatela opencast gold mine, Mali

Photograph: Courtesy Anglogold

"These financial results are most encouraging when examined within the context of the significant rationalisation costs and write-offs associated with the year's corporate activity"

Financial review

Corporate activity boosted revenue for the year to R10,3 billion, double that of the prior year, despite the sale of Bearing Man and the change to equity accounting Alpha.

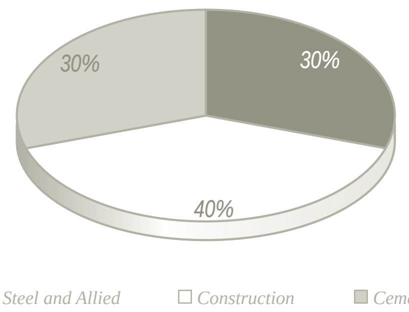
Operating income increased by 72% and headline earnings by 18%. The Ebitda margin increased to 7,0% compared to 6,7%, but the operating margin declined to 4,2% compared to 5,1% in the previous year – largely the result of a swing towards construction in our business mix.

Headline earnings of 99 cents per share is 25% up on last year, after last year – delivering real shareholder value. At the diluted level, which takes account of the impact of the converted Aveng debentures as well as the future vesting of all options issued to management, the year on year headline earnings per share growth is 20%.

These financial results are most encouraging when examined within the context of the significant rationalisation costs and write-offs associated with the year's corporate activity.

When announcing the LTA acquisition, management forecast that the net debt to equity ratio would have declined to 55% by 30 June 2001. This important target has been achieved. The interest cover is 3,9 times but after taking into account associated company earnings, it increases to a comfortable 4,8 times. Forty four percent of group debt has been structured into long-term instruments with fixed interest rates.

Earnings



We will continue to assign a high priority to paying down debt and expect to achieve our long-term debt to equity target ratio of 40% within two years. The broad geographical spread of our construction business and the stable cash generating capacities of steel and cement make this level of debt appropriate for our business mix.

The balance sheet carries goodwill of R1,1 billion largely as a result of the LTA acquisition. Goodwill is being written off over a maximum 20-year period.

Capital expenditure during the period to June amounted to R536 million and depreciation to R292 million. Capital expenditure in the year ahead is planned to equal depreciation at approximately R350 million.

The increase in working capital over the past year resulted from the net impact of the acquisitions made. Working capital management continues to receive attention.

If some broad assumptions are made on interest charges and tax rates in the Construction and the Steel and Allied business groupings, the approximate contribution to Aveng's earnings are, Construction 40%, Steel and Allied 30% and Cement 30%.

Approximately 35% of group revenue is generated outside of the rand common monetary area of South Africa, Namibia, Swaziland and Lesotho. Most of this comes from the construction companies and is earned in US dollars or in a currency easily convertible into US dollars.

Operational review

Construction

A detailed operational review by management concluded that the two construction companies – Grinaker and LTA – needed to be fully integrated if we were to realise our primary objective of being globally competitive in the longer term. Grinaker-LTA was born and Frank Crowley was appointed managing director with Howard Jones as his deputy.

The past six months have been devoted largely to the integration of these two companies. While the integration has been substantially completed, management believes that another 15 months will be needed to finalise the strategic repositioning of the group.

The repositioning initiative is being driven by three imperatives:

(i) To streamline support structures, shorten communication channels and minimise costs.

(ii) To redeploy resources to best meet the evolving needs of our local and international clients.

(iii) To assemble complementary skills into flexible strategic units that are able to respond appropriately

"... concluded that Grinaker and LTA had to be fully integrated if we were to realise our primary objective of being globally competitive in the longer term"

to specific opportunities in niche markets.

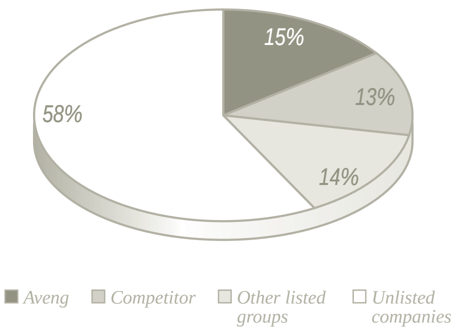
Grinaker-LTA has not attempted to create a centralised technical skills resource, believing that specialised skills add most value when deployed within the operating companies.

Construction comprises three operating entities:

- Construction and Development, consisting of civil and earthworks, building, property development and concessions. In addition, there are specialised companies focused on railway maintenance, concrete rehabilitation and ground engineering.
- Engineering and Mining Services, consisting of opencast and underground mining, process engineering, and MEIP (Mechanical, Electrical, Instrumentation and Piping). This entity includes some steel businesses which are reported on in the Steel and Allied section.
- McConnell Dowell, the Australian and New Zealand listed construction company, with its major divisions being civil engineering (largely heavy marine structures), major pipelines, mechanical and electrical.

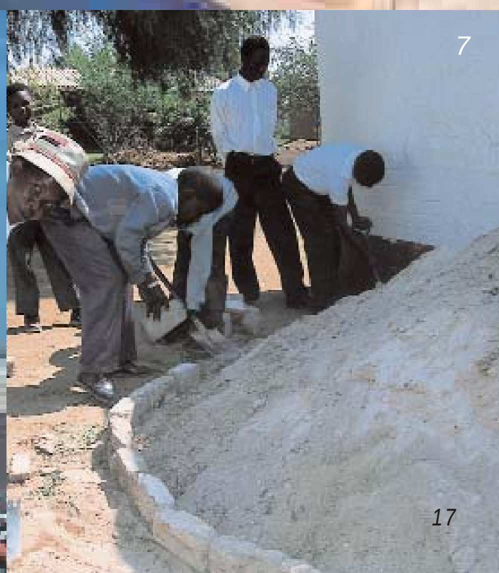
The construction business generates an annual turnover of R7,3 billion and houses 65% of Aveng's assets. (Note that Alpha is equity accounted and therefore not included in turnover or assets.)

SA building and construction industry 2000
(Local industry: R47 billion)



Source: LHA

1. *Tokara Winery, Western Cape (winner: Fulton Awards: building projects)*
2. *Head gear at Black Mountain mine, Aggeneys*
3. *New Trident Steel plant, Port Elizabeth*
4. *Durapak stope support system*
5. *N3 road project of 400 km linking Heidelberg and Cedara, South Africa*
6. *Si Chang Thong terminal and tank farm, Thailand*
7. *SASVO, Neo Mathabe special school sponsored by Aveng, Mothuthlong, North West Province*



"The Steel and Allied cluster processes over 650 000 tons of steel per annum . . ."

Steel and Allied

The Steel and Allied grouping consists of the steel and manufacturing businesses in Aveng. The following are the most important business units:

- Trident service centres, beneficiating steel for the motor, engineering and construction industries.
- Trident Midrand Steel, providing specialised and 3CR12 steel to the engineering and construction industries.
- Trident Sterling Tube, a manufacturer of steel tubing.
- Amalgamated Steele, a manufacturer of concrete reinforcing and wire products, structural steel supply and erection, mining products and systems.
- Infrastructure and Mining Products, a manufacturer of railway sleepers, storm water culverts and mine support systems.

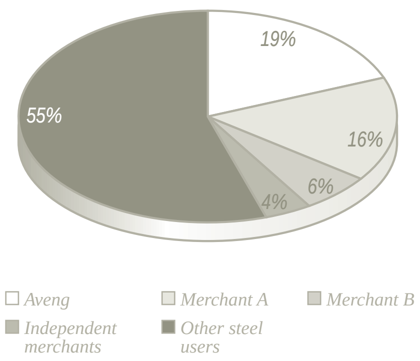
In addition, Steel and Allied includes a number of smaller non-core businesses and Aveng's small corporate office.

The Steel and Allied cluster processes over 650 000 tons of steel per annum, contributes R3 billion to Aveng's turnover and houses 35% of its assets.

Cement

Following the significant decline in the early months of 2000 as a result of high rainfall, cement volume growth has been good. Industry domestic cementitious volumes were up by

SA steel market (2001 estimate)
(Local market: 3,6 million tons per annum)



Source: LHA

4,3% in the year ended June 2001 compared to a decline of 2,6% in the prior year. Alpha's volume growth was marginally ahead of the industry during the year, largely as a result of the re-establishment of sales in flood-damaged areas.

While average cement prices achieved, have shown reasonable growth in rand terms over the past year, these prices have declined by 7% in US dollar terms. The current at mill net cement price of $37 per ton is one of the lowest in the world. This has serious implications for the modernisation of South Africa's cement capacity as the business is capital intensive and the cost of manufacturing plant is largely US dollar-based.

Alpha operates a quarrying and ready mixed concrete business that is complementary to its cement interests. This business has performed reasonably well over the past year.

Alpha has a 33% interest in Slagment and a 25% interest in Ash Resources, both companies providing pozalanic extenders for use in cement and concrete. Other interests in associate companies include Natal Portland Cement (33%) and Omnia Limited (34%).

Alpha has a 60% interest in Tanga Cement based in Northern Tanzania. This company has performed well in the past period and continues to export cement to most of the surrounding southern and central African countries.

The three-year Alpha 2000 revenue enhancement/cost reduction project comes to an end in December 2001. A recent audit of the project's results to date, compared to the original objectives, concluded that the programme was on track.

Holcim (formerly Holderbank), one of the world's leading cement companies and holder of a 54% interest in Alpha, regularly benchmarks cement kiln performance against that of other kilns in its group. Alpha measures up well, and is consistently placed in the upper quartile across a broad range of performance standards.

Strategic review

Vision

Our simple three-point vision was communicated to investors at the time of Aveng's listing in July 1999:

"We wish to build a
– globally competitive
– construction-related group
– focused principally on the
developing world".

Our longer-term aspirations encapsulated in this statement remain unchanged.

"We remain committed to our two-legged strategy of financial stability and sustainable growth"

Objectives

In addition, we outlined our three corporate objectives:

– to command a price-earnings rating within the top three of our sector;
– to achieve a long-term ***real*** return on equity of 10%;
– to generate 25% of earnings in hard currencies by 2003.

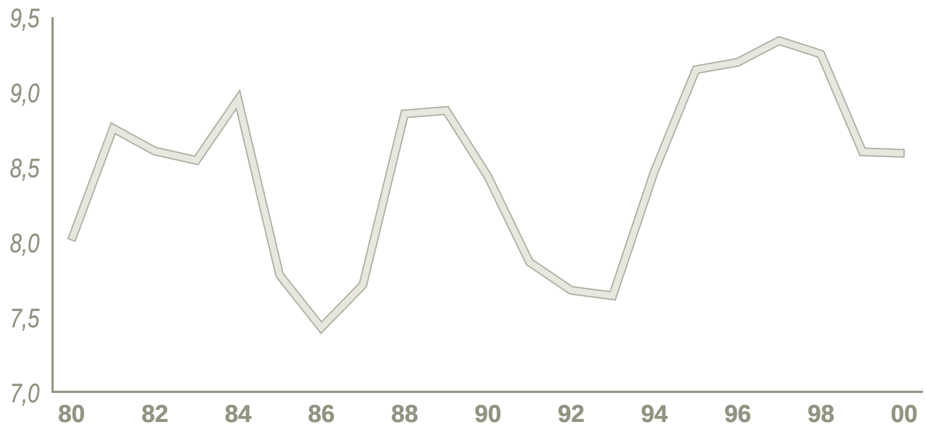
Unlike the first two objectives, the third one was time constrained, necessary as the group's offshore hard currency earnings at that time were less than 5%, making the company overly vulnerable to a single market. As this objective has now been achieved, it has been amended by deleting the reference to 2003. We may wish to grow our offshore earnings component further in the future, but believe that the 25% level is adequate for the present.

Strategy

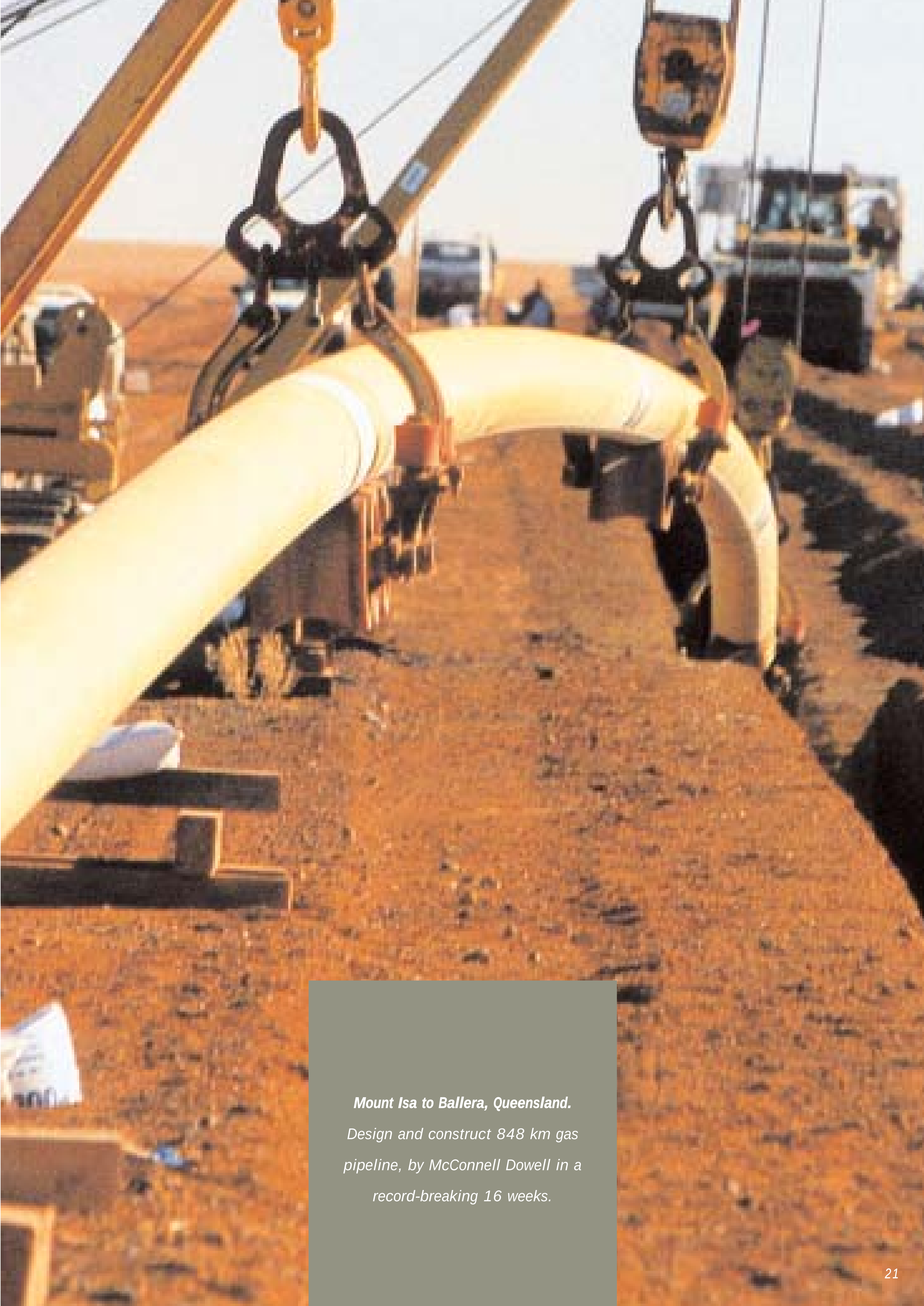
We remain committed to our two-legged strategy:

Leg one remains firmly grounded in southern Africa, seeking to maintain ***financial stability*** by nurturing the profit

Domestic cement consumption (million tons per annum)



Source: Cement and Concrete Institute



Mount Isa to Ballera, Queensland.
Design and construct 848 km gas pipeline, by McConnell Dowell in a record-breaking 16 weeks.

"The corporate objective to generate 25% of earnings in hard currencies by 2003 has been achieved two years early"

and cash generating capacities of the southern African-based steel, cement and construction businesses.

Leg two of our strategy reaches out into selected areas of the developing world, seeking to promote long-term ***sustainable growth*** by building a globally competitive international construction capability with specialised niche skills and operating in selected areas of the developing world.

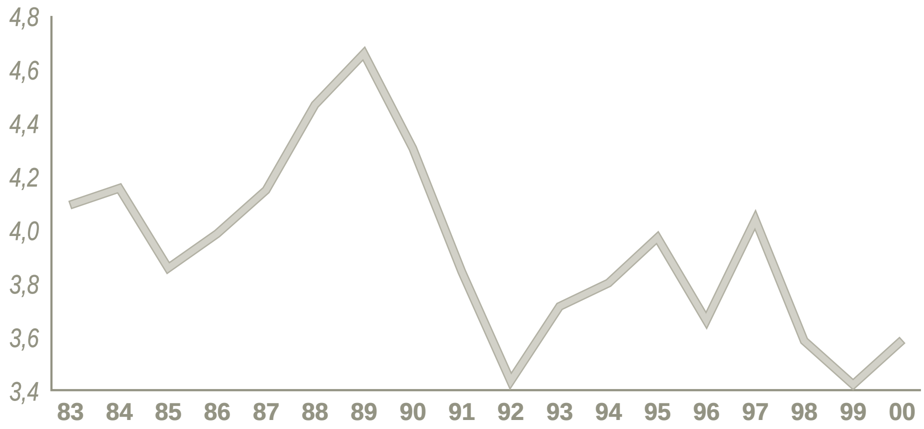
At the time of our listing we set out the four growth objectives underpinning leg two of our strategy:

(i) To "broaden our construction footprint" to encompass other complementary construction-related skills that would enable us to present a rounded service capability to selected customer groupings.

(ii) To expand further into Africa with an emphasis on hard-currency contracts.

(iii) To enter other areas of the developing world through partnerships and acquisitions.

Domestic carbon steel consumption (million tons per annum)



Source: LHA

(iv) To build global competitiveness through an ever-increasing product/service specialisation.

Progress to date

Our overall progress to date is best summarised as follows:

Aveng 1998

- 30% of Alpha (listed)
- 55% of Bearing Man (listed)
- 53% of Grinaker (listed)
- 99% of Tristel Holdings

Aveng 2001

- 46% of Alpha
- 100% of Grinaker-LTA
- 100% of Trident Steel

A fixed investment conglomerate with multiple entry points for investors has been transformed into a focused construction-related group with a single investor entry point.

The organic growth into Africa over the past two years and the acquisition of LTA, with its operations in Africa, Middle East, Australia and South East Asia has enabled Aveng to achieve the first three of its growth objectives.

Looking forward

Our emphasis has now shifted to the fourth growth objective – that of building global competitiveness which is the primary imperative of our vision statement.

Thereafter we will embark on another acquisition phase to further consolidate our geographical positioning in the developing world.

Our southern African construction businesses will remain active in the full spectrum of local construction activity. When expanding outside of southern Africa, however, we will seek to focus our activities and build capacity in the following three niche markets:

- Mining services
- Energy services
- Heavy infrastructure

Geographically, we will continue to focus primarily on two areas of the developing world:

- Africa/Middle East
- Australasia/SE Asia

None of this will detract from our commitment to nurture the southern African construction, steel and cement businesses by investing in attractive opportunities that may arise from time to time. In addition, we may, in the longer term, consider the further broadening of our “financial stability base” by acquiring another stand-alone construction-related business.

"In three years a fixed investment conglomerate with multiple investor entry points has been transformed into a focused construction-related group"

Corporate values

Corporate values, or "the way we do things around here", are fundamental to the effective implementation of strategy. Aveng and its operating entities have always sought to build a corporate culture probably best described by the following four behavioural values:

Integrity

Much of our business depends on solid ongoing relationships with a few key clients – often themselves leading players in their respective industries. If these relationships are to last, they must be built on mutual trust. The group's Code of Business Conduct, reproduced elsewhere in this annual report, grew out of considerable interaction and debate at the main board and subsidiary board levels and has been formally adopted by our group and committed to by all senior personnel.

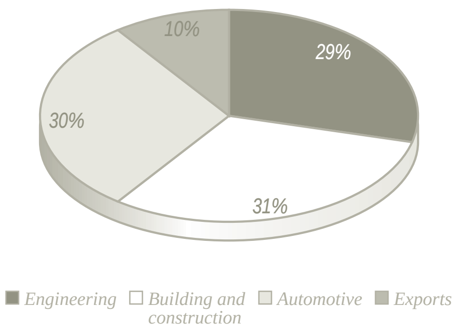
Quality

Quality goes beyond simple compliance with numerous ISO and other quality codes, where incidentally group companies' accreditation and compliance is among the best in the industry. For us, quality is an attitude of mind, a determination to do the job properly first time and, where possible, to exceed the expectations of our customers.

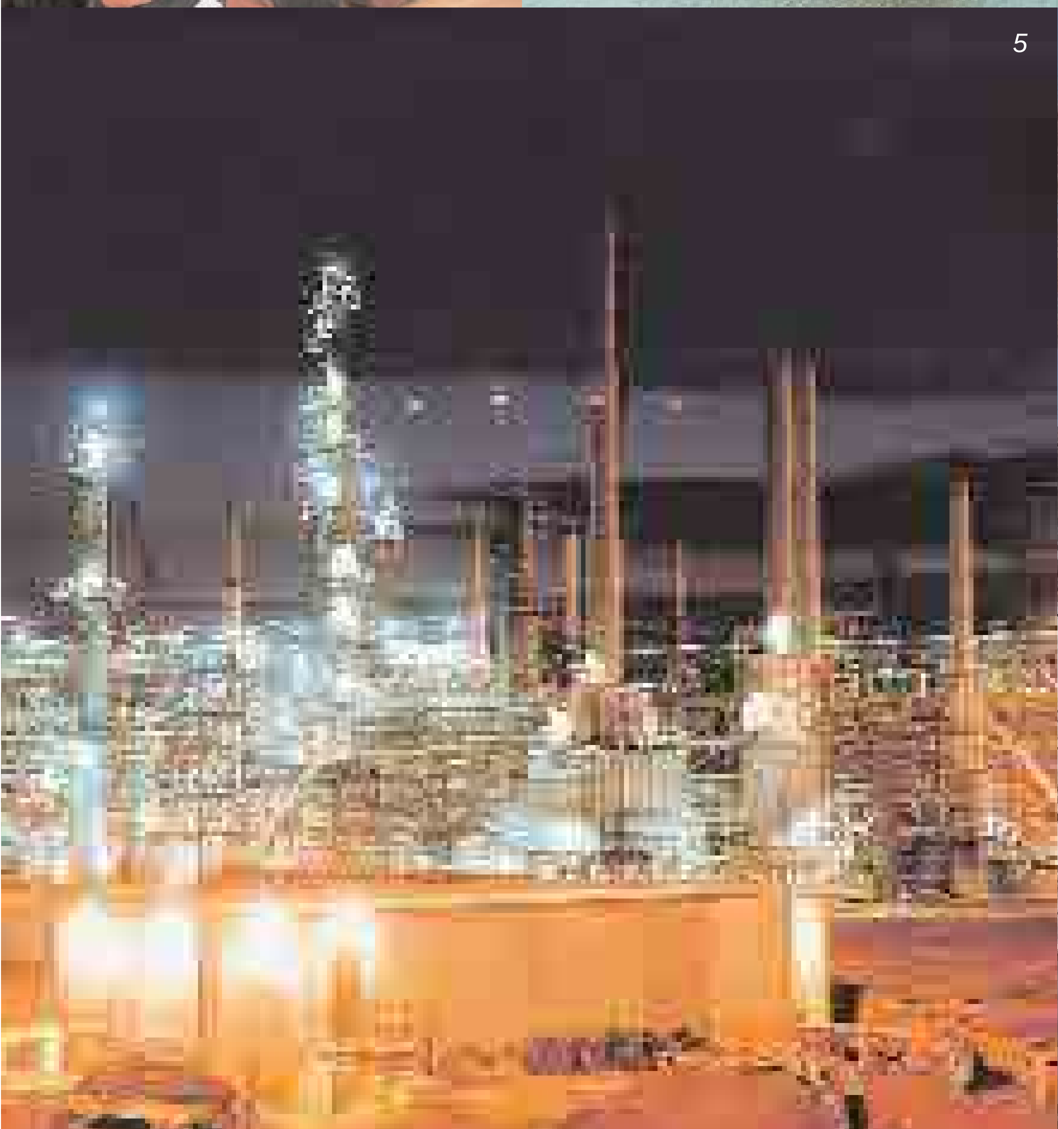
An integral part of our quality mindset is a commitment not to take short cuts in the areas of safety, health and care for the environment.

Safety: Almost all operations have NOSA ratings with Grinaker-LTA, for example, having achieved the 5-star standard

Steel and Allied: Industry sectors served



1. Steel cutting at Trident Steel, Alrode
2. Underground mechanical coal mining using a continuous mining machine.
3. Maths classes at the Maths Centre sponsored by Aveng, Port Elizabeth Technikon
4. Dry Bulk Jetty, Richards Bay (joint winner: Fulton Awards: construction techniques)
5. Petrochemical plant, South Africa
6. Waterval Smelter project, Rustenburg
7. Marsden Point Oil refinery expansion, New Zealand



"We believe that our corporate value of 'cautious entrepreneurship' – the best possible blend between vitality, ingenuity and governance – is promoted in three ways . . ."

in 19 of its operations. The company achieved a lost-time injury frequency rate of 1,02 per 200 000 hours worked compared to the building and construction industry average rate of 1,69.

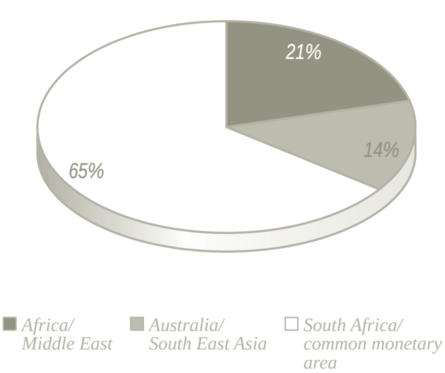
Health: The biggest health challenge is the HIV/Aids pandemic sweeping southern Africa. Others are malaria and tuberculosis. Group companies continue to give a high priority to awareness training and the promotion of healthy habits.

Environment: Group companies have committed to Aveng's environmental policy, reproduced later in this annual report. Grinaker-LTA and Alpha are working towards ISO 14000 accreditation in their businesses with the Building-East division of Grinaker-LTA being the first company in its industry to achieve the distinction of acquiring both the ISO 9001 and ISO 14001 certifications.

Cautious entrepreneurship

Entrepreneurial behaviour ("getting out there and making money") has been the hallmark of our effective executives over many years. With it comes a vitality and that priceless attribute of ingenuity, which is probably the most important distinguishing characteristic of the entrepreneur. With the same root as the word "engineer", ingenuity as a concept sits well with our people as they are always trying to find new, different and ingenious solutions to ever more challenging technical and commercial problems.

Group turnover



A public group such as ours cannot, however, countenance an undisciplined buccaneering approach to business. Solid governance has to be part of the formula – hence our emphasis on "cautious".

We believe that "cautious entrepreneurship", or the best possible blend between vitality, ingenuity and governance, is promoted in three ways:

- By employing the right people. During the past year we awarded 157 engineering and other bursaries. Being a premier company in our sector does help to attract the best.
- By putting an enormous amount of effort into training. Grinaker-LTA for example spent R17 million on training during the past year and is projecting to increase this sum significantly next year.
- By maintaining a decentralised organisational structure. Maximum autonomy is given to operating executives who are held accountable for their entities' performance and are incentivised appropriately.

The above demonstrates our firmly held conviction that the quality of our people will be the single most important contributor to Aveng's future success.

Delivery

A commitment to "Making it Happen" exists at all levels in the organisation. We believe passionately about "doing what we said we are going to do". An ability to implement well differentiates successful companies from the others – particularly pertinent in the construction environment where our business dealings are structured around meeting deadlines as well as cost, technical and other constraints.

An ongoing and comprehensive risk review process is the primary tool used in our ongoing quest to ensure delivery and is dealt with in detail under the corporate governance report. The core of our risk management process is the weekly executive meeting where company executives at different levels in the organisation methodically assess pre-tender risk. Each committee has clearly defined authority levels described in both cost and complexity terms. Detailed cash graphs are also scrutinised for any possible signs of distress on existing contracts.

We believe so strongly in delivery, that "Making it Happen" has been chosen as the theme for this annual report to our shareholders.

Business, employment and social equity

Business equity

Aveng believes that the objectives of business equity are best served by promoting the establishment of operating companies with black shareholders who are empowered to manage the enterprise.

"We believe so strongly in delivery, that 'Making it Happen' has been chosen as the theme for this annual report to shareholders"

The appropriate Aveng operating company holds an equity stake and lends ongoing assistance as necessary. Over the past few years we have founded many such companies with 15 still active today. Typically, Aveng holds a controlling share in the early stages and then over time reduces this to a minority position as the empowerment company matures. The Aveng shareholding in these companies currently ranges from 83,3% to 24,5% with fewer than one-third of our holdings being over 50%.

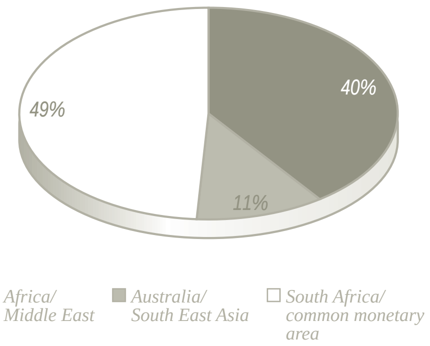
Employment equity

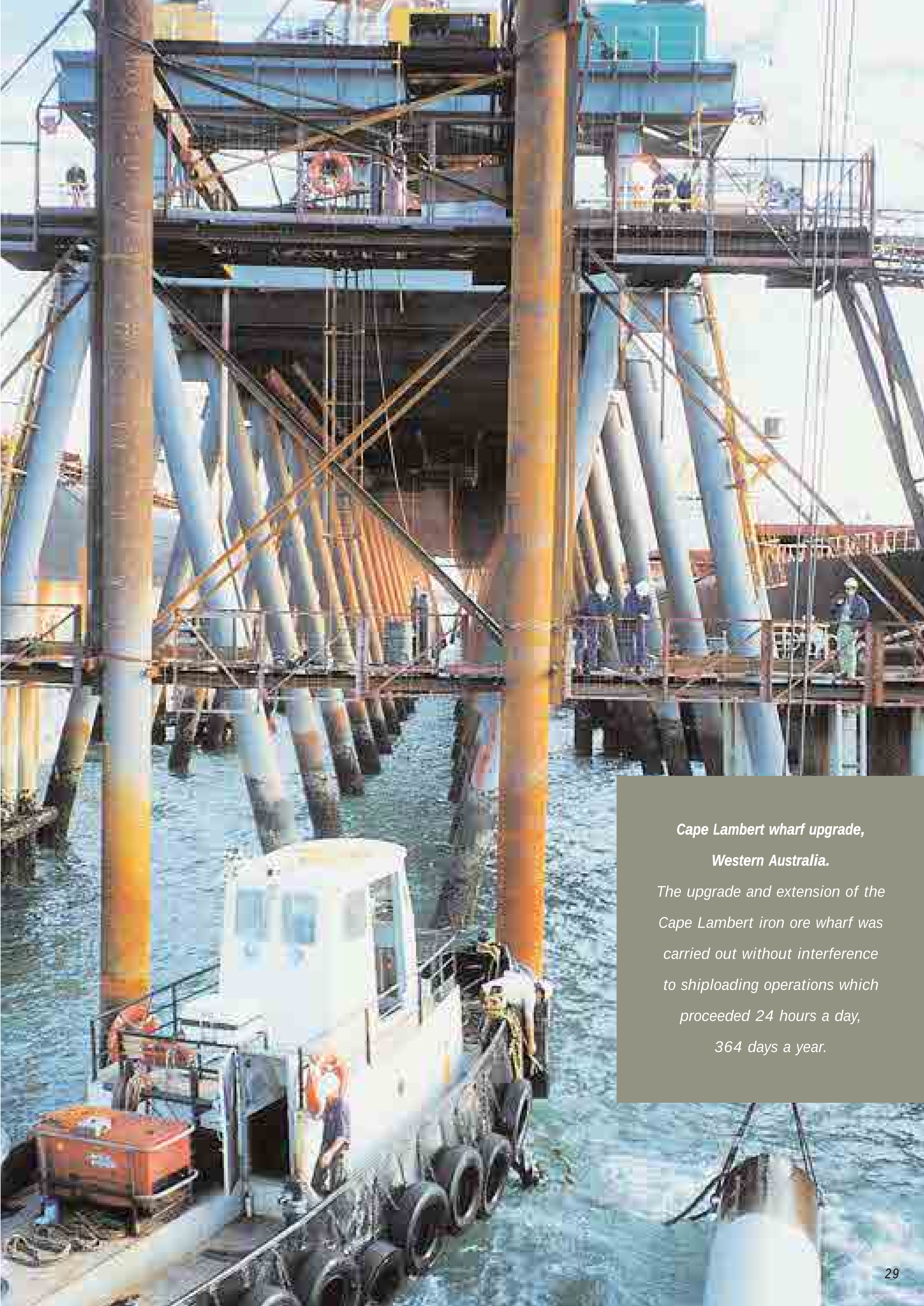
Operating companies have all submitted employment equity plans to the requisite authorities and are doing what is necessary to deliver on these commitments. Being an engineering company, most of our senior positions tend to be filled by engineers or by those who have the technical qualifications or the appropriate experience necessary to make sound judgement calls. As the safety of our people and the public is often at stake, we cannot compromise our technical standards. Recruiting appropriately qualified black engineers is very difficult and so we are attempting to rectify the situation in the longer term through our generous bursary programme where 70% of last year's 157 bursaries were awarded to candidates from previously disadvantaged groups.

Social equity

The group has a well-developed Corporate Social Investment Programme, co-ordinated at the centre but managed by the operating companies concerned.

Group assets





Cape Lambert wharf upgrade, Western Australia.

The upgrade and extension of the Cape Lambert iron ore wharf was carried out without interference to shiploading operations which proceeded 24 hours a day, 364 days a year.

"Grinaker-LTA achieved a lost-time injury frequency rate of 1,02 per 200 000 hours worked compared to an industry average rate of 1,69 . . ."

While we spent R3,8 million on a broad range of projects last year, emphasis is increasingly being given to assisting with the upgrading of maths and science teaching in our schools and to promoting engineering education at university and in particular at technikon level.

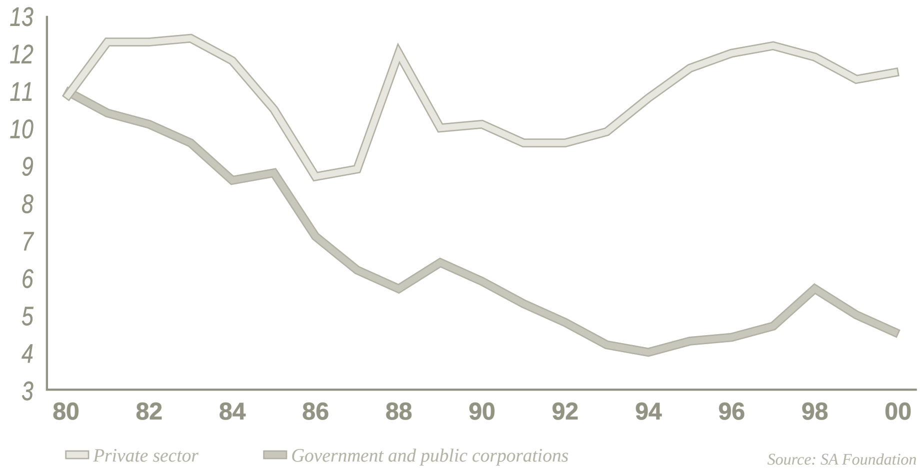
Aveng endorses the objectives of the National Business Initiative and believes them to be worthy of the support of all South African companies. In 1999 Aveng group companies contributed R4,8 million to the Business Trust, but have been disappointed to note that two years down the line the trust is still short of its R1 billion objective.

Prospects

Locally, prospects look good. Cement demand is coming off a low base with calendar year to date volume growth 4% up on last year. This trend is expected to continue, possibly at a slightly lower level, into the new year.

Steel demand in our sector, which is heavily influenced by purchases from the construction, engineering and motor industries, is showing similar growth tendencies to cement. Motor demand is excellent and engineering demand weak.

SA capital expenditure (% of GDP)
(Constant 1995 rands)



Source: SA Foundation

We are encouraged by government's recent initiative in establishing the Construction Industry Development Board (CIDB). Amongst its laudable objectives is the promotion of sustainable development in the construction industry. The President's State of the Nation address which committed R7 billion to an infrastructure building programme further supports our view that government is serious about reviving South Africa's infrastructure, a commitment that should translate into increased industry activity in the medium term.

In this context it is interesting to note the significant multiplier effect that infrastructure investment has on our economy. Recent research conducted by the South African Federation of Civil Engineering Contractors estimates that R1 billion spent on infrastructure development translates into the creation of 160 000 jobs, adds R440 million to South Africa's GDP and generates R175 million in additional taxes.

The privatisation of state infrastructure such as the concessioning of toll roads has been a positive development for our industry, creating a considerable amount of work. Specific problems such as the policing of overloading will need to be addressed urgently if these initiatives are to remain viable in the longer term.

The construction order book has continued to grow and now stands at R8,2 billion compared to R6,5 billion six months ago, including McConnell Dowell with a similarly good order book of Aus$460 million (R1,9 billion). While there are some gaps – in building for example – most companies are now in a position where they can afford to be more discerning about the type of work for which they tender.

Internationally, markets are tough. However, there are some interesting niche opportunities that we hope to be able to capitalise on.

Our major concern is that the international slowdown will negatively affect projects in southern Africa.

Finally, as noted earlier, investors need to be cognisant of the major repositioning initiatives under way in Grinaker-LTA and our policy, as in the past year, to write off all associated costs. Projected repositioning costs for the year ahead will approximate R25 million.

Nevertheless, we look forward to a year of solid real earnings growth.

Appreciation

The chairman has already expressed his thanks to Basil Hersov, our outgoing and much loved past chairman. On behalf of the group's executive, I would like to endorse the sentiments expressed and thank Basil for his wise counsel, encouragement and unstinting support.

"We made the tough decisions that will undoubtedly serve us well in our quest to build a globally competitive organisation"

Bean Bornheimer, who passed away earlier this year, was always held in the highest regard by his colleagues. He made a foundational contribution to Aveng and to Grinaker-LTA. We miss him.

The corporate activity of the past year and in particular the integration of Grinaker-LTA took a heavy toll on all involved – and on their families as well. We made the tough decisions that will undoubtedly serve us well in our quest to build a globally competitive organisation.

My heartfelt thanks to all, as well as to those who unfortunately had to leave us.

Conclusion

The marksman in Aveng's corporate emblem personifies a cautious but spirited entrepreneur. The image fits our hard-earned reputation for quality, delivery and a "straight shooting" integrity, firmly grounded on finely honed skills and robust commitment.

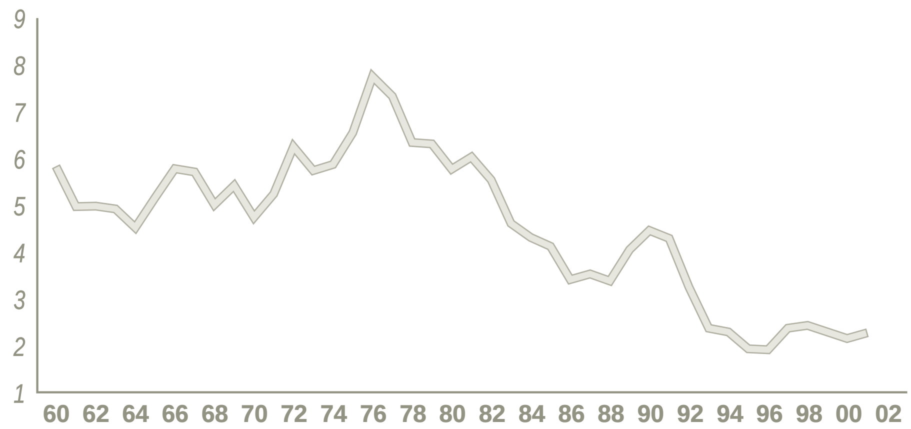
This proud heritage gives us confidence to embrace the future in our ongoing quest to build Aveng and its people.

Carl Grim

Managing director

4 September 2001

SA construction and building expenditure (% of GDP)



Source: JP Morgan

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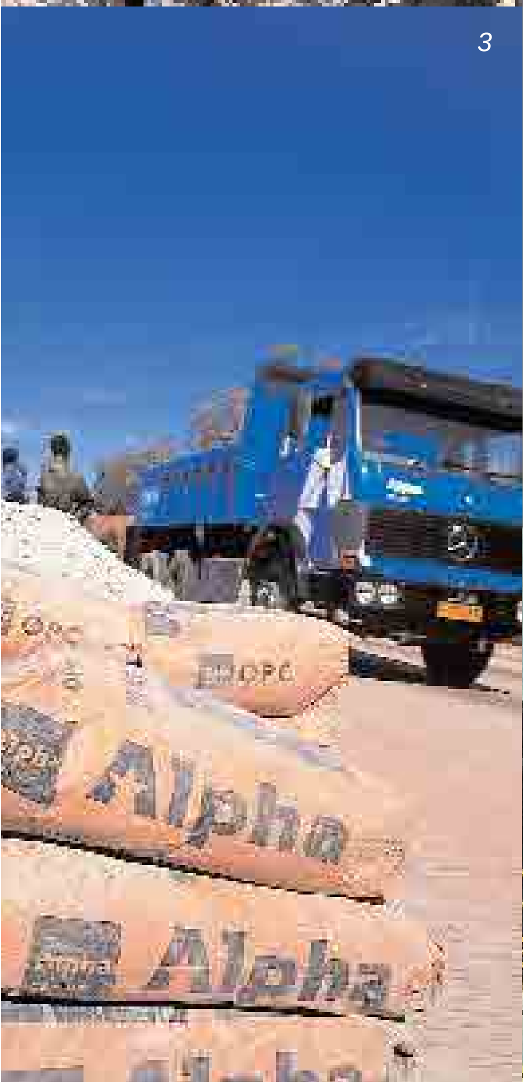

1. *Reinforcing steel, Amalgamated Steele*
2. *Transmission lines installation following flood damage, Mozambique*
3. *Alpha cement products*
4. *Coal mine pump-fed cyclone facility*
5. *A raw material used in the production of cement*
6. *Infraset pre-cast railway sleepers*
7. *Trident Steel is a leading beneficiator of steel in South Africa*

4

5

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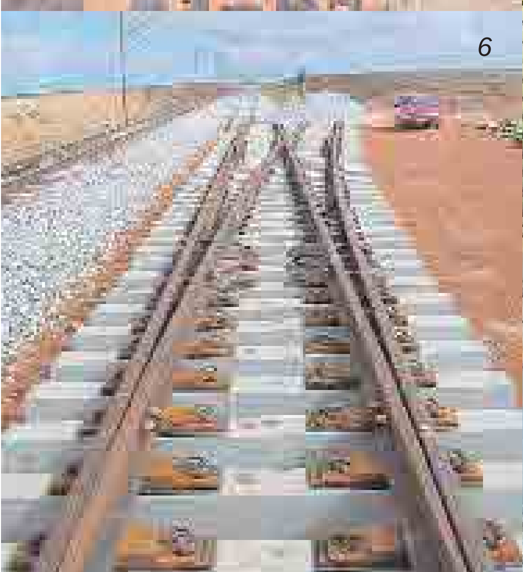

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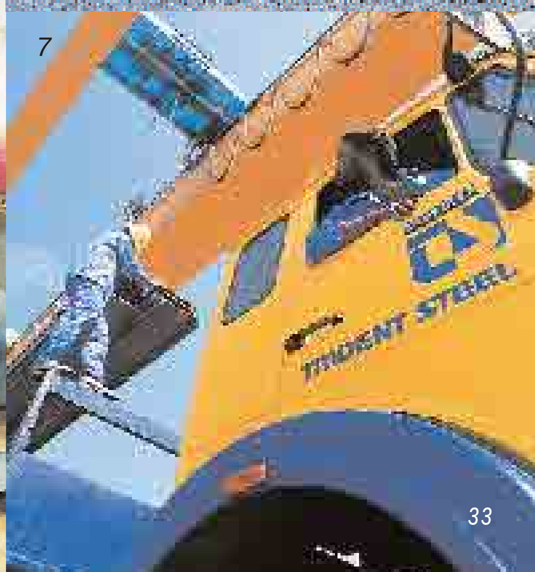


Code of business conduct

Aveng is proud of its reputation for integrity and is committed to continually reinforcing this in its business conduct. The group's directors and employees will adhere to both the spirit and letter of the following code:

- The law may not be violated when conducting business for or on behalf of the group. Unethical payments, business dealings or participation in illegal acts, such as bribery or money laundering, will not be tolerated;
- Any possible conflict of interest in handling group affairs must be avoided and employees are expected to perform their duties conscientiously, honestly and in accordance with the best interests of Aveng and its shareholders;
- Nobody may gain personal advantage by virtue of their position in the group, nor may they acquire any business interest which diverts their energy or attention from, or is in conflict with, the group or which in any way affects their independence. Employees may not accept gifts, hospitality or other favours from suppliers of goods or services which, in the view of their direct employer, supervisor or colleagues would place the recipient or the group under obligation;
- Group funds, property and assets are to be used for legitimate business purposes. Strict internal controls and governance procedures of the highest standard will be applied to discourage fraud and to safeguard the assets of the group;
- Accurate and reliable records will be maintained to reflect all business transactions on a fair basis in terms of the Generally Accepted Accounting Standards, in order for the group to properly manage its affairs and meet its legal, financial and reporting obligations;
- Information gained in the course of business dealings will be safeguarded and its privacy respected;
- The group's employment equity policy calls for equal opportunities for all. We seek to identify, develop and appropriately reward all employees who demonstrate the qualities of individual initiative, enterprise, hard work and loyalty. Furthermore, we respect the individuality of each employee and seek to create a working environment that encourages them to realise their full potential;
- We recognise the right of our employees to freedom of association and accept their right to absolute privacy in this regard;
- Aveng will strive to be a good corporate citizen and is committed to working with its employees, their families, local communities and society at large to improve their overall quality of life and achieve sustainable economic development at all levels;
- The group is committed to implementing policies and operating procedures that conserve resources and address the environmental impact of its business activities; and
- Finally, Aveng, its subsidiaries and officers will seek to create an atmosphere of openness and trust through regular, timeous and courteous communication with all stakeholders.

Environmental policy

Aveng is a construction-related group with construction, steel and cement interests in the developing world. As group operations impact on the environment, the group will:

- develop environmental management systems based on ISO 14001 in its construction companies and elsewhere as appropriate;
- comply with all relevant environmental legislation as well as with the environmental management plans of its clients;
- require that subcontractors and suppliers adopt environmentally responsible practices;
- commit to minimising pollution in any form through a culture of environmental awareness; and
- ensure continuous improvement in our environmental conservation practice through an ongoing programme of review and corrective action.

“The Building-East division of Grinaker-LTA recently achieved the distinction of being the first company in its industry to be awarded both the ISO 9001 (quality) and the ISO 14001 (environmental) certification”

Corporate governance

Code of corporate practices and conduct

Aveng is committed to high standards of corporate governance and affirms its commitment to the principles of openness, integrity and accountability and to the provision of timeous, relevant and meaningful reporting to all stakeholders. The company and its subsidiaries have substantially applied the principles set out in the Code of Corporate Practices and Conduct in the King II Report as a means of conducting the affairs of the group. A summary of compliance is noted below.

The board of directors

The board is responsible to the shareholders for setting the direction of the group through the establishment of strategic objectives and key policies. It monitors the implementation of these strategies and policies through the various standing committees of the board.

The board is responsible for the group's system of corporate governance and is ultimately accountable for the group's activities throughout the world.

Aveng has a unitary board structure that comprises eight executive and eight non-executive directors. The positions of chairman and chief executive officer are separate. Mr R B Savage, the chairman of the board of directors, is a non-executive director. The non-executive directors are selected on the basis of their experience, knowledge and independence being of such a calibre and number that they carry significant weight in the board's deliberations and resolutions.

There are no service contracts with either executive or non-executive directors.

All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years in accordance with the company's articles of association. The board as a whole approves the appointment of new directors.

The board meets quarterly, or more frequently if circumstances so require, to review matters specifically reserved for its decision, including financial and operational results, and to consider issues of strategic direction, major acquisitions and disposals, approval of major capital expenditure and any other matters having a material effect on the group. The directors are supplied information in a timely fashion.

All directors have access to the advice and services of the company secretary and, with the prior agreement of the chairman, are entitled to seek independent professional advice concerning the affairs of the company at its expense.

A number of standing committees of the board have been established. These committees operate with written terms of reference and are comprised, in the main of non-executive directors. The chairman of each committee is a non-executive. The role of these committees is detailed below.

Investor and shareholder relations

Aveng is committed to open, transparent

and prompt communication with its investors, to the extent that it would not be detrimental to the business. The company holds regular presentations and encourages dialogue with institutional investors, analysts and the media in South Africa.

Insider trading

The company, in adopting the provisions of the Insider Trading Act, operates "closed periods" prior to the publication of its interim and year-end financial results. The "closed periods" are from 1 January and 1 June until publication of the results.

During these periods the directors, officers and other designated employees of the group may not deal in the shares or other instruments pertaining to the shares of the company.

Directors and senior employees may not deal outside of the "closed period" in the company's securities without the approval of the company.

Responsibility for 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 Directors' report is set out on page 45.

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 44.

Audit Committee

The Directors' report contains a statement relating to the directors' responsibilities. Directors fulfil these responsibilities through maintaining a system of internal control aimed at reducing the risk of error or loss. Acting on behalf of the board, the internal audit functions of the group independently appraise the group's internal systems of control and report their findings to the Audit Committee. The audit approach entails a thorough comprehension of the group's financial and accounting objectives, and of the underlying systems and procedures. Key business risk areas have been identified and concomitant controls introduced to reduce the potential of loss to the group.

The Audit Committee consists of five members, three of whom, including the chairman, are non-executive directors. The committee meets quarterly. The company's independent external auditors are present at this meeting and have unrestricted access to the chairman of the Audit Committee. 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.

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

The members of the Audit Committee are:

C V Campbell* (Chairman)
C Grim
D R Gammie
P J Owen*
R B Savage*

* *Non-executive*

Internal Audit

The group's internal audit function is decentralised and in certain operations is outsourced. It 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 its 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.

The independence of the Internal Audit function is not impaired in any way as a result of it having unrestricted access to the chairman of the Audit Committee.

Remuneration Committee

The Remuneration Committee has a majority of non-executive directors including its chairman and is responsible for determining the group policies and structure with regard to executive remuneration and approves remuneration packages for executive directors and senior executives.

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. The members in general meeting approve increases in such fees.

A proposal to increase the fees paid to non-executive directors will be submitted to the annual general meeting in October. The proposal is that the chairman's fee be increased to R275 000 and R50 000 in respect of other non-executive directors.

The fee for the chairman covers his attendance at subsidiary and associate company board meetings.

The members of the Remuneration Committee are:

P L Erasmus * (Chairman)
C Grim
R B Savage*

* *Non-executive*

Employee participation and development 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 an employee's full potential is to be achieved, so that the individual can compete effectively in the labour market. The group believes that the development of skills is a critical issue, and programmes are 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. The subsidiary companies' boards monitor progress in this respect.

Safety, Health and Environment Committee

Environmental responsibility is an integral element of group operations. Group companies have committed themselves to pursuing the introduction of environmental legislation to ensure the sustainable development of group business operations.

Companies have established environmental policies and management systems to exceed or, at the very least, meet 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.

The company is developing an environmental management system based on ISO 14001 in its construction business unit and elsewhere as appropriate.

Code of business conduct

Set out on page 34.

Five-year review

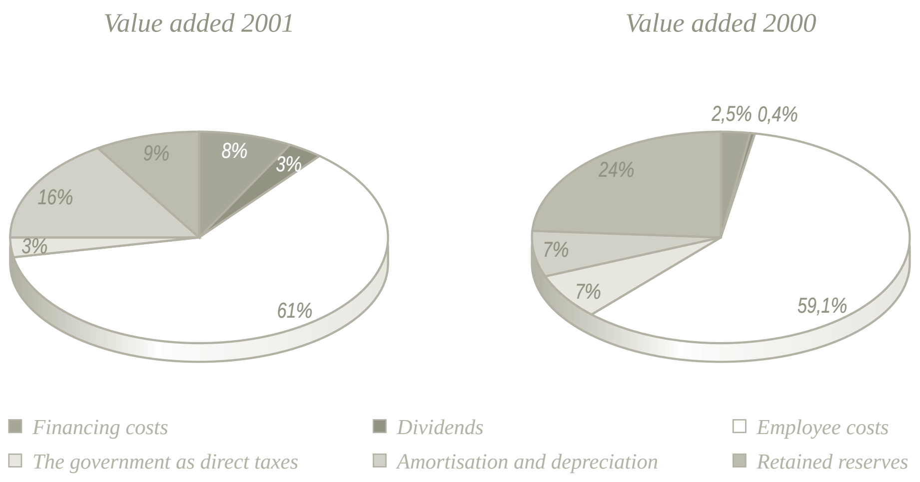
	YEARS ENDED 30 JUNE				
	2001 Rm	2000 Rm	1999 Rm	1998 Rm	1997 Rm
BALANCE SHEET					
Property, plant and equipment	**1 464,4**	505,1	527,5	505,2	472,7
Intangible assets	**1 050,5**				
Investments	**618,5**	440,3	438,7	740,7	666,1
Inventories and receivables	**2 647,6**	1 575,4	1 430,0	1 434,0	1 145,2
Cash and cash equivalents	**368,0**	755,6	693,6	523,3	501,4
Total assets	**6 149,0**	3 276,4	3 089,8	3 203,2	2 785,4
Deferred taxation	**76,5**	64,1	61,7	51,2	36,4
Payables	**2 323,3**	1 209,4	957,8	983,2	791,9
Interest-bearing borrowings	**1 562,6**	125,1	193,0	205,1	220,9
Total liabilities	**3 962,4**	1 398,6	1 212,5	1 239,5	1 049,2
Net assets	**2 186,6**	1 877,8	1 877,3	1 963,7	1 736,2
Equity	**1 841,7**	1 616,3	1 468,2	1 549,9	1 333,7
Subordinated debentures	**171,2**	171,2	177,7	177,7	177,7
Total ordinary shareholders' funds	**2 012,9**	1 787,5	1 645,9	1 727,6	1 511,4
Minority interests	**173,7**	90,3	231,4	236,1	224,8
Total shareholders' funds	**2 186,6**	1 877,8	1 877,3	1 963,7	1 736,2
INCOME STATEMENT					
Turnover	**10 317,1**	4 926,1	4 392,8	4 243,9	3 941,0
Operating income before depreciation	**722,9**	332,5	298,7	316,5	297,1
Depreciation	**292,1**	81,4	77,5	73,0	61,6
Operating income	**430,8**	251,1	221,2	243,5	235,5
Net financing costs	**(111,3)**	54,3	39,6	28,9	1,9
Income from associates	**99,9**	74,9	79,5	54,2	60,5
Exceptionals	**(58,6)**	(21,4)	(43,4)	16,0	(6,3)
Income before taxation	**360,8**	358,9	296,9	342,6	291,6
Taxation	**(78,6)**	(78,8)	(52,4)	(85,9)	(82,5)
Minorities	**(14,3)**	(16,4)	(33,8)	(44,7)	(35,1)
Earnings	**267,9**	263,7	210,7	212,0	174,0
Headline earnings adjustment	**58,6**	13,9	59,6	(16,7)	5,8
Headline earnings	**326,5**	277,6	270,3	195,3	179,8

	2001 Rm	2000 Rm	1999 Rm	1998 Rm	1997 Rm
			YEARS ENDED 30 JUNE		
SHARE PERFORMANCE (cents per share)					
Headline earnings	**99,4**	79,3	80,2	57,9	53,3
Diluted headline earnings	**86,8**	72,4	70,1	53,3	49,2
Dividend	**22,5**	18,5			
Net asset value	**517,2**	453,9	435,7	459,9	395,8
RETURNS AND PRODUCTIVITY					
Return on average ordinary shareholders' funds (%)	**17,2**	16,2	16,0	12,1	11,9
Return on average capital employed (%)	**20,8**	20,1	18,7	17,9	17,5
Total shareholders' funds to total assets (%)	**35,6**	57,3	60,8	61,3	62,3
Net debt to equity (%)	**54,6**	(33,6)	(26,7)	(16,2)	(16,2)
Total liabilities as a % of total shareholders' funds (%)	**181,2**	74,5	64,6	63,1	60,4
Turnover per employee (R'000)	**462,8**	399,2	335,8	317,4	291,6
Net interest cover	**4,8**	(6,0)	(7,6)	(10,3)	(154,3)
Number of employees	**22 291**	12 340	13 080	13 371	13 516
SHARE STATISTICS					
Total number of shares in issue (million)	**356,1**	356,1	337,0	337,0	337,0
Weighted average number of shares (million)	**328,5**	349,9	337,0	337,0	337,0
Weighted average number of diluted shares (million)	**383,4**	392,0	394,6	377,0	377,0
STOCK EXCHANGE PERFORMANCE					
Market value per share (cents per share)					
– at year end	**765**	595			
– highest	**869**	890			
– lowest	**570**	420			
Market capitalisation at closing prices (Rm)	**2 724,4**	2 118,9			
Price earnings ratio at year end	**8,9**	7,3			
Values of shares traded (Rm)	**879,5**	1 464,3			
Number of shares traded (million)	**126,7**	221,9			
Value traded as a percentage of average capitalisation (%)	**36,3**	61,2			
Liquidity (%)	**35,6**	62,3			
Weekly rand volume (Rm)	**18,0**	27,6			

Value added statement

for the year ended 30 June 2001

	2001 Rm	2000 Rm
Turnover	**10 317,1**	4 926,1
Net cost of products and services	**8 101,8**	3 875,7
Value added by operations	**2 215,3**	1 050,4
Income from investments and interest	**67,2**	82,8
Total value added	**2 282,5**	1 133,2
Applied as follows to:		
Financing costs	**178,5**	28,5
Dividends	**63,3**	4,8
To providers of capital	**241,8**	33,3
Employee costs	**1 385,6**	669,3
The government as direct taxes	**78,6**	78,8
Total value distributed	**1 706,0**	781,4
Amortisation and depreciation	**357,6**	81,4
Retained value	**218,9**	270,4
Total value added	**2 282,5**	1 133,2



Contents

The annual financial statements and group annual financial statements which appear on pages 45 to 82 were approved by the directors on 4 September 2001 and are signed on their behalf.

R B Savage
Chairman
4 September 2001

C Grim
Managing director
4 September 2001

Report of the independent auditors

To the members of Aveng Limited

We have audited the annual financial statements and group annual financial statements set out on pages 45 to 82 for the year ended 30 June 2001. These financial statements are the responsibility of the company's directors. Our responsibility is to report on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion these financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2001, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Ernst + Young

Ernst & Young
Registered Accountants and Auditors
Chartered Accountants (South Africa)
4 September 2001

Certificate of the company secretary

I, the undersigned, P H Hansen, in my capacity as company secretary, certify that:

– the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act 1973, as amended; and

– all such returns are true, correct and up to date.

P H Hansen

P H Hansen
Company secretary

Chislehurston
Sandton
4 September 2001

BUSINESS OF THE COMPANY

Aveng is a South African group, with material external interests, and is listed in the building, construction and engineering sector of the JSE Securities Exchange South Africa.

The company does not have a holding company. Details of the interests of the directors and principal shareholders at 30 June 2001 are given below.

DIRECTORS' RESPONSIBILITIES RELATING TO ANNUAL FINANCIAL STATEMENTS

It is the directors' responsibility to prepare annual financial statements that fairly present the state of affairs, the results and cash flows of the company and of the group. The external auditors are responsible for independently reporting on these annual financial statements.

The annual financial statements set out in this report have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated below, and which are supported by reasonable and prudent judgements and estimates. The annual financial statements have been prepared on a going-concern basis and the directors have no reason to believe that the businesses of the group will not be going-concerns in the year ahead.

To fulfil its responsibilities, management maintains adequate accounting records and has developed and continues to maintain systems of internal control.

The company and its subsidiaries' internal financial controls and systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain their assets. These controls are monitored throughout the group and nothing has come to the directors' attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

FINANCIAL

The results of the group's operations for the year are set out in the income statement on page 49.

Details of the movements in issued share capital and reserves are given in the statement of changes in equity on page 51.

The segmental report is set out on page 52 to the financial statements.

The annual financial statements of Aveng Limited, the holding company, are set out on pages 45 to 82.

ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumptions of going concern and accrual as laid down in AC 000 – Framework for the preparation and presentation of financial statements – issued by the South African Accounting Practices Board.

The company's accounting policies are subjected to an annual review to ensure continuing compliance with good accounting practice.

Change in policies

- *Accounting for investments in associates and joint ventures*
  The policy has been changed to conform with AC418 – Consistency – Alternative Methods – which requires that enterprises apply the same policy for similar transactions throughout the reporting entity. All long-term joint ventures are now accounted for using the equity method. Comparative information has been restated to reflect this change. The most significant effect of this change in policy is that Alpha (Pty) Limited is no longer proportionately consolidated.

- *Goodwill*
  In accordance with South African Statements of Generally Accepted Accounting Practice AC131, the group has changed its accounting policy for goodwill. Previously all goodwill was written off in the year of acquisition. With effect from 1 July 2000 goodwill arising on the acquisition of investments in subsidiaries, businesses, joint ventures or associates is stated at cost less accumulated amortisation. Goodwill is amortised through the income statement over its estimated useful life, with a maximum period of 20 years. Prior year figures have not been restated.

INVESTMENTS

Information regarding the company's interest in subsidiaries, associates, joint ventures and other investments are given in a separate annexure and the notes to the annual financial statements.

Acquisition of LTA Limited

On 10 July 2000 an announcement was made by the company that it was making an offer to acquire the entire issued share capital of LTA Limited, with effect from 1 July 2000, at R46 a share with an alternative of 667 Aveng shares for every 100 LTA shares held. Following approval of the acquisition by the Competition Commission, the consideration was paid on 30 October 2000. The majority of shareholders holding 28 686 330 LTA shares accepted the cash offer. LTA Limited shareholders holding 74 250 LTA shares accepted the share alternative which was satisfied by the delivery to them of 495 243 Aveng shares held by a subsidiary company. The total cost including the purchase of employee share options was R1,4 billion.

Bearing Man Limited

The disposal, with effect from 1 July 2000, of the company's shareholding of 57 719 130 no par value shares (being 54,6% of the issued share capital) to Invicta Holdings Limited at a price of R1,59 a share, excluding the dividend declared of 6 cents a share in respect of the final dividend for the year ended 30 June 2000, was completed on 18 October 2000 following approval by the Competition Commission.

Grinaker-LTA Limited

A subsidiary of the company, McConnell Dowell Limited, acquired on 14 July 2000 the business of Stockton Pipes Limited, a company registered in the United Kingdom, for R27,4 million.

The assets of Fraser Fyfe were purchased with effect from 1 July 2000 for a net R5,6 million.

Trident Steel Holdings (Pty) Limited

With effect from 1 January 2001 the company acquired the automotive business of Baldwins, a division of Dorbyl Limited, for a total consideration of R106,0 million. With effect from 1 July 2000, Trident acquired the 50% holding in Namascor (Pty) Limited, which it did not already own, for R14,2 million.

SHARE CAPITAL

Share buy-backs

Neither the company nor any of its subsidiaries made any purchases in terms of the special resolutions passed at the previous annual general meetings. Of the ordinary shares held 495 243 were used to meet the alternative share consideration payable to LTA Limited shareholders. During the year 50 000 ordinary shares were transferred from the share trust to participants in the incentive share scheme. The directors will not be seeking authority from the shareholders to purchase the shares of the company in the next 12-month period.

EVENTS AFTER BALANCE SHEET DATE

There were no material post-balance sheet events.

DIRECTORATE

Changes

The following changes took place during the year:

Mr G J Till resigned on 24 October 2001
Mr C V Campbell was appointed on 22 November 2000
Mr P F Crowley was appointed on 22 November 2000
Mr W Wassermeier was appointed on 22 November 2000
Mr O Bornheimer died on 18 January 2001
Mr K S Kunene resigned on 18 February 2001
Mr M Taback was appointed on 15 June 2001
Mr B E Hersov retired on 30 June 2001
Since the year-end:
Mr V Z Mntambo was appointed on 31 July 2001
Mr A R Mpungwe was appointed on 4 September 2001

In terms of the company's articles of association, Messrs C V Campbell, P F Crowley, D R Gammie, C Grim, J R Hersov, V Z Mntambo, A R Mpungwe, R B Savage, M Taback and W Wassermeier retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Increase in fees

A proposal to increase fees of the chairman and the non-executive directors is to be submitted to the annual general meeting as Ordinary Resolution No. 2. The fees for non-executive directors have been R40 000 a year since the company was listed over two years ago. It is proposed to increase them to R50 000 a year to bring them into line with fees paid to directors of companies of comparable stature. The proposed increase in the chairman's fee from R70 000 to R275 000 is to cover his attendances and travelling costs, as a director at the board meetings of the major subsidiary and joint venture companies, and as a committee member of the Audit and the Remuneration committees, together with a premium over the standard non-executive directors' fee for acting as chairman of the board of the company. Any fees received by him from subsidiary and joint venture companies are waived in favour of the company. The fees payable in respect of the executive directors are waived.

SPECIAL RESOLUTION PASSED BY A SUBSIDIARY COMPANY

The following significant special resolution was passed by a subsidiary company during the period 1 July 2000 to the date of this report:

- To approve the acquisition of shares or debentures issued by the company or its holding company, with such acquisition being limited to a maximum of 20% in the aggregate of the number of issued securities of its holding company.

INTERESTS OF THE DIRECTORS

	Ordinary shares		*Convertible debentures*	
	2001	2000	**2001**	2000
E A Behr				
C V Campbell	**10 300**			
P F Crowley				
A Dawson		200 000	**150 000**	
M M Doyle				
P L Erasmus	**310 000**			
D R Gammie	**10 000**			
C Grim	**42 600**	2 600		
J R Hersov	**4 447 632**	6 734 138	**1 122 501**	1 122 501
H D K Jones	**159 600**	159 600		
V Z Mntambo				
P J Owen				
R B Savage				
M Taback				
W Wassermeier				
Total	**4 980 132**	7 096 338	**1 272 501**	1 122 501
% of issued securities	**1,4**	2,0	**3,2**	2,8

All securities are beneficially held. The shares in which Mr J R Hersov has a shared beneficial interest are held through a family trust.

The company has not been advised of any changes in the above interests during the period 1 July 2001 to the date of this report.

SHARE INCENTIVE SCHEME

Executive share incentive scheme

Share options granted to and allocation shares purchased by executive directors are as follows:

	2001 Number of shares	2000 Number of shares
Balance at beginning of year	**2 720 000**	2 520 000
Options granted or shares allocated	**1 355 000**	450 000
Options exercised or allocation shares delivered	**(505 000)**	(250 000)
Options or shares allocated forfeited	**(187 500)**	
Balance at end of year	**3 382 500**	2 720 000

Details of share options exercised and allocations taken up during the period:	**R**	R
Subscription or purchase price	**3,60**	3,60
Range of market price at date of exercising options or taking delivery	**7,00 – 7,84**	6,45

The options outstanding at 30 June 2001 become unconditional between the following dates:

	Number of shares	Subscription price R
1 September 2000 and 1 September 2008	250 000	3,60
17 April 2002 and 17 April 2010	450 000	6,90
12 July 2002 and 12 July 2010	100 000	6,10
1 September 2002 and 1 September 2010	125 000	6,20
29 November 2002 and 29 November 2010	750 000	5,80
	1 675 000	

In respect of allocation shares participants take delivery between the following dates at the prices indicated:

1 September 2001 and 1 September 2003	1 327 500	3,60
1 September 2002 and 1 September 2005	380 000	6,20
	1 707 500	
Total	3 382 500	

PRINCIPAL SHAREHOLDERS

The beneficial holders of 5 per cent or more of the issued ordinary share in the company at 30 June 2001 were:

	Number of shares	**%**
Old Mutual Life Assurance Company South Africa Limited	**70 806 394**	**19,9**
Public Investment Commissioner	**57 581 023**	**16,2**
Liberty Life Association of South Africa Limited	**24 553 556**	**6,9**
Aveng Management Company (Pty) Limited	**20 616 919**	**5,8**

The group held at the year-end:

	2001	2000
Ordinary shares		
Aveng Management Company (Pty) Limited	**20 616 919**	21 112 162
Aveng Limited Share Purchase Trust	**7 003 800**	7 053 800
	27 620 719	28 165 962
% of issued shares	**7,8**	7,9
Debentures		
Aveng Limited Share Purchase Trust	**1 459 300**	1 459 300
% of issued debentures	**3,6**	3,6

NON-PUBLIC SHAREHOLDING

The non-public shareholding at 30 June 2001 was 28,9%.

AVENG

Consolidated balance sheet

as at 30 June 2001

	Note	2001 Rm	2000 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	3	**1 464,4**	505,1
Intangible assets	4	**1 050,5**	
Investment in associates and joint ventures	5	**604,6**	390,2
Other investments	6	**13,9**	50,1
		3 133,4	945,4
Current assets			
Inventories and contracts in progress	7	**1 724,1**	986,9
Trade, other receivables and prepayments	8	**923,5**	588,5
Cash and cash equivalents		**368,0**	755,6
		3 015,6	2 331,0
TOTAL ASSETS		**6 149,0**	3 276,4
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**16,4**	16,4
Share premium	10	**587,7**	584,8
Non-distributable reserves	11	**34,4**	26,0
Distributable reserves		**1 203,2**	989,1
Automatically convertible subordinated debentures	12	**171,2**	171,2
Total ordinary shareholders' funds		**2 012,9**	1 787,5
Minority interests		**173,7**	90,3
Total shareholders' funds		**2 186,6**	1 877,8
Non-current liabilities			
Interest-bearing borrowings	13	**632,3**	33,7
Deferred taxation	14	**76,5**	64,1
		708,8	97,8
Current liabilities			
Trade and other payables	15	**2 247,7**	1 172,4
Short-term borrowings	13	**930,3**	91,4
Taxation		**75,6**	37,0
		3 253,6	1 300,8
TOTAL EQUITY AND LIABILITIES		**6 149,0**	3 276,4

AVENG

Consolidated income statement

for the year ended 30 June 2001

	Note	**2001 Rm**	2000 Rm
Revenue	16	**10 384,3**	5 008,9
Turnover	16	**10 317,1**	4 926,1
Cost of sales		**8 655,1**	4 119,5
Gross profit		**1 662,0**	806,6
Operating expenses		**939,1**	474,1
Operating income before depreciation		**722,9**	332,5
Depreciation	3	**292,1**	81,4
Operating income	17	**430,8**	251,1
Income from associates and joint ventures	5	**99,9**	74,9
Income from investments	18	**67,2**	82,8
Income before interest paid		**597,9**	408,8
Interest paid	19	**178,5**	28,5
Income before exceptional items		**419,4**	380,3
Exceptional items	20	**(58,6)**	(21,4)
Income before taxation		**360,8**	358,9
Taxation	21	**78,6**	78,8
Income after taxation		**282,2**	280,1
Minority interests		**14,3**	16,4
Earnings		**267,9**	263,7
Adjustment for exceptional items, net of attributable taxation and minority interests	20	**58,6**	13,9
Headline earnings	22	**326,5**	277,6
EARNINGS PER SHARE (cents)			
Headline	22	**99,4**	79,3
Diluted headline	22	**86,8**	72,4
Earnings	22	**81,6**	75,4
Diluted earnings	22	**71,5**	68,9
DIVIDENDS PER SHARE (cents)		**22,5**	18,5
WEIGHTED AVERAGE NUMBER OF SHARES (millions)			
In issue	22	**328,5**	349,9
In issue, debentures and allocated incentive shares	22	**383,4**	392,0

Consolidated cash flow statement

for the year ended 30 June 2001

	Note	2001 Rm	2000 Rm
Cash retained from operating activities			
Operating income	23.1	**372,2**	229,7
Depreciation		**292,1**	81,4
Non-cash items	23.2	**71,7**	4,1
Cash generated by operations		**736,0**	315,2
Income from investments		**67,2**	82,8
(Increase)/decrease in net current assets	23.3	**(191,4)**	80,5
Cash generated by operating activities		**611,8**	478,5
Interest paid	23.4	**(178,5)**	(28,5)
Taxation paid	23.5	**(54,4)**	(43,7)
Cash available from operating activities		**378,9**	406,3
Dividend paid	23.6	**(63,3)**	(4,8)
		315,6	401,5
Investing activities			
Fixed assets purchased to:			
– maintain operations		**(211,3)**	(45,4)
– expand operations		**(324,8)**	(87,2)
Investments in subsidiaries and businesses	23.7	**(1 654,9)**	(45,4)
Minorities acquired		**(8,7)**	
Investments in associate companies	23.8	**21,7**	120,2
Other investments	23.9	**(3,9)**	(46,8)
Proceeds on disposal of:			
– fixed assets		**43,8**	20,8
– subsidiaries and business	23.7	**113,4**	
		(2 024,7)	(83,8)
Financing activities			
Proceeds of debenture issue			177,7
Repurchase of shares and debentures			(187,9)
Long-term borrowings – raised		**694,5**	64,8
Long-term borrowings – repaid		**(165,5)**	(31,0)
		529,0	23,6
Cash and cash equivalents at end of year			
Net (decrease)/increase in cash and cash equivalents		**(1 180,1)**	341,3
Cash and cash equivalents at beginning of year		**694,9**	353,6
	23.10	**(485,2)**	694,9

Statement of changes in equity

	Share capital Rm	Share premium Rm	Attributable reserves of equity accounted investments Rm	Foreign currency translation Rm	Other non-distributable reserves Rm	Automatically convertible subordinated debentures Rm	Retained income Rm	Total Rm
1 July 1999	33,0	627,6	30,2	(10,3)	(4,6)		725,8	1 401,7
Issue of ordinary shares	1,1	137,3						138,4
Issue of debentures at R4,44 each						177,7		177,7
Consolidation entry on the buy-back of shares and debentures by related parties	(1,4)	(180,1)				(6,5)		(188,0)
Redemption of preference shares	(16,3)							(16,3)
Earnings for the year							263,7	263,7
Foreign currency translation				5,5				5,5
Transfers				0,4			(0,4)	
Transfers arising on consolidation					(2,3)			(2,3)
Other					7,1			7,1
30 June 2000	16,4	584,8	30,2	(4,4)	0,2	171,2	989,1	1 787,5
Earnings for the year							**267,9**	**267,9**
Dividends paid							**(60,7)**	**(60,7)**
Foreign currency translation				**16,0**				**16,0**
Increase in share premium as a result of the delivery of shares to LTA Limited shareholders and share scheme participants		**2,9**						**2,9**
Transfers			**(6,9)**				**6,9**	
Other			**(0,7)**					**(0,7)**
30 June 2001	**16,4**	**587,7**	**22,6**	**11,6**	**0,2**	**171,2**	**1 203,2**	**2 012,9**

Segmental report

for the year ended 30 June 2001

	2001 Rm	2000 Rm
BUSINESS SEGMENTATION		
Turnover		
Construction	**7 270,1**	2 692,5
Steel and Allied	**3 047,0**	1 673,1
Bearings		560,5
	10 317,1	4 926,1
Ebit		
Construction	**250,3**	54,3
Steel and Allied	**180,5**	142,7
Bearings		54,1
	430,8	251,1
Assets		
Construction	**3 339,7**	859,7
Steel and Allied	**1 822,8**	892,3
Bearings		328,5
	5 162,5	2 080,5
Liabilities		
Construction	**1 733,5**	767,1
Steel and Allied	**514,2**	295,3
Bearings		110,0
	2 247,7	1 172,4
Capital expenditure		
Construction	**463,3**	82,9
Steel and Allied	**72,8**	39,9
Bearings		9,8
	536,1	132,6
Depreciation		
Construction	**237,0**	34,3
Steel and Allied	**55,1**	39,0
Bearings		8,1
	292,1	81,4
GEOGRAPHICAL SEGMENTATION		
Turnover		
Republic of South Africa (CMA)*	**6 654,8**	4 122,9
Africa and Middle East	**2 217,3**	803,2
Australasia and South East Asia	**1 445,0**	
	10 317,1	4 926,1
Assets		
Republic of South Africa (CMA)*	**2 519,7**	1 763,1
Africa and Middle East	**2 068,5**	317,4
Australasia and South East Asia	**574,3**	
	5 162,5	2 080,5
Capital expenditure		
Republic of South Africa (CMA)*	**268,2**	115,6
Africa and Middle East	**225,5**	17,0
Australasia and South East Asia	**42,4**	
	536,1	132,6

** Common monetary area of South Africa, Namibia, Lesotho and Swaziland.*

1. ACCOUNTING POLICIES

Basis of preparations

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent in all material respects with those of the previous year with the exception of the newly adopted accounting policies referred to in the Directors' report. These policies comply with the South African Statements of Generally Accepted Accounting Practice.

Basis of consolidation

The group consolidated financial statements include the results and financial position of Aveng Limited and its 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.

Goodwill represents the excess of the cost of the acquisition over the fair value attributable to the net assets acquired and is accounted for as described in the goodwill accounting policy.

All intergroup transactions and balances are eliminated on consolidation. Unearned profits that arise between group entities are eliminated.

Property, plant and equipment

Fixed assets

Fixed assets are stated at cost. Assets subject to sale and leaseback transactions which give rise to a financial lease are initially restated to their original carrying values and thereafter depreciated in accordance with the depreciation policy applicable to the asset category.

Depreciation

Land is not depreciated. Freehold buildings and other fixed assets are depreciated on a straight-line basis over their expected useful lives to an estimated residual value, if such value is significant. The annual depreciation rates generally in use in the group are:

Freehold buildings	2 – 7%
Leasehold property	Period of lease
Plant and equipment, furniture and vehicles	10 – 33%

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Intangible assets

Goodwill

Goodwill, being the excess of the purchase consideration over the attributable fair value of the net identifiable assets at date of acquisition, is capitalised. It is amortised through the group income statement on a straight-line basis over its estimated useful life, with a maximum of 20 years. The amortisation charge is shown as an exceptional item.

Negative goodwill is the excess of the attributable fair value of the net identifiable assets over the purchase consideration. To the extent that negative goodwill relates to future identifiable losses and expenses, that portion of negative goodwill is recognised as income when the future losses and expenses occur. To the extent that negative goodwill does not relate to identifiable future losses and expenses, then the amount of negative goodwill, not exceeding the fair values of the acquired non-monetary assets, is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets. The amount of negative goodwill that does not relate to identifiable future losses and expenses, in excess of the fair values of acquired identifiable non-monetary assets, is recognised as income immediately.

Trademarks

The cost of trademarks acquired is capitalised and amortised on a straight-line basis over their estimated useful life limited to 20 years. Internally developed trademark expenses are written off as and when incurred.

Leased assets

Assets acquired under financial lease agreements are capitalised at their cash equivalent with the concomitant amount reflected as a liability to the lessor.

Payments on finance leases are allocated between lease finance costs and capital repayments using the effective interest method.

Lease charges on operating leases are charged to income when incurred.

Investments

Investments are stated at cost. Provision is made where in the opinion of the directors a permanent diminution in the value of an investment has occurred, less amounts written off where there has been a permanent diminution in value.

Associated companies

An associated company is one in which the group exercises significant influence, but not control over the financial and operating policies of that company.

The group's share of post-acquisition reserves of such companies is included in the group financial statements on the equity accounting method.

If an associated company applies accounting policies that are materially different to those adopted by the group, adjustments are made to the financial statements of the associated company.

Certain associated companies do not have common accounting dates. In cases where the associated company is listed, the most recent published financial information is used and in cases where the associated company is unlisted, the most recent audited financial statements are used. Adjustments are made in both cases for the effects of any significant events or transactions when the financial information used is not co-terminous.

Joint ventures

A joint venture is an enterprise in which the group has joint control over the financial and operating policy decisions.

Joint ventures of a long-term nature are accounted for using the equity method and joint ventures of a short-term nature are proportionately consolidated.

If a joint venture applies accounting policies that are recognised as being materially different to those adopted by the group, adjustments are made to the financial statements of the joint venture prior to inclusion in the group financial statements.

Certain joint ventures do not have common accounting dates. In those cases, the most recent available management financial statements are used.

Inventories

Inventory is valued at the lower of cost, determined generally on the first-in first-out (FIFO) basis, and net realisable value. The cost of manufactured goods includes production overheads.

Contracts in progress

Contracts in progress are valued at cost, plus profit recognised, less amounts received and receivable. Progress payments received in excess of the measured value of work determined on each contract is included in the composition of contracts in progress. Cost includes indirect costs and overheads. Profit is brought to account on the percentage of completion basis and management's judgement of the outstanding risks on each contract. Where a loss is anticipated on any particular contract, provision is made for such loss.

Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, investments, trade receivables, trade creditors and borrowings.

The group enters into financial instruments to reduce exposure to fluctuations in foreign currency and interest rates.

Gains and losses from forward exchange contracts, options and currency swaps used to hedge potential exchange rate exposures are offset against losses and gains on the specific transactions being hedged.

Interest differentials under swap arrangements, forward rate agreements and interest rate caps used to manage interest rate exposure are included in the financing costs for the period.

Borrowing costs

Borrowing costs are written off in the year in which they are incurred.

Borrowing costs that are directly attributable to the acquisition or construction of a fixed asset that requires a substantial period of time to prepare for its intended use are capitalised.

For the current period there was no such capitalisation of borrowing costs.

Deferred taxation

Deferred taxation is provided on the comprehensive basis using the liability method.

A deferred tax asset is recognised only if the realisation thereof is probable.

Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event 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.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operation.

Foreign currencies

Foreign currency risk management policy

All foreign exchange exposures are to be covered by forward exchange contracts, except in circumstances where there is a natural hedge. This includes trading, capital purchases and foreign currency borrowings.

Foreign currency balances

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of these transactions. Balances outstanding on foreign transactions at the end of the financial year are translated to rand at the approximate rates ruling at that date.

Both realised and unrealised gains and losses arising from exchange differences are recognised in operating profit for the year.

Foreign subsidiaries

The assets and liabilities of foreign subsidiaries not considered to be integrated foreign operations are translated into rand at rates of exchange ruling at the end of the financial year and gains and losses on translation are taken directly to non-distributable reserves. The results of their operations are translated at appropriate weighted average rates of exchange for the year and are included in operating profit.

Integrated foreign operations

The monetary assets and liabilities of integrated foreign subsidiaries and integrated foreign operations are translated into rand at rates of exchange ruling at the end of the financial year. The non-monetary assets and liabilities are translated at the historic rates of exchange. The results of their operations are translated at an appropriate weighted average rate of exchange for the year. All gains and losses arising on such translations are recognised in operating profit.

Post-retirement benefits

Post-retirement benefits are made up of those obligations that the group has towards current and retired employees.

Defined contribution plans

Contributions in respect of defined contribution plans are recognised as an expense in the year to which they relate.

Defined benefit plans

The current service cost in respect of defined benefit plans is recognised as an expense in the current period. Past-service costs, experience adjustments, effects of changes in actuarial assumptions and the effects of plan amendments in respect of existing employees are charged to the income statement immediately. Those adjustments relating to retired employees are charged to the income statement in full in the current period.

Post-retirement medical benefits
Contributions in respect of post-retirement medical benefits are recognised as an expense in the year to which they relate. Any deficits on the funds used to cover these benefits are recognised immediately via the income statement.

Research and development costs
Research and development costs are written off as incurred.

Revenue recognition
Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue can be measured reliably. Value-added taxation is excluded.

Goods and services
Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from services is recognised on an accrual basis over the period for which the services are rendered.

Construction contract revenue
Revenue from construction contracts is recognised on the measured value of work performed, representing the fair value of the consideration received or receivable and after having determined the stage of completion on each contract.

Dividends
Dividends are recognised on a cash basis.

Interest
Interest is recognised on a time-proportion basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

2. DEFINITIONS

Return on average ordinary shareholders' funds
Headline earnings as a percentage of average ordinary shareholders' funds.

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

Net asset value per ordinary share
Total shareholders' funds less subordinated debentures divided by the total number of ordinary shares in issue.

Turnover per employee
Turnover divided by the number of employees.

Headline earnings and earnings per share
Headline earnings and earnings divided by the weighted average number of shares in issue.

Diluted headline earnings and earnings per share
Headline earnings plus the after-tax cost of the debenture interest divided by the sum of the weighted average number of shares and debentures in issue and the share options.

Net debt to equity
Interest-bearing debt less cash divided by total shareholders' funds.

Average ordinary shareholders' funds
Average of total shareholders' funds as reflected on the balance sheet including debentures.

Average capital employed
Average of total shareholders' funds plus minority interests plus interest-bearing debt.

Headline earnings
Earnings per the income statement, adjusted for the specific items detailed in note 20 to the financial statements.

Interest-bearing debt
Interest-bearing borrowings including the short-term portion payable.

Interest cover
Operating income including associated company earnings divided by net interest paid.

	Land and buildings Rm	Plant, equipment and vehicles Rm	**Total 2001 Rm**	Total 2000 Rm
3. *FIXED ASSETS*				
Cost				
At beginning of year – historical cost	180,8	778,6	**959,4**	908,9
Re-allocation	(15,4)	15,4		(6,0)
Revaluation				(22,1)
Additions	31,3	504,8	**536,1**	132,6
Disposals	(4,5)	(190,4)	**(194,9)**	(54,0)
Applicable to subsidiaries and businesses acquired or sold	37,5	1 463,9	**1 501,4**	
At end of year	229,7	2 572,3	**2 802,0**	959,4
Accumulated depreciation				
At beginning of year – historical cost	48,6	405,7	**454,3**	412,3
Re-allocation	(7,2)	7,2		
Current year charge	5,8	286,3	**292,1**	81,4
Disposals	(0,4)	(159,2)	**(159,6)**	(37,1)
Applicable to subsidiaries and businesses acquired or sold	4,7	746,1	**750,8**	(2,3)
At end of year	51,5	1 286,1	**1 337,6**	454,3
Net book value at end of year	178,2	1 286,2	**1 464,4**	505,1
Land and buildings comprise:				
Freehold	214,1			180,7
Long leasehold	15,6			0,1
	229,7			180,8

3. FIXED ASSETS (continued)

Rates and methods of depreciation	Method	Rate	Rate
Freehold buildings	Straight line	2 – 7%	2 – 7%
Leasehold property	Straight line	Lease period	Lease period
Plant and machinery	Straight line	25%	25%
Office equipment	Straight line	10 – 33%	10 – 33%
Furniture and fittings	Straight line	15 – 20%	15 – 20%
Motor vehicles	Straight line	25%	25%

Included in plant, equipment and vehicles are fixed assets with a net book value of R50,5 million (2000: R22,1 million) which are subject to finance lease agreements.

Expenditure on account of property, plant and equipment in the course of construction and included in fixed assets at 30 June 2001 was nil (2000: R65,8 million). The cost of fully depreciated plant and equipment that was still in use at 30 June 2001 was R211,2 million (2000: R154,2 million).

A register containing details of land and buildings is available for inspection during business hours at the registered office of the company by members or their duly authorised agents.

The carrying amount of property, plant and equipment which is:		
– temporarily idle	nil	nil
– retired from active service and held for disposal	nil	nil

		2001 Rm	2000 Rm
4.	*INTANGIBLE ASSETS*		
	Gross carrying amount		
	At beginning of year		
	Acquisition of subsidiaries	**1 161,6**	
	Foreign exchange movements	**(0,4)**	
	At end of year	**1 161,2**	
	Accumulated amortisation		
	At beginning of year		
	Acquisition of subsidiaries	**45,0**	
	Current year charge	**65,9**	
	Foreign exchange movements	**(0,2)**	
	At end of year	**110,7**	
	Net carrying amount at end of year	**1 050,5**	
5.	*INVESTMENT IN ASSOCIATES AND JOINT VENTURES*		
	Unlisted		
	At beginning of year	**390,2**	435,2
	Additional interest acquired	**120,8**	
	Investment now associated company	**40,1**	
	Associate now a subsidiary	**(22,3)**	
	Loans repaid	**(39,0)**	(32,7)
	Loans advanced	**45,7**	
	Net share of results		
	– share of results before taxation as per income statement	**138,1**	96,8
	– share of taxation	**(38,2)**	(21,9)
	Dividends paid	**(28,5)**	(87,2)
	Provision for diminution in value	**(6,9)**	
	Share of reserve movements in the year	**4,6**	
	At end of year	**604,6**	390,2

		2001 Rm	2000 Rm
5.	*INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)*		
	The aggregate assets, liabilities and results of operations and cash flow of associate companies and joint ventures are summarised:		
	Non-current assets	**1 074,6**	539,1
	Current assets	**468,7**	256,5
		1 543,3	795,6
	Current liabilities	**439,3**	265,4
	Interest-bearing debt	**487,5**	71,2
	Non-interest-bearing debt	**166,7**	143,3
	Equity	**449,8**	315,7
		1 543,3	795,6
	Turnover	**1 301,9**	757,8
	Expenses	**1 161,4**	666,1
	Net finance costs	**38,2**	22,0
	Taxation	**2,4**	(5,2)
	Income after taxation	**99,9**	74,9
	Net cash inflow/(outflow) from operating activities	**123,9**	(9,7)
	Net cash outflow from investing activities	**(29,5)**	(59,5)
	Net cash outflow from financing activities	**(61,1)**	(41,3)
	Net increase/(decrease) in cash and cash equivalents	**33,3**	(110,5)
	Cash and cash equivalents at beginning of period	**(83,7)**	(0,8)
	Cash and cash equivalents at end of period	**(50,4)**	(111,3)
	At end of year		
	Aggregate post-acquisition reserves	**22,6**	30,2
6.	*OTHER INVESTMENTS*		
	At beginning of year	**50,1**	3,6
	Additional interest acquired	**3,9**	46,5
	Transferred to joint ventures and associates	**(40,1)**	
	At end of year	**13,9**	50,1

The directors' valuation is consistent with the carrying value.

		2001 Rm	2000 Rm
7.	*INVENTORIES AND CONTRACTS IN PROGRESS*		
	Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year-end, less progress payments	**1 298,6**	351,6
	Amounts receivable in excess of amounts billed	**218,8**	90,2
		1 517,4	441,8
	Advances receivable in excess of work performed	**(875,6)**	(194,2)
	Net amounts due on contracts	**641,8**	247,6
	Retentions receivable	**162,0**	54,7
	Contracts in progress less progress payments	**803,8**	302,3
	Raw materials	**237,5**	191,5
	Consumable stores	**185,1**	46,7
	Work in progress	**60,6**	3,9
	Finished goods		
	– bearings		172,8
	– other	**333,2**	199,7
	Properties held for development and resale	**103,9**	70,0
		1 724,1	986,9
8.	*TRADE AND OTHER RECEIVABLES*		
	Trade	**693,5**	472,4
	Prepayments and other	**230,0**	116,1
		923,5	588,5

		2001 Rm	2000 Rm
9.	*SHARE CAPITAL*		
	Authorised		
	Ordinary share capital		
	882 034 263 ordinary shares of 5 cents each	**44,1**	44,1
	Preference share capital		
	2 005 737 compulsorily convertible preference shares of 811,91 cents each		16,3
	Total authorised share capital	**44,1**	60,4
	Issued		
	356 127 518 ordinary shares of 5 cents each	**16,4**	16,7
	2 005 737 compulsorily convertible preference shares of 811,91 cents each		16,3
	Total issued share capital at beginning of year	**16,4**	33,0
	Movements during the year		
	Redemption of the compulsorily convertible preference shares		(16,3)
	Issue of 2 005 737 ordinary shares		0,1
	Issue of 19 100 682 ordinary shares on the acquisition of the Grinaker Construction Limited minorities		1,0
	Buy-back of 28 165 962 ordinary shares by a wholly-owned subsidiary of the company and the Aveng Share Purchase Trust		(1,4)
	Total issued share capital at end of year	**16,4**	16,4

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.

Executive share incentive scheme

In terms of the Aveng Limited Share Incentive Scheme, full-time employees of the company and any of its subsidiaries, including directors holding full-time salaried employment or office, are entitled under the Scheme to hold 5 per cent (presently 17 806 375 shares) of the issued share capital. No one participant may acquire shares in excess of 2 per cent (presently 7 122 550 shares) of the issued share capital of the company.

	2001 Number of shares	2000 Number of shares
9. *SHARE CAPITAL (continued)*		
The movements during the year under review were as follows:		
Balance at beginning of year	**4 120 000**	2 695 000
Options granted or shares allocated	**12 961 125**	1 675 000
Options exercised or allocation shares delivered	**(548 750)**	(250 000)
Options or allocated shares forfeited	**(629 500)**	
Balance at end of year	**15 902 875**	4 120 000

	Subscription price R	Subscription price R
Details of share options exercised and allocations taken up during the period:		
Subscription or purchase price	**3,60**	3,60
Range of market price at dates of exercising option or taking delivery	**7,00 – 8,00**	6,45

The options outstanding at 31 March 2001 become unconditional between the following dates:	Number of shares	Subscription price R
1 September 2000 and 1 September 2008	315 625	3,60
17 April 2002 and 17 April 2010	1 675 000	6,90
12 July 2002 and 12 July 2010	3 175 000	6,10
1 September 2002 and 1 September 2010	168 750	6,20
29 November 2002 and 29 November 2010	8 795 375	5,80
	14 129 750	
In respect of allocation shares to take delivery on the dates indicated:		
1 September 2001, 2002 and 2003	1 393 125	3,60
1 September 2002, 2003, 2004 and 2005	380 000	6,20
	1 773 125	
Total	15 902 875	

The right to take delivery or to exercise the option vests two years from the date of allocation at 25% per annum for four years. Participants can defer exercising the options subject to the rules of the Scheme but must do so within ten years of the allocation date.

Should the option holder resign from the group prior to the commencement dates as indicated above, the shares for options will not be issued. Payment will therefore not be required and the options will be forfeited, and allocation shares will not be delivered.

The Aveng Limited Share Purchase Trust will be funded out of its own resources, if any, and/or loans to be made by employers of participants in accordance with the provisions of section 38(2) of the Act. The Trust held 7 003 800 ordinary shares and 1 459 300 convertible debentures at 30 June 2001.

The Trust's accounts are consolidated with the group figures.

		2001 Rm	2000 Rm
10.	*SHARE PREMIUM*		
	At beginning of year	**584,8**	627,6
	Premium on issue of variable rate cumulative redeemable preference shares		137,3
	Increase in share premium as a result of the issue of shares to LTA Limited shareholders and share scheme participants	**2,9**	
	Utilisation of share premium account on purchase of shares by related party		(180,1)
	At end of year	**587,7**	584,8
11.	*NON-DISTRIBUTABLE RESERVES*		
	Balance at end of the year comprises:		
	Associated companies and joint ventures' retained reserves	**22,6**	30,2
	Capital redemption reserve fund	**0,2**	0,2
	Foreign currency translation reserve	**11,6**	(4,4)
		34,4	26,0
12.	*AUTOMATICALLY CONVERTIBLE SUBORDINATED DEBENTURES*		
	The company issued 40 018 390, 5% unsecured automatically convertible subordinated debentures (debentures) at R4,44 each on 1 July 1999. The debentures are governed by a trust deed which makes provision, inter alia, for the payment of interest in arrear on 31 December and 30 June each year.	**171,2**	171,2

The debentures will automatically and compulsorily be converted into ordinary shares of 5 cents each on the basis of one ordinary share for each debenture converted, with effect from 1 July of the financial year following that in which the total dividend declared on each ordinary share in respect of financial years ending on or after 30 June 2000 is equal to or exceeds 22,2 cents, being the annual interest paid in cents on each debenture.

As a dividend of 22,5 cents has been declared by the directors, the automatically convertible subordinated debentures will convert into ordinary shares on 30 November 2001.

A circular setting out the details of the conversion will be posted to debenture holders in October 2001.

The full details of the conditions pertaining to the debentures are available for inspection during business hours at the registered office of the company.

		2001 Rm	2000 Rm
13.	*INTEREST-BEARING DEBT*		
13.1	*Non-current borrowings*		
	Summary of loans by financial year of redemption		
	2001		30,7
	2002	**77,1**	8,1
	2003	**93,9**	11,5
	2004	**111,0**	1,8
	2005	**120,6**	6,2
	2006	**84,1**	6,1
	2007 onwards	**222,7**	
	Total non-current borrowings (note 13.2)	**709,4**	64,4
	Current portion included in current liabilities	**(77,1)**	(30,7)
		632,3	33,7
	Current borrowings		
	Overdrafts	**214,3**	60,7
	Short-term call accounts	**638,9**	
	Current portion of non-current borrowings	**77,1**	30,7
		930,3	91,4
	Total interest-bearing borrowings	**1 562,6**	125,1

		Final repayment date	Rate of interest per year (payable half-yearly) 2001 %	2000 %	2001 Rm	2000 Rm
13.2	*Analysis of total non-current borrowings*					
	Unsecured loans					
		2001		7 – 18		26,1
		2002	**11 – 17,2**	7 – 18	**67,0**	2,3
		2003	**11 – 17,2**	7 – 18	**83,4**	1,6
		2004	**11 – 17,2**	7 – 18	**100,5**	1,9
		2005	**11 – 17,2**	7 – 18	**120,6**	6,2
		2006	**11 – 17,2**	7 – 18	**84,1**	6,1
		2007 onwards	**11 – 17,2**		**222,7**	
					678,3	44,2
	Secured loans					
		2001		4 – 13		4,6
		2002	**11 – 15**	4 – 13	**10,1**	5,7
		2003	**11 – 15**	4 – 13	**10,5**	9,9
		2004	**11 – 15**	4 – 13	**10,5**	
	Finance lease liabilities secured against the appropriate asset				**31,1**	20,2
	Total non-current interest-bearing borrowings (note 13.1)				**709,4**	64,4
	The company and its subsidiaries have entered into cross suretyships in respect of current and future financial obligations to FirstRand Bank Limited. The following covenants are applicable: net debt to equity, interest cover and Ebitda to capital expenditure. The obligation at 30 June 2001 is				**684,6**	

		2001 Rm	2000 Rm
14.	*DEFERRED TAXATION*		
	At beginning of year	**64,1**	61,7
	Transfer (to)/from income statement		
	– current year	**(13,0)**	3,0
	– prior years	**(1,4)**	3,0
	Arising on the acquisition and disposal of subsidiaries	**26,8**	
	Foreign currency translation adjustment		(3,6)
	At end of year	**76,5**	64,1
	Balance at end of year comprises:		
	Accelerated capital allowances	**66,8**	46,3
	Provisions and other timing differences	**12,9**	30,5
	Unrelieved trading losses		(9,6)
	Difference due to foreign tax rates	**(3,2)**	(3,1)
		76,5	64,1
15.	*TRADE AND OTHER PAYABLES*		
	Trade	**1 321,7**	942,7
	Accrued expenses and other	**926,0**	229,7
		2 247,7	1 172,4
16.	*REVENUE AND TURNOVER*		
	Goods	**2 792,5**	2 161,8
	Construction contract revenue	**7 358,7**	2 661,8
	Services	**165,9**	102,5
	Turnover	**10 317,1**	4 926,1
	Investment income	**67,2**	82,8
	Revenue	**10 384,3**	5 008,9

Turnover comprises sales of goods and services and selling commissions, value of work done by contracting companies, fees, commission and rentals.

All revenue within subgroups, even if arm's length is eliminated on consolidation, except within the building and construction activities when subcontracting takes place in the course of normal business.

Revenue represents the gross inflows of economic benefits during the period arising in the course of ordinary activities of the group when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

		2001 Rm	2000 Rm
17.	*STATUTORY DISCLOSURES*		
	In arriving at operating income the following has been taken into account:		
	Foreign exchange gains	**3,8**	4,7
	Surplus on disposal of property, plant, machinery, equipment and vehicles	**8,5**	3,9
	Auditor's remuneration		
	– fees for audit	**11,9**	4,9
	– fees for other services	**1,8**	1,4
	– expenses	**0,7**	0,4
	Depreciation of property, plant, and equipment		
	– freehold and leasehold buildings	**5,8**	7,0
	– plant, equipment and vehicles	**286,3**	74,4
	Operating lease expenses		
	– buildings	**36,2**	25,6
	– plant, machinery, equipment and vehicles	**1,3**	10,0
	Remuneration services		
	– managerial, secretarial, financial	**1,9**	4,7
	Staff costs	**1 385,5**	669,3
	– salaries and wages	**1 212,9**	576,8
	– bonuses	**97,7**	48,2
	– contributions to retirement funds	**45,9**	27,5
	– contributions to medical funds	**29,0**	16,8
	Directors' remuneration		
	Paid by the company and its subsidiaries		
	Non-executive		
	– services as directors	**0,2**	0,2
	Executive		
	– salaries	**7,0**	4,5
	– benefits	**2,5**	1,7
	– bonuses	**4,3**	0,8
		13,8	7,0
	Total	**14,0**	7,2

		2001 Rm	2000 Rm
18.	*INCOME FROM INVESTMENTS*		
	Dividends		
	– listed	**3,4**	
	– unlisted	**4,7**	26,3
		8,1	26,3
	Interest		
	– external	**59,1**	56,5
		67,2	82,8
	Dividends were received from		
	– associated companies	**0,1**	22,4
	– other investments	**8,0**	3,9
		8,1	26,3
19.	*INTEREST PAID*		
	Interest expense	**178,5**	28,5
	No financing costs have been capitalised during the year (2000: Nil).		
20.	*EXCEPTIONAL ITEMS*		
	Net surplus on disposal and write-down of investments, subsidiaries and properties	**(7,5)**	(8,7)
	Rationalisation and restructuring costs		16,8
	Goodwill written off	**65,9**	10,0
	Other	**0,2**	3,3
		58,6	21,4
	Attributable taxation credit (note 21)		(4,5)
		58,6	16,9
	Attributable to minority interests		(3,0)
	Net (note 22)	**58,6**	13,9

		2001 Rm	2000 Rm
21.	*TAXATION*		
	South African normal taxation	**46,7**	72,5
	Deferred taxation	**(14,4)**	6,0
	Foreign taxation	**46,3**	0,9
	Secondary tax on companies		1,2
	Prior year adjustments		(1,8)
		78,6	78,8
	Balance at end of year comprises		
	In respect of profit before exceptional items	**78,6**	83,3
	In respect of exceptional items (note 20)		(4,5)
		78,6	78,8
	Reconciliation of rate of taxation (%)		
	Standard rate of company taxation	**30,0**	30,0
	Adjusted for:		
	Assessed loss utilised	**(6,5)**	(1,0)
	Disallowable expenditure	**8,0**	0,9
	Effect of foreign taxes	**0,6**	0,3
	Exempt income	**(6,6)**	(3,1)
	Other	**(2,8)**	(2,0)
	Prior year adjustments	**(0,9)**	(0,5)
	Secondary tax on companies		1,8
		21,8	26,4
	Effective rate of taxation for the year before exceptional items and associated companies	**24,6**	27,3

The estimated losses which are available for the reduction of future taxable income are R94,3 million (2000: R82,5 million) of which R46,7 million (2000: R32,0 million) has been taken into account in calculating deferred taxation.

The ordinary shareholders' interest in the abated assessed losses is estimated at R47,5 million (2000: R50,5 million).

The company has estimated unused credits in respect of secondary tax on companies amounting to R139,5 million (2000: R181,5 million).

These credits are available to be carried forward for set-off against future dividends payable by the company in establishing the liability for any secondary tax on companies that may become payable.

		2001 Rm	2000 Rm
22.	*EARNINGS AND HEADLINE EARNINGS PER SHARE*		
	The calculations are based on a weighted average of 328 470 443 (2000: 349 852 667) ordinary shares in issue.		
	Diluted earnings calculations are based on a weighted average of 383 428 030 (2000: 392 002 809) shares in issue.		
	Determination of headline and diluted headline earnings		
	– Earnings	**267,9**	263,7
	– Adjustment for exceptional items net of attributable taxation and outside shareholders' interest (note 20)	**58,6**	13,9
	Headline earnings	**326,5**	277,6
	– Adjustment for debenture interest	**6,2**	6,2
	Diluted headline earnings	**332,7**	283,8
23.	*NOTES TO THE CASH FLOW STATEMENT*		
23.1	*Cash retained from operations*		
	Net income before tax	**360,8**	358,9
	Adjust for:		
	Interest paid	**178,5**	28,5
	Income from investments	**(67,2)**	(82,8)
	Income from associates	**(99,9)**	(74,9)
		372,2	229,7
23.2	*Non-cash movements*		
	Write-off of goodwill	**65,9**	10,9
	Translation differences	**21,1**	(4,8)
	Profit on sale of property, plant and equipment	**(8,5)**	(3,9)
	Surplus on disposals of investments	**(6,6)**	
	Other	**(0,2)**	1,9
		71,7	4,1
23.3	*Working capital movements*		
	– Increase in inventories	**(212,6)**	(70,4)
	– Increase in trade and other receivables	**(49,0)**	(73,8)
	– Increase in trade and other payables	**70,2**	224,7
		(191,4)	80,5
23.4	*Net financing costs*		
	Net financing costs per income statement	**178,5**	28,5
23.5	*Normal taxation paid*		
	Amounts unpaid at beginning of year	**37,0**	7,8
	Amounts charged to the income statement	**93,0**	72,9
	Amounts unpaid at end of year	**(75,6)**	(37,0)
		54,4	43,7

		2001 Rm	2000 Rm
23.	*NOTES TO THE CASH FLOW STATEMENT (continued)*		
23.6	*Dividends paid*		
	Amounts charged to equity	**60,7**	
	Amounts paid to minorities of subsidiaries	**2,6**	4,8
		63,3	4,8
23.7	*Investments in subsidiaries and businesses*		
	Property, plant and equipment	**825,7**	(0,4)
	Working capital	**(50,5)**	(0,4)
	Net cash and cash equivalents	**(97,3)**	(1,6)
	Other investments	**120,8**	
	Minority interests	**(140,6)**	
	Deferred taxation	**(25,3)**	
	Long-term borrowings	**(166,5)**	2,6
	Goodwill on acquisition	**1 116,5**	1,6
	Net assets of subsidiaries and businesses acquired	**1 582,8**	1,8
	Cost of existing holding	**(22,3)**	
	Non-cash issue of shares	**(2,9)**	(122,1)
	Net cash and cash equivalents included in net assets acquired	**97,3**	1,6
	Purchase of additional interest in a subsidiary company		164,1
	Cash flow on acquisitions	**1 654,9**	45,4
	Net assets of subsidiaries and businesses disposed of		
	Property, plant and equipment	**75,1**	
	Working capital	**151,1**	
	Net cash and cash equivalents	**22,3**	
	Minority interests	**(70,6)**	
	Deferred taxation	**1,6**	
	Long-term borrowings	**(50,5)**	
	Goodwill on acquisition	**0,1**	
		129,1	
	Surplus on disposal	**6,6**	
	Net cash and cash equivalents included in net assets disposed of	**(22,3)**	
	Cash flow on disposals	**113,4**	

Notes to the consolidated financial statements *(continued)*
for the year ended 30 June 2001

		2001 Rm	2000 Rm
23.8	*Associated companies*		
	Dividends received	**28,5**	87,5
	Net loans (advanced)/repaid	**(6,8)**	32,7
		21,7	120,2
23.9	*Other investments*		
	Cost of acquisitions	**(3,9)**	(46,8)
		(3,9)	(46,8)
23.10	*Cash and cash equivalents*		
	Deposits and cash	**368,0**	755,6
	Overdrafts	**(214,3)**	(60,7)
	Short-term call accounts	**(638,9)**	
		(485,2)	694,9
24.	*COMMITMENTS*		
	Capital commitments		
	Capital expenditure authorised		
	– contracted for	**49,5**	22,5
	– not contracted for	**272,9**	132,4
		322,4	154,9
	It is anticipated that this expenditure will be financed by cash generated from activities and existing borrowing facilities.		
	Operating lease commitments		
	The future minimum lease payments under non-cancellable operating leases are as follows:		
	– less than 1 year	**12,4**	7,3
	– more than 1 year but less than 5 years	**55,2**	29,7
	– more than 5 years	**108,2**	59,9
		175,8	96,9
25.	*CONTINGENT LIABILITIES*		
	Contingent liabilities at balance sheet date, not otherwise provided for in the annual financial statements, arising from:		
	– guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:	**24,7**	10,3

	2001	2000	2001 Rm	2000 Rm
26. FOREIGN EXCHANGE EXPOSURE				
Forward exchange contracts for purchases				
Deutsche mark	**18,8**	6,6	**71,6**	22,4
Euros	**2,8**		**20,7**	
Japanese yen		87,0		5,6
UK pounds	**1,7**	0,2	**19,7**	2,6
US dollars	**1,8**	6,3	**14,8**	43,3
			126,8	73,9
Forward exchange contracts for sales				
French francs	**3,5**		**3,7**	

The group has entered into certain forward exchange contracts which do not relate to specific items appearing in the balance sheet but were entered into to cover foreign commitments not yet due. Details of these contracts are as follows:

	2001	2000	2001 Rm	2000 Rm
Foreign currency payables and receivables				
Payables				
Australian dollars	**116,4**		**478,9**	
Deutche mark	**3,9**	5,5	**14,7**	19,5
Euros	**0,2**		**1,6**	
Japanese yen		87,0		5,6
Pula	**74,2**		**106,1**	
UK pounds		0,2		2,6
US dollars	**26,5**	5,0	**215,8**	35,5
			817,1	63,2
Receivables				
Australian dollars	**157,0**		**645,7**	
Euros	**0,3**		**1,9**	
Pula	**108,3**		**154,8**	
US dollars	**32,0**	1,4	**257,6**	10,0
			1 060,0	10,0

The group generates income in these currencies providing a natural hedge. Where a timing imbalance occurs a profit or loss could result.

27. EMPLOYEE BENEFITS

Retirement funds

The group has a number of retirement benefit plans for its eligible employees. These plans comprise both defined contribution and defined benefit plans. 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. Approximately 22,1% of the employees are members of company funds. Other employees are members of provident funds administered by independent organisations within the industries in which they are employed.

The contributions paid by the group companies for retirement benefits are charged to the income statement as they are incurred.

Pension fund plans are evaluated by independent actuaries at intervals not exceeding three years. The latest valuations indicated that the plans were adequately funded in terms of the requirements of the Registrar of Pension Funds, and no changes to any contribution rates were recommended.

The principal defined benefit fund is the LTA Limited Pension Fund which at the last valuation at 31 December 1999 had an actuarial surplus of R104 million. Negotiations are in progress with the trustees and the members of that fund to convert the fund to a defined contribution fund. This process should be completed by 31 December 2001. In these circumstances the provision of the actuarial assumption information would not be meaningful. The other funds are defined contribution.

The principal group funds are:	Number of members
LTA Limited Pension Fund	1 698
Grinaker Group Retirement Plan	1 667
Trident Steel Retirement Fund	397

The group's retirement benefit expense was R45,9 million (2000: R27,5 million).

Post-retirement benefits

Group companies have, where applicable, made provision for, and taken other steps, to cover the obligation to pay certain post-retirement benefits comprising, in the main, medical costs and medical aid contributions in respect of retirees.

Actuaries have computed the liability that would arise in the company's subsidiaries in respect of the presently unfunded post-retirement benefits, principally in connection with contributions to medical aid funds, of current employees and retirees. The group's gross liability at 30 June 2001 of R53,7 million has been fully covered (2000: R47,0 million).

28. BORROWING CAPACITY

In terms of the articles of association the borrowing powers of the group are unlimited.

29. *RISK MANAGEMENT*

The group does not trade in financial instruments but, in the normal course of operations, the group is exposed to currency, credit and liquidity risk. In order to manage these risks, the group may enter into transactions which make use of financial instruments. The group 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.

Fair value

At 30 June 2001, the carrying amounts of cash and cash equivalents, receivables, trade and other payables and short-term borrowings, approximated their fair values.

Credit risk

The group's only material exposure to credit risk is in its receivables and deposits and cash balances. Receivables represent amounts owing to the operating companies, and credit risk is managed at that level. The group has no significant concentration of credit risk. Deposits and cash balances are all kept at reputable financial institutions and limits are set throughout the group in this connection.

Trade debtors comprise a number of customers, dispersed across different geographical areas. Ongoing credit evaluations are performed on the financial condition of these and other receivables. Trade debtors are presented net of the allowance for doubtful debts.

Interest rate risk

Deposits and cash balances all carry interest at rates that vary in response to prime. All other interest rate information is contained in the relative notes.

	2001 Rm	2000 Rm
30. *RELATED PARTIES*		
During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. Those transactions occurred under terms that are no less favourable than those arranged with third parties.		
The value of the transactions is as follows:		
Included in sales	**25,0**	18,2
Included in cost of sales	**54,0**	8,0

Company balance sheet
as at 30 June 2001

	Note*	**2001** **Rm**	2000 Rm
ASSETS			
Non-current assets			
Investment in joint ventures	A	**453,5**	492,5
Investment in subsidiary companies	B	**1 663,3**	268,8
Other investments			81,1
		2 116,8	842,4
Current assets			
Trade, other receivables and prepayments			1,9
Subsidiaries – current accounts		**237,6**	172,7
Cash and cash equivalents			91,2
		237,6	265,8
TOTAL ASSETS		**2 354,4**	1 108,2
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	C	**17,8**	17,8
Share premium	C	**764,9**	764,9
Non-distributable reserves		**0,2**	0,2
Distributable reserves		**221,1**	110,0
Automatically convertible subordinated debentures	12	**177,7**	177,7
Total shareholders' funds		**1 181,7**	1 070,6
Non-current liabilities			
Non-interest-bearing borrowings from subsidiaries		**1 163,0**	34,3
Current liabilities			
Trade and other payables	D	**5,2**	2,9
Subsidiaries – current accounts		**4,0**	0,4
Taxation		**0,5**	
		9,7	3,3
TOTAL EQUITY AND LIABILITIES		**2 354,4**	1 108,2

Company income statement
for the year ended 30 June 2001

	Note*	2001 Rm	2000 Rm
Expenses		**1,9**	2,3
Loss		**(1,9)**	(2,3)
Income from investments	E	**202,7**	102,7
Income before interest paid		**200,8**	100,4
Interest paid		**20,5**	8,9
Income before exceptional items		**180,3**	91,5
Write-off on transfer of dormant subsidiary		**(2,8)**	
Income before taxation		**177,5**	91,5
Taxation	F	**0,5**	
Income after taxation		**177,0**	91,5

**Figures refer to notes to the consolidated financial statements. Letters refer to the specific detailed notes below for the holding company.*

Company cash flow statement

for the year ended 30 June 2001

	Note	2001 Rm	2000 Rm
Cash retained from operating activities		**57,3**	(140,4)
Cash generated by operations	H 1	**(1,9)**	(2,4)
Income from investments	E	**202,7**	102,7
Increase in net current assets	H 2	**(57,1)**	(231,8)
Cash generated by operating activities		**143,7**	(131,5)
Interest paid		**(20,5)**	(8,9)
Cash available from operating activities		**123,2**	(140,4)
Dividend paid		**(65,9)**	
Investing activities			
Investments – acquisitions net of disposals			
– subsidiaries and businesses	H 3	**(1 397,3)**	4,7
– associate companies and other investments	H 4	**39,0**	40,0
– repayment of investment		**81,1**	
		(1 277,2)	44,7
Financing activities			
Net increase in shareholder funding			
Proceeds of debenture issue			177,7
Repurchase of shares and debentures			
Long-term borrowings – net		**1 128,7**	9,2
– raised		**1 163,0**	34,3
– repaid		**(34,3)**	(25,1)
		1 128,7	186,9
Net (decrease)/increase in cash and cash equivalents	H 5	**(91,2)**	91,2
Cash and cash equivalents at beginning of year	H 5	**91,2**	
Cash and cash equivalents at end of year			91,2

Company statement of changes in equity

for the year ended 30 June 2001	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Distributable reserves Rm	Auto-matically convertible subordinated debentures Rm	Total Rm
Balance at 1 July 1999	33,0	627,6	0,2	18,6		679,4
Issue of ordinary shares	1,1	137,3				138,4
Issue of debentures at R4,44 each					177,7	177,7
Redemption of preference shares	(16,3)					(16,3)
Earnings for the year				91,4		91,4
Balance at 30 June 2000	17,8	764,9	0,2	110,0	177,7	1 070,6
Earnings for the year				**177,0**		**177,0**
Dividends paid				**(65,9)**		**(65,9)**
Balance at 30 June 2001	**17,8**	**764,9**	**0,2**	**221,1**	**177,7**	**1 181,7**

Note: The non-distributable reserves consist of a capital redemption reserve fund.

		2001 Rm	2000 Rm
A.	*INVESTMENT IN JOINT VENTURES*		
	Balance at beginning of year	**492,5**	526,4
	Repayment of loan		(33,9)
	Repayment of capital	**(39,0)**	
	Balance at end of year	**453,5**	492,5
	Comprising:		
	Unlisted shares at cost	**309,7**	348,7
	Loans	**143,8**	143,8
		453,5	492,5
B.	*INVESTMENT IN SUBSIDIARIES*		
	Balance at beginning of year	**268,8**	68,1
	Acquisition of LTA Limited	**1 410,8**	
	Acquisition of whole of the minority holding of Grinaker Construction Limited		150,1
	Other movements	**(16,3)**	50,6
	Balance at end of year	**1 663,3**	268,8
	Comprising:		
	– amount owing by the Aveng Limited Share Purchase Trust	**15,3**	50,6
	– unlisted shares	**1 648,0**	218,2
		1 663,3	268,8

The directors' valuation of unlisted shares is not less than their carrying value.

	2001 Rm	2000 Rm
C. *SHARE CAPITAL AND PREMIUM*		
Share capital		
Authorised		
Ordinary share capital		
882 034 263 ordinary shares of 5 cents each	**44,1**	44,1
Preference share capital		
Opening balance	**16,3**	16,3
2 005 737 compulsorily convertible preference shares of 811,91 cents each		
Cancellation of these shares by amendment to the memorandum of association of the company passed in terms of Special Resolution No. 1 at the annual general meeting held on 25 October 2000	**(16,3)**	
Closing balance		16,3
Total authorised share capital	**44,1**	60,4
Issued		
356 127 518 (2000: 335 021 099) ordinary shares of 5 cents each	**17,8**	16,7
2 005 737 compulsorily convertible preference shares of 811,91 cents each		16,3
Balance at beginning of year	**17,8**	33,0
Redemption of the compulsorily convertible preference shares		(16,3)
Issue of 2 005 737 ordinary shares on redemption of the preference shares		0,1
Issue of 19 100 682 ordinary shares on the acquisition of the Grinaker Construction Limited minorities		1,0
Movements during the year		(15,2)
Balance at end of year	**17,8**	17,8

The unissued ordinary shares are under the control of the directors other than those reserved for the conversion of the debentures and the Aveng Limited Share Incentive Scheme until the upcoming annual general meeting.

		2001 Rm	2000 Rm
C.	*SHARE CAPITAL AND PREMIUM (continued)*		
	Share premium		
	Balance at beginning of year	**764,9**	627,6
	Premium on issue of ordinary shares		137,3
	Balance at end of year	**764,9**	764,9
	Total issued share capital and premium	**782,7**	782,7
D.	*PAYABLES*		
	Trade and other	**3,6**	1,4
	Accrued expenses	**1,6**	1,5
		5,2	2,9
E.	*INCOME FROM INVESTMENTS*		
	Dividends – unlisted	**191,8**	93,8
	Interest		
	– external	**0,8**	8,9
	– subsidiary companies	**10,1**	
	Total – income from investments	**202,7**	102,7
	Dividends were received from		
	– subsidiaries	**158,8**	11,2
	– joint ventures	**28,5**	82,6
	– other	**4,5**	
		191,8	93,8
F.	*TAXATION*		
	Reconciliation of rate of taxation (%)		
	Standard rate	**30,0**	30,0
	Exempt income	**(31,9)**	(30,8)
	Disallowable expenditure	**2,2**	0,8
	Effective rate of taxation for the year (%)	**0,3**	

The company has estimated unused credits in respect of secondary tax on companies amounting to R137,5 million (2000: R148,8 million)

		2001 Rm	2000 Rm
G.	*COMPANY'S AGGREGATE INTEREST IN THE PROFITS AND LOSSES AFTER TAXATION OF SUBSIDIARIES*		
	– profits	**628,2**	192,3
	– losses	**62,1**	9,9
H.	*NOTES TO THE CASH FLOW STATEMENT*		
H 1	*Cash generated from operations*		
	Income before interest paid and taxation	**200,8**	100,3
	Adjusted for:		
	– income from investments	**(202,7)**	(102,7)
		(1,9)	(2,4)
H 2	*Decrease/(increase) in net current assets*		
	Increase in receivables	**(63,0)**	(221,0)
	Increase/(Decrease) in payables	**5,9**	(10,8)
		(57,1)	(231,8)
H 3	*Investment in subsidiaries and businesses*		
	Purchase of LTA Limited cash offer	**(1 407,6)**	
	Non-cash allocation of shares to LTA shareholders	**(3,2)**	
	Investment in other subsidiaries	**(21,8)**	
	Purchase of additional interest in existing subsidiary		(151,3)
	Non-cash allocation of shares to Grinaker minorities		122,1
	Loans advanced or repaid by subsidiaries	**35,3**	33,9
		(1 397,3)	4,7
H 4	*Associated companies and other investments*		
	Proceeds on disposals		40,0
	Proceeds on reduction of share capital	**39,0**	
		39,0	40,0
H 5	*Cash and cash equivalents*		
	Deposits and cash		91,2

Investment in subsidiary companies
for the year ended 30 June 2001

	Issued share capital 2001 Rm	Issued share capital 2000 Rm	% held 2001	% held 2000	Investment value 2001 Rm	Investment value 2000 Rm	Net indebtedness due by/(to) companies and their subsidiaries 2001 Rm	Net indebtedness due by/(to) companies and their subsidiaries 2000 Rm
DIRECT SUBSIDIARIES								
Trident Steel Holdings (Pty) Limited			**100,0**	100,0	**0,5**	0,5	**(910,0)**	
Grinaker-LTA Limited	**28,7**		**100,0**	100,0	**1 410,8**		**(100,0)**	
Grinaker-LTA Construction and Development Limited	**0,4**	0,4	**100,0**	100,0	**217,8**	217,8	**(153,0)**	
Steelmetals (Pty) Limited (dormant)	**1,6**	1,6	**100,0**	100,0	**4,0**		**(4,0)**	
Altur Investments (Pty) Limited	**2,6**	2,6	**45,6**	45,6	**453,5**	492,5		
Aveng Management Company (Pty) Limited			**100,0**	100,0			**237,6**	172,7
Grinaker-LTA Intellectual Property (Pty) Limited			**100,0**	100,0	**15,0**			
Grinaker-LTA Property Company (Pty) Limited			**100,0**	100,0				
Loan to the Aveng Limited Share Purchase Trust			**100,0**	100,0	**15,2**	50,5		
					2 116,8	761,3	**(929,4)**	172,7

	% held 2001	% held 2000
INVESTMENTS		
The group's major investments are listed below		
McConnell Dowell Corporation Limited	**63,8**	

McConnell Dowell is listed on the Australian and New Zealand stock exchanges. It is the only subsidiary which is listed.

Alpha (Pty) Limited	**45,6**	45,6

(100% held through Altur Investments (Pty) Limited).

Its principal business is the production of cement and related materials.

A register disclosing full details of all companies in which the group has investments is available for inspection during business hours at the registered office of the company by members or their duly authorised agents.

Notice of annual general meeting

Notice is hereby given that the fifty-seventh annual general meeting of members of Aveng Limited will be held at 19 Impala Road, Chislehurston, Sandton, on Wednesday, 24 October 2001, at 12:00 for the following purposes:

1. To receive and consider the company's annual financial statements for the year ended 30 June 2001.

2. To elect directors who retire in accordance with the company's articles of association. The directors, being eligible, who offer themselves for re-election are Messrs C V Campbell, P F Crowley, V Z Mntambo, A R Mpungwe, M Taback, and W Wassermeier, who have been appointed since the previous annual general meeting; and D R Gammie, C Grim, J R Hersov and R B Savage, who retire by rotation.

3. To consider and, if deemed fit, to pass with or without modification, the following ordinary resolutions:

   ORDINARY RESOLUTION NO. 1
   "Resolved as an ordinary resolution that all the authorised but unissued shares in the capital of the company, other than:

   1. the 17 806 375 shares which have been specifically reserved for the purposes of The Aveng Limited Share Incentive Scheme; and

   2. the 40 018 390 shares which have been specifically reserved for the purposes of the conversion rights of the 40 018 390 unsecured automatically convertible subordinated debentures issued by the company,

   be and they are hereby placed under the control of the directors of the company who are hereby authorised, as a general authority, to allot and issue such shares at their discretion upon such terms and conditions as they may determine, subject to the provisions of the Companies Act 1973, as amended, and the Listings Requirements of the JSE Securities Exchange South Africa."

   ORDINARY RESOLUTION NO. 2
   "Resolved as an ordinary resolution that, with effect from 1 July 2001, the fees payable to the directors of the company be increased from R40 000 per year to R50 000 per year and that, in addition to his fee as a director, the chairman shall be entitled to receive an additional fee of R225 000 per year."

4. To transact such other business as may be transacted at an annual general meeting.

   Any member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote thereat in his/her stead. The proxy so appointed need not also be a member. Duly completed proxy forms should be forwarded to reach the transfer secretaries of the company at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of holding the annual general meeting.

By order of the board

P H Hansen

P H Hansen
Company secretary

Chislehurston
Sandton
18 September 2001

CHANGE OF ADDRESS
Members are requested to notify any change of address to:
Mercantile Securities Banking
a division of Mercantile Bank Limited
The Transfer Secretaries
Aveng Limited
PO Box 1053
Johannesburg, 2000
South Africa

Shareholders' diary

FINANCIAL YEAR-END	30 June 2001	
ANNUAL GENERAL MEETING	24 October 2001	
REPORTS AND PROFIT STATEMENTS	*Published*	
Half-yearly interim report	early March	
Results announcement	early September	
Annual financial statements	end September	
DIVIDEND	*Declared*	*Paid*
Ordinary shares	4 September 2001	26 October 2001

Analysis of ordinary shareholding

at 30 June 2001

	Number of shareholders	%	Number of shares	%
HOLDINGS				
1 – 10 000	1 120	86,9	2 051 463	0,6
10 001 – 50 000	118	9,2	2 432 884	0,7
50 001 – 100 000	20	1,6	1 430 964	0,4
100 001 – 500 000	13	1,0	3 073 185	0,9
500 001 – 1 000 000	1	0,1	918 793	0,3
Over 1 000 000	15	1,2	346 220 229	97,1
	1 287	100,0	356 127 518	100,0
ANALYSIS OF HOLDINGS				
Individuals	1 125	87,3	4 727 663	1,3
Nominee companies and trusts	96	7,5	323 036 620	90,7
Other corporate bodies	64	5,0	742 516	0,2
Subsidiary company	1	0,1	20 616 919	5,8
Aveng Share Purchase Trust	1	0,1	7 003 800	2,0
	1 287	100,0	356 127 518	100,0

This analysis is taken from the share register. The number of registered shareholders has declined by 27% compared with the prior year with the continuing migration prior to STRATE of registered shareholders to nominee companies.

Form of proxy

Aveng Limited *("the company")*
Registration number 1944/018119/06

for the fifty-seventh annual general meeting of the company to be held on Wednesday, 24 October 2001, at 12:00.

I/We

(NAME IN BLOCK LETTERS)

of

(ADDRESS)

being the holder/s of [ ] ordinary shares, hereby appoint (see note 1)

1. of or failing him/her

2. of or failing him/her

3. the chairman of the company, or failing him the chairman of the annual general meeting, as my/our proxy to attend and speak for me/us on my/our behalf and to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held at 19 Impala Road, Chislehurston, Sandton 2196, on Wednesday, 24 October 2001, at 12:00, or at any adjournment thereof.

I/We desire to vote as follows (see note 2):

	For	Against	Abstain
1. To re-elect Mr C V Campbell as a director			
2. To re-elect Mr P F Crowley as a director			
3. To re-elect Mr D R Gammie as a director			
4. To re-elect Mr C Grim as a director			
5. To re-elect Mr J R Hersov as a director			
6. To re-elect Mr V Z Mntambo as a director			
7. To re-elect Mr A R Mpungwe as a director			
8. To re-elect Mr M Taback as a director			
9. To re-elect Mr R B Savage as a director			
10. To re-elect Mr W Wassermeier as a director			
11. Ordinary resolution No. 1 – Unissued shares placed under the control of the directors			
12. Ordinary resolution No. 2 – Approval of increase in directors' fees			

Signed at on 2001

Signature

Assisted by me, where applicable (name and signature)

Please refer to the notes on the back of this form of proxy.

Notes to the proxy

1. A member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and vote or abstain from voting in the place of that member at the annual general meeting. A member may therefore insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the company, or failing him the chairman of the annual general meeting". The person whose name stands first on the proxy form and who is present at the annual 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 by the insertion of an "X" in the appropriate box. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he/she deems fit, in respect of the member's total holding.

3. The completion and lodging of this form of proxy will not preclude a member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names stand in the company's register of members in respect of the joint holding.

5. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

8. This form of proxy must be lodged at or posted to the company's transfer secretaries, Mercantile Registrars Limited, 7th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 1053, Johannesburg, 2000), to be received by not later than 12:00 on Monday, 22 October 2001.

AVENG

Directorate and administration

DIRECTORS

R B Savage[†*‡] Chairman
P L Erasmus[*‡] Deputy chairman
C Grim[†‡] Managing director
D R Gammie[†] Finance director
E A Behr
C V Campbell[*†]
P F Crowley
A Dawson
M M Doyle
J R Hersov[*]
H D K Jones
V Z Mntambo[*]
A R Mpungwe[*] (Tanzanian)
P J Owen[*†] (Australian)
M Taback[*]
W Wassermeier

[*] Non-executive director
[†] Member of the Audit Committee
[‡] Member of the Remuneration Committee

COMPANY SECRETARY

P H Hansen

Business address and registered office

19 Impala Road
Chislehurston
Sandton
2196
South Africa

Postal address

PO Box 846
Saxonwold
2132
South Africa
Telephone: +27 (11) 779 2800
Telefax: +27 (11) 884 2315

WEBSITE

www.aveng.co.za

SHARE CODES

JSE: AEG
ISIN: ZAE 000018081

AUDITORS

Ernst & Young

TRANSFER SECRETARIES

Mercantile Securities Banking
a division of Mercantile Bank Limited
(Registration number: 1965/006706/06)

Business address

7th Floor
11 Diagonal Street
Johannesburg
2001

Postal address

PO Box 1053
Johannesburg
2000
South Africa
Telephone: +27 (11) 370 5000
Telefax: +27 (11) 370 5271

BANKERS TO THE GROUP

FirstRand Bank Limited

COMPANY REGISTRATION

Aveng Limited
(Registration number: 1944/018119/06)

GRAPHICOR
23918

www.aveng.co.za