Aveng Annual Report

June 2002

Construction in the developing world, supported locally by steel and cement

AVENG

Targeting consistent long-term value

Prospects

Unless there is a significant change to our operating environment in the year ahead, Aveng should be able to:

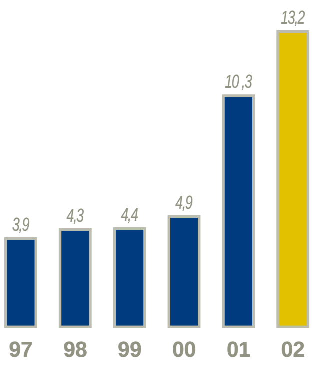
- repeat the past year's growth in diluted headline earnings per share
- move closer to achieving a 20% return on average equity
- reduce the net debt to equity ratio to 35%
- earn 50% of revenue in hard currency

Contents

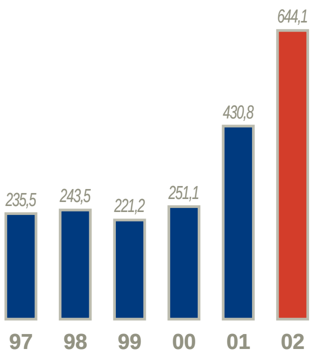
Financial highlights

2002 US$m		2002 Rm	2001 Rm	% change
	FINANCIAL RESULTS			
1 313	Revenue	**13 185**	10 317	28
64	Operating income	**644**	431	50
42	Headline earnings	**421**	327	29
	ORDINARY SHARE PERFORMANCE (cents per share)			
10,7	Diluted headline earnings	**107,3**	86,8	23,7
9,2	Diluted earnings	**92,4**	71,5	29,3
2,6	Dividend	**27,0**	22,5	20,0
	CAPITAL EXPENDITURE AND DEPRECIATION			
70	Capital expenditure	**703**	536	31
36	Depreciation	**364**	292	25

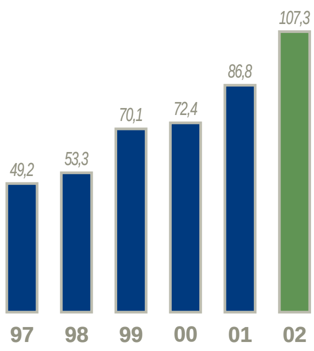
Revenue (Rbn)



Operating income (Rm)



Diluted headline earnings per share (cents)



Financial objectives

- Return on average equity: **20%**
- Growth in diluted headline earnings per share: **20%**
- Hard currency revenues: **50%**
- Net debt-to-equity ratio: **35%**

• Freddie Komane

• John Fenwick

• Talbot Mayolo (l)

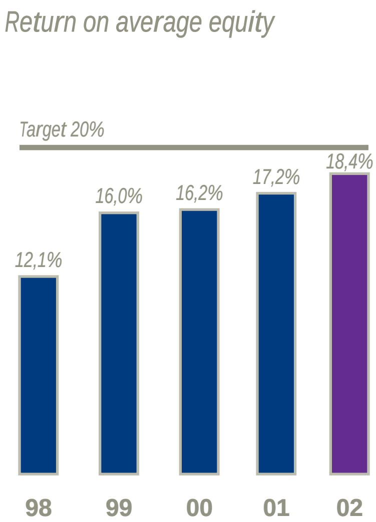
“Our mission is to deliver consistent long-term value for all stakeholders”

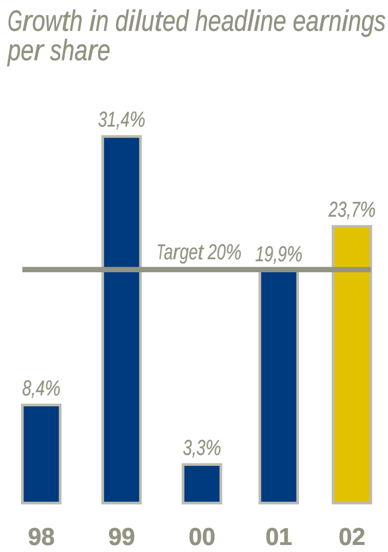
Performance against financial objectives

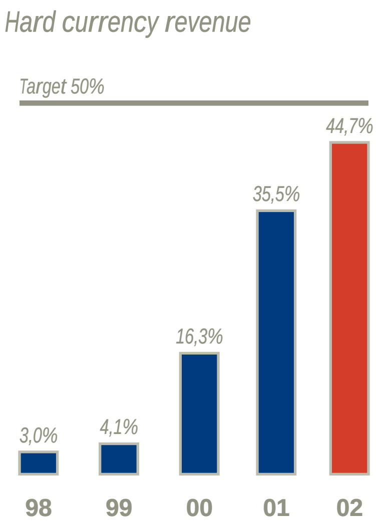
• Godfrey Malemane

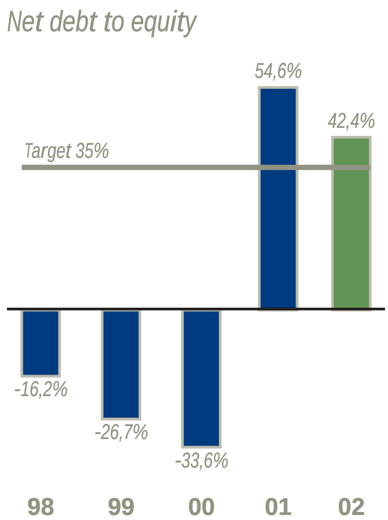
• Lucas Mnisi, Zilad Monareng

• Johnny Malubana









Vision

A South African **construction-related** group:

- generating substantial **hard currency** revenue in the developing world;
- employing people widely respected for their **integrity**, **quality of work** and **entrepreneurial spirit**; and
- delivering **consistent long-term value** for all stakeholders.

Code of business conduct

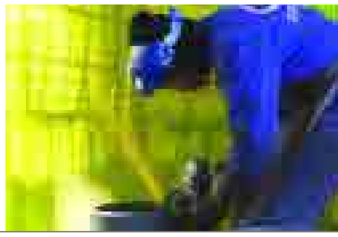
Aveng is proud of its reputation for **integrity** and is committed to continually reinforcing this in its business conduct.

The group's directors and employees will adhere to both the spirit and letter of the following code:

- The **law** will 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.



• Sheldon Klassens

• Samson Moeketsane

- Group funds and its property or assets are to be used only 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 Statements of 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 their right 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.

- 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.

"We believe passionately in delivering on our promises"

Strategy

To maximise value by balancing risk and opportunity throughout the group.

- The **corporate office** balances local cash generating businesses against higher risk hard currency opportunities.
- **Operating groups** mitigate risk further by spreading their work between businesses having different levels of capital intensity and different revenue streams.
- **Business units** seek to balance low-risk base-load work and higher profit margin opportunities.

AVENG

Operating groups

Business units

Strategic clusters

63%

McConnell Dowell Corporation

David Robinson

Civil Engineering

Mechanical Engineering

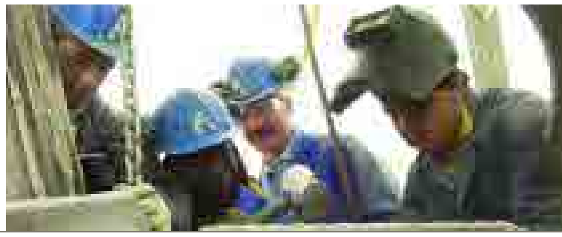
Electrical Engineering

Pipelines

Construction

Order book driven

• Because Ntila, John Mashaba



• Richie Esterhuizen, Abel Mokoko, Johan Loggenberg, Piet Fourie

Corporate office

AVENG
Carl Grim • FD Dennis Gammie

46%

Grinaker-LTA
Frank Crowley • Deputy Howard Jones

- Building
- Civil and Earthworks
- Mechanical and Electrical
- Process Engineering
- Opencast Mining
- Properties
- Infrastructure and Mining Services

Trident Steel
Ernie Behr • Deputy Ben Fourie

- Trident Service Centres
- Trident Sterling Tube
- 80% Trident Midrand Steel
- 30% Tshipi Steel

Alpha
Mike Doyle

- SA Cement Operations
- 62,5% Tanga Cement
- 33% Natal Portland Cement
- 33% Slagment
- 25% Ash Resources

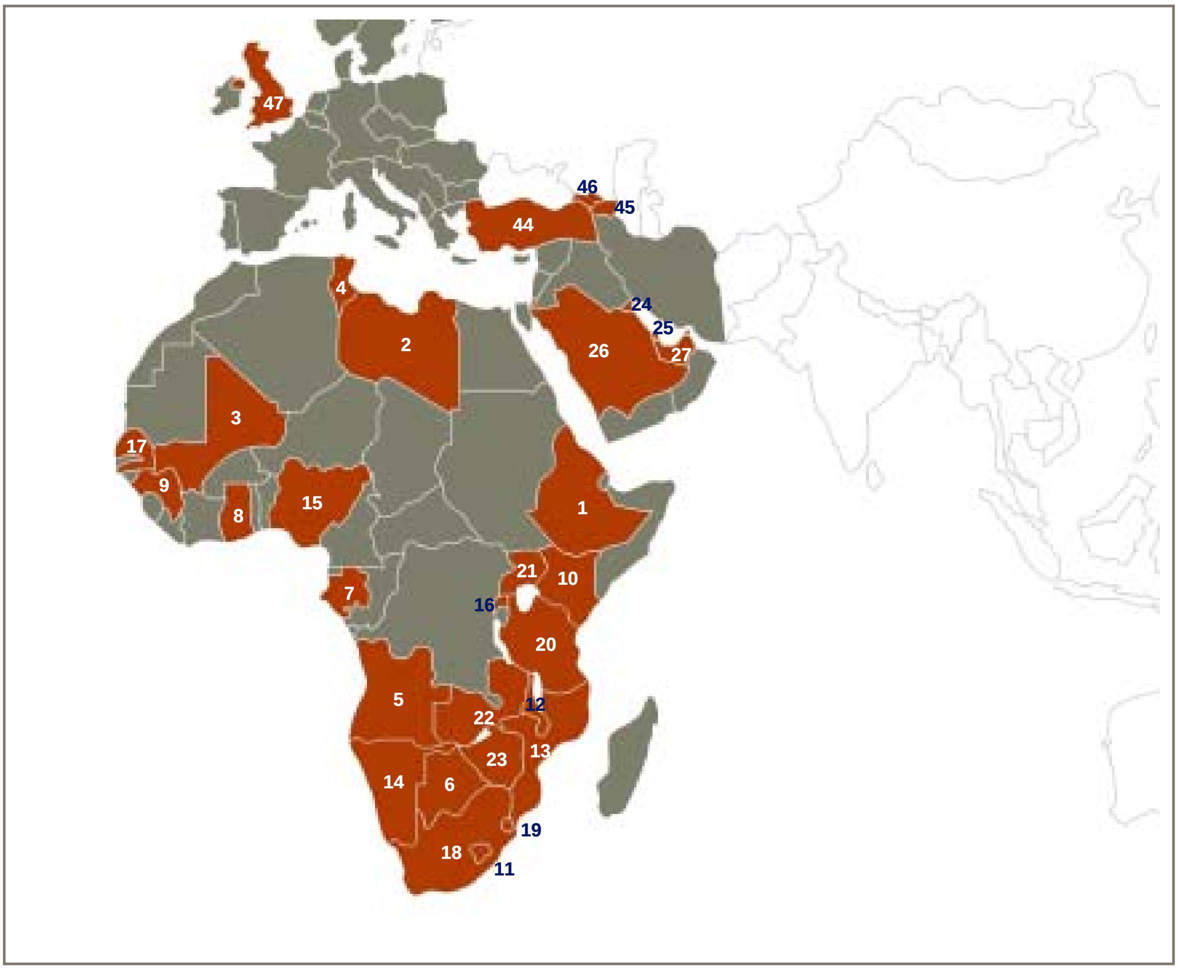
Steel & Allied
Trading and processing

Cement
Manufacturing

Note: 100% held unless percentage holding shown.

Countries of operation

Africa and Middle East



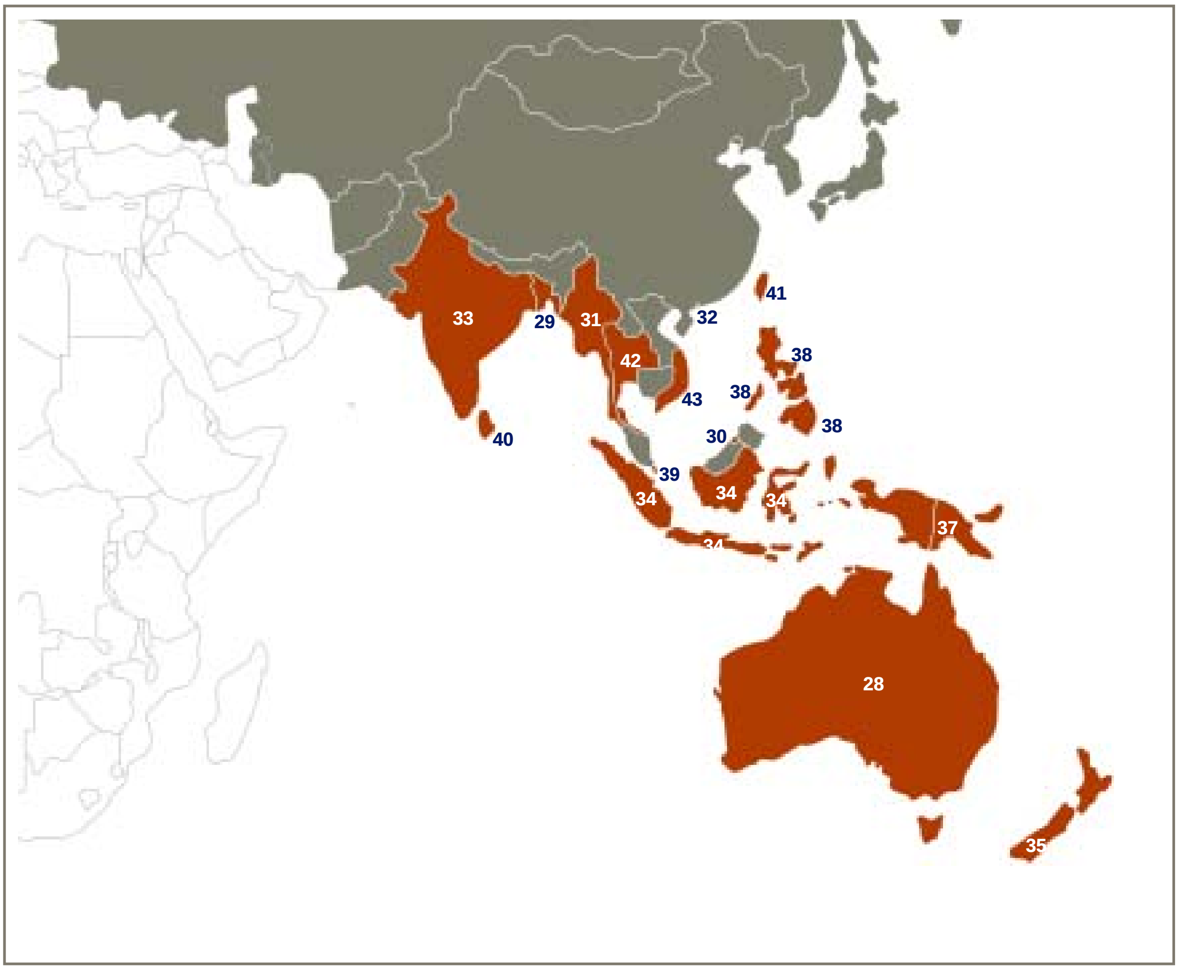
Africa and Middle East

1 • Ethiopia
2 • Libya
3 • Mali
4 • Tunisia
5 • Angola
6 • Botswana
7 • Gabon
8 • Ghana
9 • Guinea
10 • Kenya
11 • Lesotho
12 • Malawi
13 • Mozambique
14 • Namibia
15 • Nigeria
16 • Rwanda
17 • Senegal
18 • South Africa
19 • Swaziland
20 • Tanzania
21 • Uganda
22 • Zambia
23 • Zimbabwe
24 • Kuwait
25 • Qatar
26 • Saudi Arabia
27 • United Arab Emirates

Other

44 • Turkey
45 • Azerbaijan
46 • Georgia
47 • United Kingdom

Australia and South East Asia



Australia and South East Asia

28 • Australia
29 • Bangladesh
30 • Brunei
31 • Myanmar (Borneo)
32 • Hong Kong (P.R.C)
33 • India
34 • Indonesia
35 • New Zealand
36 • Pacific Islands
37 • Papau New Guinea
38 • Philippines
39 • Singapore
40 • Sri Lanka
41 • Taiwan
42 • Thailand
43 • Vietnam

Board of directors

Non-executive directors

1 Richard Savage, **(59)**
Chairman
(Independent)
MCom

2 Phil Erasmus, **(61)**
Deputy chairman
Chairman remuneration and nomination committee,
(Independent)

3 Colin Campbell, **(65)**
Chairman, audit committee, CA(SA)

1 Ami Mpungwe, **(51)**
BA (Hons)

2 Mervyn Taback, **(55)**
BCom LLB; H Dip Tax

3 Mike Doyle, **(56)**
Managing director, Alpha (Pty) Limited
BCom

4 Vincent Mntambo, **(44)**
BJuris, LLB,
LLM (Yale)
(Independent)

5 James Hersov, **(37)**
MA (Cantab)
(Independent)

6 Peter Owen, **(62)**
CA(SA);
PMD (Harvard)
(Independent)

“An effective board dominated by non-executive directors having a broad range of skills and experience”

Executive directors

1 Frank Crowley, **(57)**
Group managing director
Grinaker-LTA Limited
Pr Eng; BE (Civil)

2 Howard Jones, **(53)**
Executive director
Pr Eng; BSc Eng (Civil);
MSAICE; MSAIOB

3 Carl Grim, **(51)**
CE
Pr Eng; BSc Eng (Civil);
BA; MBA; MSAICE

4 Dennis Gammie, **(48)**
Financial director
CA(SA)

5 Wolf Wassermeier, **(58)**
Executive director

To read more about the directors, please turn to page 12

Directors' profiles

Non-executive directors

Richard Savage
Chairman
(Non-executive)
MCom
Age 59

Richard Savage was previously managing director of Haggie Limited. He joined Anglovaal Industries Limited in 1991 and was appointed managing director in 1996. He continued as a director of Aveng Limited on its listing and succeeded Basil Hersov as chairman in 2001. He is a director of Alpha (Pty) Limited, Grinaker-LTA Limited, and Trident Steel Holdings (Pty) Limited. Richard is also the chairman of ING Barings Southern Africa Limited, and a director of Goodyear South Africa and Air Liquide Southern Africa (Pty) Limited. He is a governor of Rhodes University.

Phil Erasmus
Deputy chairman
Chairman of the remuneration committee and the nomination committee.
(Non-executive)
Age 61

Phil is the retired chief executive of Tanker Services and former head of the Imperial Transport division until his retirement in 1995. He is a director of Imperial Holdings Limited.

Colin Campbell
Chairman, audit committee
(Non-executive)
CA(SA), FCA, PhD (Harvard)
Age 65

Colin Campbell joined LTA's Steeledale operations as a financial manager in 1965. He became managing director of Steeledale Reinforcing and Trading in 1972 and then a director of LTA Limited in 1974. In 1983 he was appointed deputy chairman of Steeledale. Three years later he became chairman of Steeledale and then three years after that deputy group managing director of LTA. In 1994 he became the managing director of LTA, then in 1999 the chairman, retiring in December 2000. In November 2000, Colin joined the Aveng board as a non-executive director. In 1998 he served as president of SEIFSA.

Ami Mpungwe
Non-executive director
BA (Hons)
Age 51

Ami Mpungwe was appointed Tanzania's first High Commissioner to South Africa in 1994. Prior to that, he served as advisor to the President and director of Africa and Middle East in the Foreign Ministry. Since his early and voluntary retirement from the diplomatic corps he has been appointed to several company boards in both South Africa and Tanzania.

In 1999 Ambassador Mpungwe received the Order of Good Hope from President Thabo Mbeki, South Africa's highest award granted to foreign citizens for his contribution to peace, democracy and economic change in Africa, the SADC region and South Africa, and for establishing close bilateral ties between South Africa and Tanzania.

Mervyn Taback
Non-executive director
BCom, LLB, H Dip Tax
Age 55

Mervyn Taback is the senior partner of Tabacks, a leading Johannesburg-based legal firm. He has had a long association with Alpha and Trident and was involved in both the Grinaker and LTA schemes of arrangement and in the restructuring of Anglovaal which resulted in the formation of Aveng. Prior to forming Tabacks in October 2000, he was a director of Deneys Reitz and a senior member of that company's commercial and corporate division.

Mike Doyle
Managing director, Alpha (Pty) Limited
BCom
Age 56

Mike Doyle joined Alpha in January 1971 and held various financial and general management positions in the Alpha Group, including general manager of Natal Portland Cement Company Limited from 1984 to 1989. In 1990 he was appointed director of the Stone and Ready-Mixed Concrete division and in April 1996, became the director of Group Management Services. In 1998 Mike was appointed managing director of Alpha Limited. He is currently chairman of Natal Portland Cement Company (Pty) Limit, Tanga Cement Company Limited (Tanzania) and the Cement and Concrete Institute.

Vincent Mntambo
Non-executive director
BJuris, LLB, LLM (Yale)
Age 44

Vincent Mntambo is a director of Sediba Consulting, a consultancy specialising in organisational development, strategy development and implementation, performance management and business transformation. He is also the current non-executive chairman of the governing body of the Commission for Conciliation, Mediation and Arbitration and a non-executive director of Eyesizwe Mining (Pty), Eyesizwe Coal (Pty) and Everest Systems Solutions (Pty).

He is a past president of the South African Association for Conflict Intervention. From April 1995 to April 1998 he was Director-General of the Gauteng Provincial Government.

James Hersov
Non-executive director
MA (Cantab)
Fulbright Scholarship
Age 37

James Hersov was the co-founder and joint managing director of Otterbea International (Pty) Limited from 1989 to 1994. James joined Anglovaal Limited in 1994. From 1997 he was an executive director of Anglovaal Industries Limited with specific responsibility for strategic planning, investor and public relations and corporate finance. He is a director of Anglovaal Industries Limited and Control Instruments Group Limited.

Peter Owen
Non-executive director
CA(SA), PMD (Harvard)
Age 62

Peter Owen worked for the LTA Group in South Africa, Australia and the United Kingdom. In 1981 he became managing director of LTA Construction Limited, the holding company for all building, civil engineering and earthwork operations and an executive director of the listed company, LTA Limited. He retired as an executive director of LTA in 1998 and was appointed a non-executive director of Aveng Limited in 2000. He is also chairman of Boart Longyear Europe's audit committee.

Executive directors

Frank Crowley
Group managing director, Grinaker-LTA Limited
Pr Eng, BE (Civil), FSICE, FSAICE, FSAAA
30 years service
Age 57

Frank Crowley joined LTA in 1971 on contracts for roads and railways in South Africa. In 1978 he became the managing director of LTA Earthworks North and thereafter chairman. In 1986 he was appointed the managing director of LTA Earthworks Division. Two years later he became the managing director of LTA Civil and Earthworks Division and then in 1989 the chairman. In the same year he became a director of LTA and in 1996 the deputy group managing director. In 1999 he was appointed group managing director. Frank is a director of McConnell Dowell Corporation which is listed on the Australian and New Zealand stock exchanges. In 1997 he was president of SAFCEC.

Howard Jones
Executive director
Pr Eng BSc Eng
(Civil) MSAICE, MSAIOB
30 years service
Age 53

Howard Jones joined Grinaker in January 1972 as a site engineer in Phalaborwa. He spent four years on various contracts in Northern Natal as a site agent. In 1975/76 he joined consulting engineers, Horne, Glasson and Partners as a design engineer in order to obtain his Pr Eng qualification. Appointed a director of Grinaker Civil Engineering Transvaal in 1982, he was transferred to the building division in 1984 and assumed the position of managing director of Grinaker Building Inland in 1989. In 1994 Howard was appointed to the board of Grinaker Construction Limited as executive director of the building division, and was promoted to the position of group managing director in 1998 and director in July 1999. In 2001 Grinaker Construction Limited and LTA Limited merged to form Grinaker-LTA Limited. Howard is a deputy group managing director of the merged Grinaker-LTA Limited.

Carl Grim
Chief executive
Pr Eng; BSc Eng (Civil); BA; MBA; MSAICE
4 years service
Age 51

Carl Grim acquired varied on-site experience in the construction industry before joining Darling & Hodgson Limited as marketing manager in 1982. He was appointed managing director of Blue Circle Cement in 1988, in 1992 managing director of Darling & Hodgson Limited, and in 1995 managing director of the Materials Operating Group of Murray & Roberts Limited.

In 1998 Carl resigned from Murray & Roberts to take responsibility for Aveng Limited, which was listed in July 1999. He is a director of Grinaker-LTA Limited, Alpha (Pty) Limited, Trident Steel Holdings (Pty) Limited and McConnell Dowell Corporation Limited, which is listed on the Australian and New Zealand stock exchanges. Carl Grim is a past president of SEIFSA and serves on the Construction Industry Development Board and the board of the National Business Initiative.

Dennis Gammie
Financial director
CA(SA)
4 years service
Age 48

Dennis Gammie spent nine years with the Imperial Group, where he held financial and other directorships. He joined Murray & Roberts Limited as financial director of the Materials Operating Group and after the sale of Blue Circle Limited was appointed to the board of Murray & Roberts Limited as financial director. Dennis joined Aveng Limited as financial director in October 1998. Dennis is a director of Grinaker-LTA Limited, Trident Steel Holdings (Pty) Limited and Alpha (Pty) Limited.

Wolf Wassermeier
Executive director
34 years service
Age 58

Wolf Wassermeier was the co-founder and owner of JC Groenewalds Construction, which was founded in 1968. This company was acquired by LTA in 1980. Until 1986, when the LTA Autecon MEIP division was formed, he was the managing director of a number of companies. He became chairman of the Autecon MEIP and Process Engineering divisions in 1994. He was appointed a director of LTA in 1994. In 1999 he was appointed chairman of Steeledale and deputy group managing director of LTA. Wolf is a deputy group managing director of Grinaker-LTA Limited.

Chairman's statement

Richard Savage, *Chairman*

"Aveng welcomes the greater attention paid to issues of corporate governance and corporate social responsibility"

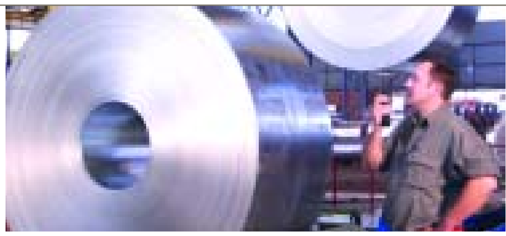
The world is a very different place from 12 months ago. Last year it seemed as if the greatest threat Aveng would face, would be slow growth in the major economies and the impact that this would have on South Africa and other developing markets.

The past year has been one of the most turbulent in recent times and especially challenging for business. It is not only the tragic events of September 11 that have unnerved nations, but the more recent scandals and grand failures in the corporate world have also created an environment of doubt and distrust among investors and the broader public. In this significantly more complex and volatile environment businesses today more than ever before need to consider a myriad of new challenges in charting their way forward. Needless to say, none of this has been conducive to buoyant markets.

It is against this background that Aveng reports its results for the year ended 30 June 2002 and shareholders have every reason to be particularly pleased with the outcome.

Financial results

Bolstered by strong order books, revenue grew 28% to R13,2 billion, with 45% deriving from outside the rand monetary area. Operating income increased 50% from R431 million to R644 million and the group's operating margin improved from 4,2% to 4,9%, reflecting the wisdom of the decision to focus on quality work rather than quantity. Pre-tax income at R505 million was 40% ahead of the previous year. At the attributable level, earnings were R363 million (2001: R268 million) and after adjusting for amortisation of goodwill and non-trading items, headline earnings amounted to R421 million (111 cents a share). The board is proposing



• Nico Laas

• Koos Kleynhans, Simon Majwano

a cash dividend of 27 cents a share for the year, which is 20% higher than the 22,5 cents declared for the prior year.

The group's balance sheet remains strong and it is a considerable achievement to have reduced the gearing from 55% to 43% in the year. In fact there has been a marked improvement in all the key financial ratios used to measure the group's performance.

Strategy

Aveng has continued to review its strategy and vision. The outcome of these deliberations is concisely expressed in the final phrase of Aveng's vision statement "to deliver consistent long-term value for all stakeholders". In today's increasingly volatile world it is vital to continually refine group strategy so that it remains appropriate to the ever-changing conditions in which Aveng operates.

The Grinaker-LTA integration is now substantially complete and given the obvious challenges posed by such a merger it is gratifying to report its success; a tribute to all the people involved. History shows that the majority of mergers fail, not because the deal was unsuitable but rather because the spirit was unwilling.

The driving commitment of our people to build an outstanding and united company has made Grinaker-LTA the success it is today.

Good progress has also been made in tightening the focus of the group. Assets such as Alpha's interests in Ash Resources, Slagment and Natal Portland Cement, are in the process of being reviewed. Alpha's holding in Omnia has been sold. This will result in Aveng being an even more focused construction-related group and more effective in achieving its objectives.

Triple bottomline

Aveng welcomes the greater attention now being paid to issues of corporate governance and corporate social responsibility. The group's philosophy is to deliver superior financial performance whilst being a responsible corporate citizen. To be sustainable, businesses must also be held accountable for the environmental and social impact they have on the broader community. Aveng recognises these responsibilities in all its activities. In addition, increased focus has been paid to governance and transparency in all areas of the group's business.

Chairman's report *(continued)*

"The challenges of the past year have highlighted the mettle of the people at all levels in the Aveng group"

Significant strides have been made in ensuring compliance with best international practice. Aveng is committed to substantially implementing the recommendations of King II and is well on the way towards full compliance.

In the areas of the environment and safety, Aveng is also taking a leadership position.

Black economic empowerment

Aveng wholeheartedly supports the government's black economic empowerment initiatives. The group's experience is that real and enduring empowerment is most successful when carried out at the business unit level. An example of Aveng's approach is for a business unit to establish a new company, in partnership with an empowerment shareholder, in an area where the unit has particular expertise. Initially the Aveng company may hold the controlling interest and provide technical assistance whilst the empowerment shareholder will manage the business. As the company matures, skills are transferred and confidence is gained, the shareholding is reduced until the business unit ultimately withdraws. This formula has proved to be successful and later in the report there is a list of the companies in which Aveng still has partnerships with empowerment shareholders.

Looking ahead

At the time of writing, Africa, and in particular South Africa is in the spotlight both as the host nation of the World Summit on Sustainable Development and the lead sponsor of Nepad. It is encouraging that the world, somewhat chastened following the events of 2001, recognises that Africa has an important role to play in global economics and that it is receiving much needed support from the wealthier nations in the world. Geared as it is to sustainable growth by promoting peace, stability, democracy and good governance, Nepad should be championed by those who have Africa's best interests at heart. A successful and more prosperous Africa will deliver real long-term benefits for many on the continent.

• Lihle Mukwanyana and team

• Benedict Matia

Closer to home, Aveng embarks on the new financial period in a strong position, with a full and well balanced construction order book, strong demand for its steel products particularly from the rapidly expanding motor manufacturing industry and an expectation that cement demand will grow. The economic indicators in South Africa are looking favourable even though the global economy is not yet showing clear signs of recovery.

However as the events of 2001 showed, these are volatile times and all that can change overnight. What will set Aveng apart is its ability to deal with circumstances as they arise. The group is well positioned for the year ahead and has strict cash management as its priority. I have every confidence that given an operating environment akin to that we have just experienced, Aveng will be able to achieve growth in diluted headline earnings per share similar to that which we report here, reinforcing our record of delivering consistent long-term value.

Appreciation

The challenges of the past year have highlighted the mettle of the people at all levels in the Aveng group. I would like to pay tribute to them for the achievements of the past year, particularly those in Grinaker-LTA who had to face greater uncertainty than most. It is only because of all their efforts that Aveng can report this set of excellent results.

I wish to thank our UK based director Peter Owen, who is not making himself available for re-election at the annual general meeting, for his diligent and valuable contribution over the past three years and for helping the group to successfully achieve its international aspirations.

I would also like to express my appreciation to my fellow directors for their continued support and wise counsel throughout the year. On behalf of shareholders, I would like to thank Carl Grim and the senior executives and look forward to another year of working together with them.

Richard Savage
Chairman
6 September 2002

Chief executive's report

Carl Grim, *Chief executive*

> "Unquestionably the great achievement of the past year has been the simultaneous delivery of rapid generic growth, improved profitability, and the successful integration of Grinaker-LTA"

The most important achievements of the past year were:

- Integrating the construction and steel acquisitions, enhancing joint capabilities and witnessing customers support our actions by boosting generic revenue by 28%.
- Generating 45% of this revenue outside the rand monetary area, compared to 35% in the prior year.
- Absorbing all rationalisation costs and still delivering a 50% growth in operating income.
- Growing the group's return on average equity for the fifth consecutive year, increasing it from 17,2% to 18,4% in the past year.
- Reducing the group's net debt to equity ratio from 55% to 43% in spite of having to fund substantial revenue growth and capital expenditure that exceeded depreciation by R339 million.
- Delivering an earnings growth of 35% and diluted headline earnings per share growth of 24%.
- Growing our order book by 20% to R9,8 billion, but more importantly adding major projects such as the Mozambique pipeline contract for Sasol.

Subsequent to the year-end, Alpha (Pty) Limited sold its 34% interest in Omnia Limited for approximately R155 million net of expenses. Powercell, a battery manufacturer in Zimbabwe was sold.

Construction

The Construction cluster is made up of the construction businesses in Grinaker-LTA and the 63% held Australian based McConnell Dowell Corporation Limited. Given the direct costs and the far greater indirect costs associated with the Grinaker-LTA rationalisation, Construction performed well to register substantial growth for the period:

• Revenue	up 27%
• Operating income	up 36%

Construction

Grinaker-LTA

Frank Crowley • Deputy Howard Jones

- Building
- Civil and Earthworks
- Mechanical and Electrical
- Process Engineering
- Opencast Mining
- Properties

63%

McConnell Dowell Corporation

David Robinson

- Civil Engineering
- Mechanical Engineering
- Electrical Engineering
- Pipelines

Suncoast Casino

Wiseman Nene, Norman Jiyane

Talbot Mayalo and team

Chief executive's report (continued)

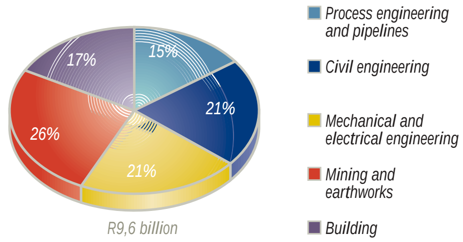
"Grinaker-LTA's move from 50th to 46th position in the recently published ENR Top 225 International Contractors list for 2001 underlines the company's growing international significance"

Unquestionably, the great achievement of the past year was the second phase integration of Grinaker-LTA under the able leadership of group managing director, Frank Crowley. The temporary two-pillar structure of "Construction and Development" and "Engineering and Mining Services", was replaced on 1 July 2002 with a fully integrated one line structure of seven large and well positioned business units. Wolf Wassermeier has been appointed as a second deputy group managing director and Howard Jones takes over from Frank Crowley as group managing director on 1 July 2003. Thereafter Frank will retain responsibility for McConnell Dowell Corporation and will drive the group's Australian and South East Asian strategy.

The seven newly constituted Grinaker-LTA business units are all significant businesses in their own right and are led by broadly experienced managing directors with strong leadership qualities:

• Building:	Geoff Skeen
• Civil and Earthworks:	Hylton Macdonald
• Infrastructure and Mining Services:	Doug Keet
• Mechanical and Electrical:	Eddie du Rand
• Opencast Mining:	Adrian Ball
• Process Engineering:	Graham Browne
• Properties:	Mike Crawford

Construction – cluster revenue: 2002



Platinum mineworks

New ACSA exit bridges at Johannesburg International Airport

Because Ntila, Wiseman Nene, Norman Jiyane

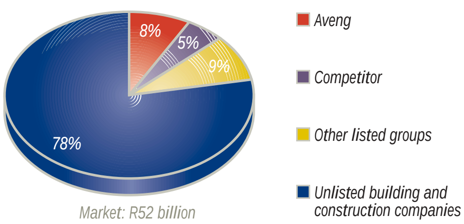
Simon Rdimande, Johannes Phaleng

"McConnell Dowell has 40 years of experience and an impressive footprint in the strategically important and rapidly growing South East Asian market"

The settling down of these business units and the group overhead cost rationalisation process will be finalised in about nine months' time when the Grinaker-LTA head office moves from Sandton to Jet Park, closer to the business units.

Construction's other significant achievement during the period was the turnaround at McConnell Dowell Corporation. Under the able leadership of David Robinson, and with substantial input from Frank Crowley, McConnell Dowell has grown its order book from the low levels of two years ago to an acceptable 85% of the past year's revenue.

Construction – domestic market shares: 2001/2002



Source: LHA

Operating income has improved significantly from A$0,5 million a year ago to A$7,5 million. Net profit after tax improved from A$1,1 million at June 2001 to A$5,7 million for the year ending June 2002.

McConnell Dowell has 40 years of experience and an impressive footprint in the strategically important and rapidly growing markets around Australia, including South East Asia, where it generates approximately half its work. McConnell Dowell's skills mesh well with those of Grinaker-LTA, their principal business units being:

- Civil Engineering – focused on marine structures
- Pipelines – focused on oil and gas
- Mechanical and Engineering – focused on mining and energy.

The third major success of the year was the quality of the work Construction tendered for and won. Some of the important projects include the Mozambique pipeline, the Durban harbour expansion and the five year opencast

New Consort Gold Mine sulphuric acid plant

Bolani Motomani, Simon Rdimande

Suncoast Casino

Lloyd Phele, Petrus Ralebakeng

Chief executive's report (continued)

"Overall Construction is strongly positioned with a two year order book of R9,8 billion, a healthy 103% of Construction turnover.

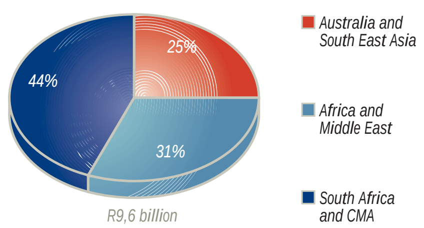
mining contract at Marikana Platinum. Overall, Construction is strongly positioned with a two year order book of R9,8 billion, a healthy 103% of construction turnover. It is preferable to actively manage the order book to between 70% and 100% of annual revenue. An order book substantially above a 100% could be as detrimental to profit growth as having too little work because resources are stretched and control difficult.

The current state of the order book places Construction in a position where it can be more selective about the work it targets and the clients it works for. While it is group policy to exclude work that extends beyond two years in calculating the order book, the group has a number of significant projects that extend to five years.

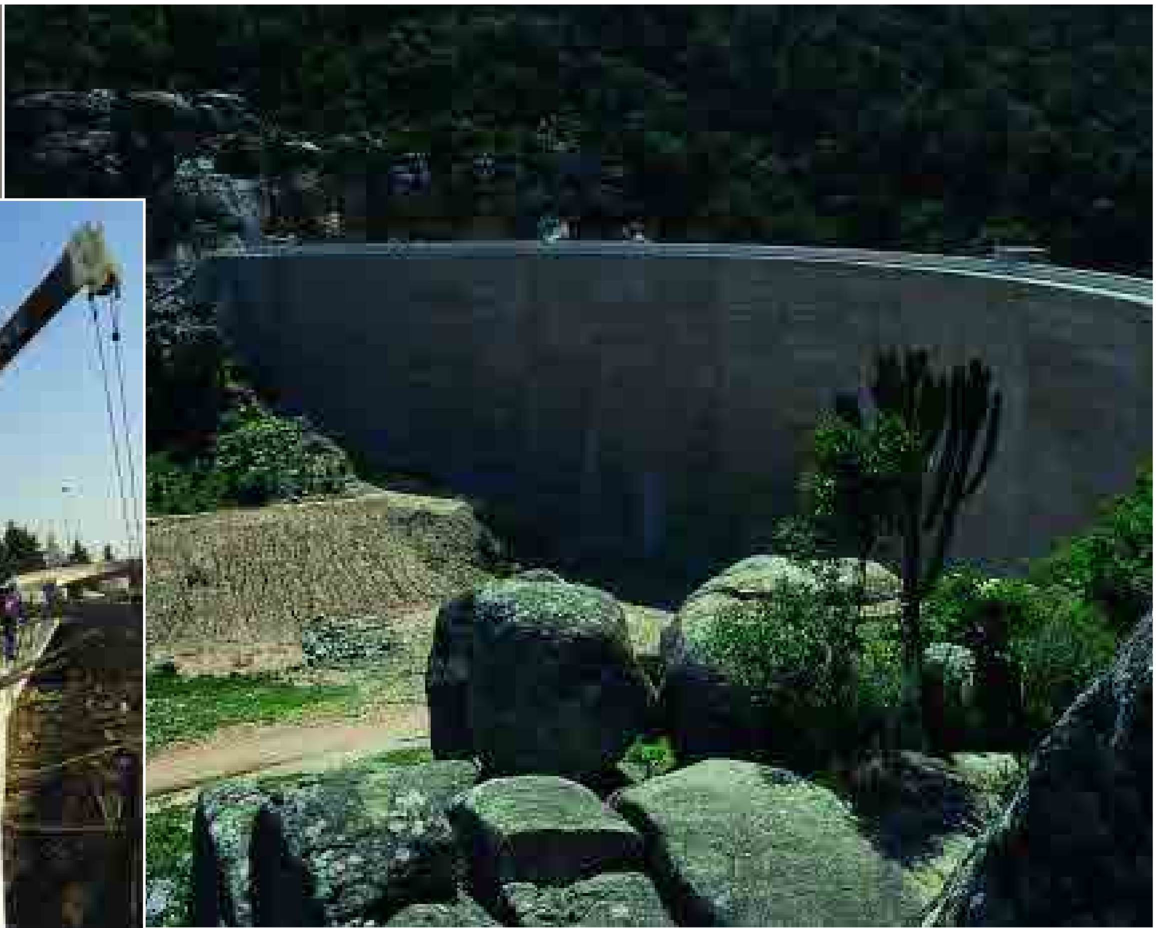
Looking ahead, capital expenditure in the construction cluster has been reduced from R638 million to R475 million for 2003. This amount is still 40% higher than the current year's depreciation, giving the group the flexibility to exploit top drawer opportunities as they arise.

Reviewing the past two years, leaves no doubt that Aveng's bringing together and then fully integrating two large construction groups into Grinaker-LTA was a sound strategy that will serve it well into the future. Grinaker-LTA's move from 50th to 46th position in the recently published ENR Top 225 International Contractors list for 2001 underlines the company's growing international clout. Grinaker-LTA now has the specialist capabilities and Aveng the resource base to take on large and more complex turnkey projects in energy, mining and heavy infrastructure.

Construction cluster – geographic analysis



AVENG



Mount Shabezi Dam

Clifford Sekgarametso, Msimbisi Ngudle

Fistos Letsholo, Herman Swart

Nelson Mandela Bridge

"The board approved R106 million for a high speed press feedline to produce shaped blanks for the motor industry"

Steel & Allied

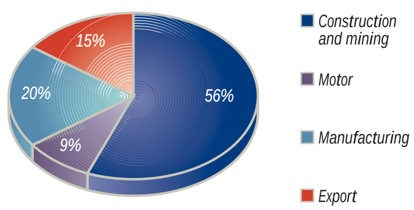
The Steel & Allied cluster is driven by businesses that trade and process steel for customers in the construction, mining, manufacturing and motor industries. The companies in the Steel & Allied cluster are Trident Steel and Grinaker-LTA Infrastructure and Mining Services, the latter company having grown out of the integration of the non-construction interests of Grinaker-LTA. These include reinforcing steel and mesh, roof bolts and other mine support systems as well as a range of wire products. Businesses manufacturing concrete products such as storm water pipes, railway sleepers and mine support systems are relatively small, but make an important contribution to the cluster's profitability.

Thanks to the rapidly growing local and export-driven steel market, Steel & Allied registered an outstanding performance for the year:

• Revenue	Up 30%
• Operating income	Up 68%

The integration of the Baldwins automotive businesses into Trident was efficiently accomplished – all credit to the quiet competence of Ernie Behr and the Trident Steel managing director, Ben Fourie and the team. Grinaker-LTA Infrastructure and Mining Services has been equally successful with the integration and subsequent rationalisation of its two reinforcing steel businesses previously housed in Grinaker and LTA. The mining products and services businesses have also been rationalised.

Steel & Allied revenue: 2002



Capital investment in the Steel & Allied strategic cluster was up 37% to R94 million, the biggest project being the

Steel & Allied

Grinaker-LTA Infrastructure and Mining Services

Trident Steel

Ernie Behr • Deputy Ben Fourie

- Trident Service Centres
- Trident Sterling Tube
- 80% Trident Midrand Steel
- 30% Tshipi Steel

December Motsoene

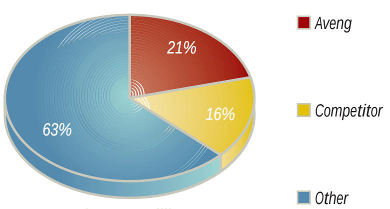
Johannes Manyathi

Vincent Thwala, Oscar Letshele

"The integration of the Baldwins automotive businesses into Trident was efficiently accomplished"

new R57 million steel service centre in Port Elizabeth. During the year the board also committed R106 million to the establishment of a high speed press feed line to produce shaped blanks for the motor industry. Commissioning is scheduled for May 2003. Steel & Allied's planned capital expenditure will increase substantially in 2003 to R230 million.

Steel – domestic market shares: 2001/2002



Market: R3,9 million tons

Source: LHA

Structural steel sales into mining and energy construction projects have been strong while the motor and steel-based manufacturing businesses have been particularly buoyant over the past year, largely the result of export driven demand. Iscor reports that local sales for the year ending June 2002 are up by 19%, however, demand in this sector is likely to decline as a result of the substantial steel price increases of the past few months.

Cement

Alpha (Pty) Limited volumes tracked industry sales volumes which declined by 2,6% year-on-year during the second half of calendar 2001 and grew by 0,6% year-on-year in the next six months. The result was a disappointing volume decline of 1% for the Aveng financial year.

Despite the decline in cement volumes Alpha contributed a strong performance due to cost and margin management:

• Revenue	Up 15%
• Operating profit	Up 43%

Alpha is forecasting a 1% cement volume growth for the year ahead.

Cement

Alpha
Mike Doyle

SA Cement Operations

62,5% Tanga Cement

33% Natal Portland Cement

33% Slagment

25% Ash Resources

Daniel Leksha, Gordon Veba, Innocent Ngwena, Paulost Msibi

Alpha readymix cement pouring at the Nelson Mandela Bridge

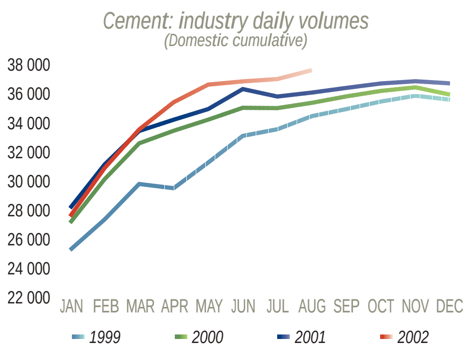
Simon Sapaela, Alfred Phokela

Pemington Maneli

Chief executive's report (continued)

"Alpha has now embarked on a three-year R340 million efficiency programme"

Regional volumes have remained largely static, except for the Gauteng province which is showing a strong 8,4% year-to-date growth and now constitutes 33% of domestic cementitious material demand.



While average achieved cement prices reflect reasonable growth in rand terms, recent declines in the rand/euro exchange rate have impacted on Alpha's ability to justify planned capital projects. An example is the current work being carried out to modernise the Dudfield No 3 kiln where 56% of the capital cost is linked to the euro. Alpha's inability to achieve cement price increases to adequately compensate for the continuing weakening of the rand will eventually impact on its ability to maintain world-class production facilities.

Alpha operates an aggregate and ready mixed concrete business that complements 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 pozzolanic extenders for use in cement and concrete. The nature of Alpha's involvement in these two companies is under review. It was recently announced that Alpha sold its non-core interest of 34% in the fertiliser and explosives group, Omnia Limited for R12,50 per share realising R176 million.

Alpha holds 33% of Natal Portland Cement and has a management contract to run the company. In March this year PPC Limited announced that it had sold its 33% stake to Cimpor, the international cement

Jan Mathobiso, Jack Moloto, Siphelo Lufele

Obed Lepote, Moseo Sithole

Joseph Rasivhetshele

Pipeline installation
McConnell Dowell

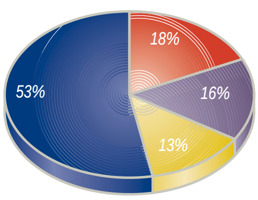
Chief executive's report (continued)

company with headquarters in Portugal. The competition authorities have subsequently given their approval to Cimpor acquiring 100% of NPC. Lafarge, the third shareholder of NPC and an important shareholder in Cimpor, has indicated its intention to sell. Alpha is negotiating the sale of its shareholding in NPC.

Tanga Cement, the largest cement producer in Tanzania has recently announced an initial public offering of its shares whereby the government of Tanzania will dispose of its 40% interest in the company. Alpha's current interest will increase from 60% to 62,5%, Tanga Cement's employees will acquire 5% and the remainder of the equity will be sold to the general public.

The three-year Alpha 2000 revenue enhancement and cost-reduction project formally came to an end in December 2001. An audit of the project's results compared to the original objectives, concluded that the programme had been an outstanding success – a tribute to the team at Alpha. Continuous improvement is now a way of life at Alpha and profitability improvement is part of the culture.

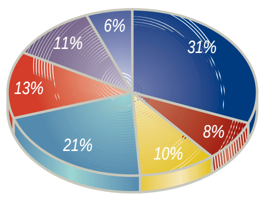
Cement: client sectors



Alpha has now embarked on a three-year R340 million efficiency programme, the first project being the modernisation of the Dudfield No 3 kiln.

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 in terms of cost performance.

Cement: geographic consumption



Objectives

Following a recent review of the group's progress over the past three years and an assessment of future opportunities, the board has revised Aveng's long-term performance objectives to the following:

• Return on average equity:	20%
• Diluted headline eps growth:	20%
• Hard currency revenues:	50%
• Net debt to equity:	35%

In line with common practice, the return on average equity target is expressed in nominal rather than in real terms. The diluted headline earnings per share growth

Construction of steel plant in Port Elizabeth

Eleck Selepe, Joshue Mbuli

Sheldon Klassens

"A risk balancing orientation is the group wide priority and its integrating strategy"

objective replaces the previous "top 3" objective that linked our price to earnings ratio to that of the sector, as it allows for more objective measurement and review. The hard currency objective is now revenue based and has been doubled. Finally, in response to investor requests, the group's long-term gearing target has been explicitly stated.

These are long-term targets which, as in the case of return on average equity, may take some years to achieve. Others may be exceeded from time to time, as is currently the case with the growth in diluted headline earning per share. The hard currency objective will be influenced by the amount of potentially profitable work available locally and the debt to equity ratio by our acquisition or disposal activities from time to time.

Values

Values enunciated in an annual report, if done honestly, can be no more than a restatement of what is already present and readily observable in the business. Values reflect the "personality" of the company, not easily changed but fundamental to the way in which its people act and make day-to-day business decisions. We believe the following three concepts accurately portray Aveng, its subsidiaries and close associates.

• *Integrity*

Much of our business depends on maintaining solid ongoing relationships with key clients – often themselves leading players in their respective industries. If these relationships are to last, they must be built on mutual trust. The same applies to our relationship with investors and all our other principal stakeholders.

The group's code of business conduct, reproduced in this annual report to shareholders, grew out of considerable interaction and debate at the main board and subsidiary boards, following which it was formally adopted by our board and committed to by all senior personnel. It is

Philemon Kapa, David Mogano, Moses Simelane

Alpha cement plant in Lichtenburg

Johannes Mans, Shadrac Sekete

Trucks on location in Lichtenburg

Chief executive's report *(continued)*

"Last year we awarded 126 engineering and other bursaries and 93 learnerships"

supported further by group corporate governance disciplines which are accepted at all levels of the business.

In the final analysis, integrity is reflected in the ability of individuals in the organisation to "make it happen". This applies equally at all levels. We believe passionately in delivering on our promises.

An ability to "deliver" differentiates successful companies from the others and is particularly pertinent in the construction environment where our business dealings are structured around meeting deadlines as well as cost, technical and other constraints.

• *Quality*

Quality goes beyond a rigorous compliance with numerous ISO and other quality codes, where our group companies' accreditations are among the best in the industry. For Aveng, quality is an attitude of mind, a determination to do the job properly first time and, where possible, to exceed client expectations. Quality service is a willingness to help, demonstrated by every person in the organisation.

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. These important issues are reported on in more detail elsewhere in this report.

Our quality drive is more than just a desire to be a responsible employer or corporate citizen. The group's very existence, particularly in the more competitive international environment depends on the quality of its work as well as its safety and environmental record.

Finally, and most importantly for our shareholders, quality as a concept incorporates the quality of earnings. We are committed to adopting a conservative approach to the way in which we account for construction and other profits. Aveng is determined to deliver consistent long-term value.

• Alpha cement containers

• Even Maruping

• *Entrepreneurial spirit*

It's difficult to capture in one word or phrase the spark that distinguishes the Aveng companies from their competitors. It is often epitomised by an aversion for memos and reports, and in some instances for meetings; but always by a readiness to work day and night if required to do so and by a deeply ingrained desire to "get out there and make money". It also reveals itself through the loyalty demonstrated by long service across organisational levels in all the businesses.

We are particularly careful to nurture that spark. With it comes an entrepreneurial spirit, vitality and that priceless attribute of ingenuity. 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. A "can do" attitude underpins our thinking.

However, a public group cannot countenance an undisciplined buccaneering approach to business. Solid governance and disciplined risk management is part of the formula.

An entrepreneurial spirit, delivering the best possible blend of vitality, ingenuity and governance is promoted in three ways:

- By attracting the right people. Last year the group awarded 126 engineering and other bursaries as well as 93 learnerships. Being a leading company in our sector and operating internationally, does help to attract the best.
- By putting an enormous amount of effort into training – only partially reflected in the direct cost of R15 million incurred during the past year.
- By adopting a decentralised organisational structure, autonomy is given to relatively junior operating executives who are held accountable for their entities' performance and incentivised appropriately.

Vision

The vision statement published at the time of Aveng's listing articulated the desire to be "globally competitive", meaning a growing success outside the home country; a sound reputation for integrity, quality and safety; and an ability to deliver consistent long-term value for all stakeholders (triple bottomline).

"We want to do the kind of work where our specialist capabilities add real value for clients"

The newly adopted vision statement brings together the group's objectives, its values and the existing product-market focus to broadly encapsulate our dream. Painting a picture of what we desire Aveng to look like in the future, we see:

"A South African construction-related group:

- generating substantial hard currency revenue elsewhere in the developing world;
- employing people widely respected for their integrity, quality of work and entrepreneurial spirit; and
- delivering consistent long-term value for all stakeholders".

This last phrase in our vision statement is particularly important as it commits the group to achieving the ultimate in performance deliverables.

Strategy

Clearly, group strategy is directed at making our vision a reality.

Aveng has styled itself as a holding company with three large and operationally autonomous operating groups. Two are wholly owned subsidiaries and the third, a 46% held equity accounted investment. Aveng executives are intimately involved with subsidiary operating groups in the formulation of overall group strategy, the approval of operating budgets and subsequent performance reviews. While operating groups are held accountable for performance, Aveng is the custodian of overall group strategy. Central to that strategy is the interplay of the corporate office, operating groups and business units to build a balanced risk profile for the group as a whole. This is the group-wide common strategic theme.

The primary challenge in any construction orientated environment is risk management. Risk cannot be eliminated, and most often the nature of its impact is difficult to predict. One risk can however be balanced against another risk that has different dynamics so that the group's overall exposure is minimised. Similarly, those businesses or projects having lower risk, can be balanced against others with a potentially higher or a less understood level of risk.

In the past, Aveng's strategy has been directed at balancing the lower risk southern African based

• Sam Duba, Lood Marais

• Pipeline installation McConnell Dowell

construction, steel and cement businesses against higher risk international construction opportunities with hard currency growth potential.

Given the successful conclusion of the acquisition, integration and rationalisation initiatives of the past three years, the "balancing of risk" strategy can be extended to encompass the already well developed risk-management orientation of the operating groups and their business units.

With the above in mind, Aveng's strategy can be summarised as follows:
"To maximise value by balancing risk and opportunity throughout the group.

- The corporate office balances local cash generating businesses against higher risk hard currency opportunities.
- Operating groups mitigate risk further by spreading their work between businesses having different levels of capital intensity and different revenue streams.
- Business units seek to balance low risk base-load work and higher profit margin opportunities".

This strategy is applied appropriately in each operating group and business unit. Grinaker-LTA for example, uses the Turnbull methodology to deal with risk at a macro level and a detailed and disciplined pre-tender review process to deal with micro risk.

Immediate priority

The rationalisation process within both the Construction and the Steel & Allied businesses has been substantially completed and all associated costs written off. Planned capital expenditure for the new year to June 2003 is approximately the same as the last year at R706 million, substantially exceeding the depreciation charge.

In spite of Aveng's willingness to continue to make capital available for growth, the group theme for the coming year will be cash management. Businesses will be consolidated further, working capital managed down and cash harvested. The drive for quality will result in the Construction order book growth levelling off and the revenue growth in Steel & Allied stabilising. The emphasis for the twelve months to June 2003 will be on improving operating margin rather than on boosting turnover, on quality rather than quantity

> "As the debt to equity ratio reduces further, Aveng will be on the look out for possible future growth opportunities in line with strategy"

of work. The past two years were about positioning and growth. The next two will reflect the benefit of that growth in the group's cash flow.

As the net debt to equity ratio reduces further, Aveng will be on the look out for possible future expansion opportunities in line with its strategy.

Prospects

Cement volumes are growing by about 1% per annum, a growth that will probably be maintained in the year ahead. South African cement-driven building and construction demand will grow at a similar pace. Government departments are demonstrating a welcome determination to spend their capital budgets, achieved for the first time this year by the Department of Public Works. Road maintenance initiatives are again being prioritised and the projected amounts to be spent are substantial. Civil engineering work will probably experience reasonable growth.

Looking further ahead, it seems increasingly likely that some of the mega projects such as the Gauteng Super-Highway System as well as the Wild Coast freeway will go ahead. The Gauteng Rapid Rail Link could follow. While they will not impact the year ahead, their contribution could be significant in future years.

Private expenditure, particularly on mining and energy projects, which is driven by international commodity pricing, will remain substantial for some years to come.

Local steel sales have grown by 19% during the past financial year – buoyed by aluminium, platinum and mining expansion as well as by export initiatives in the motor and manufacturing industries. The steel price increases of between 13% and 35% over the past nine months will reduce growth to some extent, but are unlikely to inhibit mega steel-based expansion projects.

• Knight's gold plant

• Aubrey Diphota

Internationally, competition remains fierce. Group companies have however demonstrated their ability to win work and turn a profit in those areas where they have specialised capability. We have been encouraged by the successes in Africa where Grinaker-LTA is increasingly well positioned. The Nepad initiative driven by our president, is of pivotal importance as its success could result in substantial spending on much needed African infrastructure, something with which group companies are particularly well positioned to assist.

South East Asia's fortunes are directly linked to those of the USA but McConnell Dowell is sufficiently well focused and the market big enough for them to win work under difficult circumstances.

Unless there is a substantial change to the operating environment in the year ahead, Aveng should be able to repeat the past year's growth in diluted headline earnings per share. The group will move closer to achieving the 20% return on average equity objective and aim to better the 35% net debt to equity target.

Hard currency revenues should be around 50% but will depend on the amount of profitable construction work available locally.

Acknowledgements

Simple thanks can never do justice to the considerable efforts of Aveng's 24 000 people. Without their solid dependability and day-to-day loyalty, often given under typically uncomfortable Third World construction conditions, these excellent results of which we are all so proud would not have been possible. I'd like to convey my heartfelt thanks and those of our senior executive team to our people, their partners and families.

We are equally grateful to our other stakeholders; to clients and shareholders for their support, to suppliers for the teamwork and to members of the general public for stoically tolerating our many heavy vehicles, road detours and the other day-to-day inconveniences for which we may have been responsible.

The marksman in Aveng's corporate emblem is highly focused, using his considerable skills and experience to score a bull's eye. For us, that bull's eye is consistent long-term value for all our stakeholders.

Carl Grim
Chief Executive
6 September 2002

Financial director's commentary

Dennis Gammie, *Financial director*

"The group wide focus over the next year will be on operating margins and cash flow management"

Shareholders' funds

Total ordinary shareholders' funds (equity) increased by 27% over the year. Outside of retained earnings, the more significant contributors to the increase in equity have been the conversion of the group's 40 million 5% convertible debentures for R176 million, foreign currency translation gains of R63 million and the disposal of the remaining 20,6 million treasury shares for R169 million, which were acquired to facilitate possible acquisitions.

The growth in equity has put pressure on the return on average equity, nevertheless growth from 17,2% to 18,4% was achieved. The reduction in investments in associates and joint ventures is mainly as a result of the repayment of a loan and capital from Alpha (Pty) Limited.

The net asset value per share has increased by 25% to 645 cents.

Borrowings

The group's net debt levels have reduced marginally over the year. There are a few reasons for this. The first is the higher steel inventory of approximately R100 million as a result of preprice increase buying, increases in the price of steel and other stocks, as well as the higher stock holding required to support the revenue growth of 28%.

Working capital was negatively impaired by the rapid international revenue growth experienced by Construction, together with the cash flow dynamics associated with this work. Upfront payments, on foreign building projects for example, are less common and progress payments much are slower. Variation orders and other changes to contract scope, with the inevitable payment disputes, are common place in international turnkey work. In spite of the initial negative cash flow implications, this type of work

• David Mphotywa, Istora Makeleketla

• Trucks loading up at Trident Steel

remains desirable and profitable. The net increase in debtors and creditors combined was R34 million, demonstrating the impact of this dynamic on both sides of the balance sheet.

Finally, in considering group debt levels, capital expenditure for the year exceeded depreciation by R339 million. Expansionary capital expenditure amounted to R316 million and replacement capital expenditure was R387 million. These investments will bear fruit in the future.

The net debt-to-equity ratio declined from 55% to 42%.

Earnings

Aveng's strategy to aggressively grow hard currency revenue was endorsed again this year and an estimated 8% of its 28% revenue growth can be ascribed to the unusually high depreciation of the rand against the US dollar.

At the earnings level the impact is muted as there is a natural hedge between offshore dollar earnings and dollar borrowings.

The slight decline of 0,4% in the gross margin percentage was a disappointment, clearly pointing to the increasingly competitive nature of our markets, particularly outside of South Africa. This decline was more than compensated for by tightly controlled operating expenses, resulting in an operating margin of 4,9% (2001: 4,2%).

The increased finance cost is due to the purchase of LTA being borne for the full 12 months during the current financial year, compared to eight months in the previous year. Growing business activity also contributed to the increased level of borrowings and higher finance costs.

Operating income increased by 50%, profit before tax by 40%, earnings by 35% and headline earnings by 29%. The growth in headline earnings and earnings per share was affected negatively by the impact of the conversion of the 40 million convertible debentures. Diluted headline earnings per share, which take account of the effect of shares and options allocated to senior executives, showed a growth of 24%.

"Our businesses are nicely balanced between those that are financially stable, and those that present opportunities for sustainable growth"

Segmental analysis

Construction and Steel and Allied showed similar rates of growth, retaining the 73%/27% balance between these two strategic clusters.

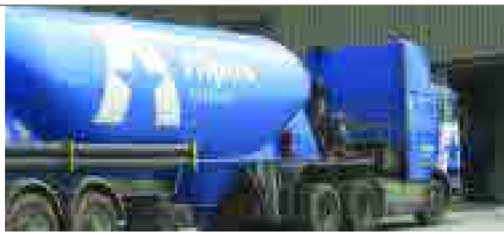
At the operating income level however, Steel and Allied grew by 68% – increasing its contribution to group operating income from 41% to 46%. The construction operating income margin improved from 3,4% to 3,6% and the Steel and Allied margin from 6,3% to 8,2%. The operating income to assets ratio improved in all instances.

As a result of specific capital projects, largely in opencast mining, the capital expenditure weighting was 87% to Construction. The year ahead will see a shift back towards Steel and Allied as planned expansion projects are implemented.

Geographically, the shift towards hard currency revenues has continued with the Common Monetary Area now accounting for only 55% of Aveng's revenue (2001: 65%). South African assets have reduced from 49% to 45% of total assets and capital expenditure from 50% to 48%, being evenly split between Construction and Steel and Allied. Geographical swings could reverse in the short term, depending on the availability of potentially profitable work in South Africa.

Credit rating

Aveng was awarded excellent ratings for both its long-term and short-term debt by two of the country's credit rating agencies. Fitch has assigned Aveng an A (zaf) long-term rating and a F1 (zaf) short-term rating while Global Credit Ratings (GCR) has given Aveng an A for its long-term debt and A1 for its short-term debt. These ratings confirm that the group has strong credit quality, sound protection factors and high certainty of timely payment.



• Alpha cement truck

• David Mogano

Corporate paper issue

Subsequent to the year-end, Aveng launched a R750 million commercial paper programme aimed at diversifying the group's funding sources and reducing its reliance on short-term bank loans. Commercial paper is issued to raise short-term money in the market as opposed to corporate bonds, which are long-term debt instruments and usually listed on the bond exchange of South Africa. The commercial paper issued was in the form of unlisted promissory notes, the initial issue being for an amount of R100 million for a period of three months.

Currency exposure

Currency exposure is limited because, in most instances, the group has a natural hedge with borrowings and positive long-term profit cash flow streams being in the same foreign currencies.

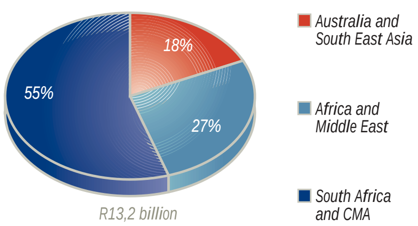
Cash earnings per share

Cash earnings per share after adjusting for the conversion effect of the 40 108 390 debentures, capital expenditure in excess of depreciation and net financing costs, amount to 222 cents per share compared to 206 cents per share in the prior year.

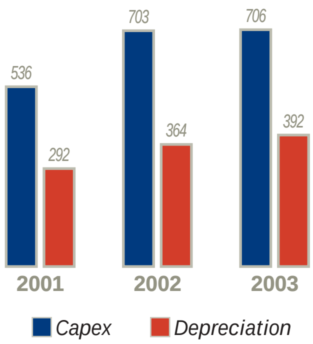
Dividend

It is group policy to maintain a dividend cover of approximately four times headline earnings. Accordingly the board has approved a dividend for the year of 27 cents per share, being an increase of 20% over the prior year.

Geographical revenue: 2002



Capital expenditure (Rm)



Corporate governance

Aveng is committed to maintaining a high standard of governance. The group accepts the underlying philosophy and the firm recommendations expressed in the King Report on Corporate Governance for South Africa – 2002 (King II) published during March 2002.

Aveng implements good governance in a practical way and ceremony will not replace substance.

Aveng has always believed that high standards of corporate governance are fundamental to achieving its long-term strategic goals and to meeting the needs of the group's stakeholders.

This commitment is demonstrated in an ongoing attempt to fine tune structures to reflect current best practice in corporate governance. Where we are of a contrary view to those expressed in King II, we have noted our reason.

Aveng conforms to the additional requirements for corporate governance set out by the JSE Securities Exchange South Africa.

Board of directors

Members: see page 11.

The board is primarily responsible for setting the broad direction of the group by approving strategic objectives, key policies and financial performance criteria.

Accountability to shareholders and responsibility to other stakeholders remains of paramount consideration in board decisions, being balanced against the demands of the regulatory environment in which the group operates.

Aveng has a unitary board structure that comprises 14 directors. Of these, five are considered independent non-executive, four are non-executive and five are executive directors. Their details appear on pages 12 and 13.

Non-executive directors are required to limit the number of outside directorships to four and executive directors to one, excluding directorships of industry related associations.

The non-executive directors are selected on the basis of their experience, knowledge and independence. Because of their calibre and number they carry significant weight in the board's deliberations and resolutions.

There are no service contracts with either executive or non-executive directors. An executive director is required to retire from the board at age 60, while non-executive directors may not make themselves eligible for re-election on reaching the age of 65. Reappointment of non-executive directors is not automatic.

The strong independent composition of the board provides for independent and objective judgment in the decision-making process and ensures that no one individual has unfettered powers of decision and authority.

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, based on recommendations of the nomination committee.

The board meets formally at least once a quarter, or more frequently if circumstances so require, to review matters specifically reserved for its decision, including the review of financial and operational results, and to consider issues of strategic direction, major acquisitions and disposals, approval of major capital expenditure and construction tenders as well as any other matters having a material effect on the group.

The timely dissemination of detailed meeting papers which include operational, financial, safety, health, environmental, and other supporting documentation ensures that the directors are able to be properly versed in the matters scheduled for each board meeting.

Aveng has conducted its first formal review of the board's performance as a whole, but has not yet reviewed the performance of individual directors.

A board charter is being developed and will be put in place in the next 12 months. The board is also considering introducing procedures for assessing the performance of individual directors.

Chairman and chief executive

The roles of chairman and chief executive are separate. The board is led by the chairman, Richard Savage, who is an independent non-executive director. The executive management of the group is the responsibility of the chief executive, Carl Grim.

The chairman and deputy chairman are re-elected annually for a period of 12 months.

The chairman serves as a non-executive director on the group's principal subsidiaries' company boards. In the opinion of the board this level of involvement is considered necessary for a better understanding of group operations and therefore for the effective running of the board. This greater involvement does not in any way constitute the exercise of executive powers.

Company secretary

All directors have access to the advice and services of the company secretary, and to any other information or documentation they may require. They are also entitled to obtain independent legal advice on group related matters at the group's expense, with the prior agreement of the chairman. The company secretary also keeps the board advised of any relevant changes in regulation and company law legislation.

Remuneration committee

Members: P L Erasmus (Chairman), J R Hersov, V Z Mntambo, R B Savage.

Corporate governance *(continued)*

The membership of the committee which comprised two independent non-executive directors and the chief executive, has been amended to consist of four independent non-executive directors with the chief executive attending as an invitee, except in circumstances where his own remuneration is considered.

The committee is chaired by the independent non-executive deputy chairman of the board, Phil Erasmus.

Clear terms of reference and powers have been approved by the board in writing.

The primary objective of the committee is to ensure that the right calibre of executive and senior management is attracted, retained, motivated and rewarded appropriately for individual performance and contribution to the success of the group. Reward structures and practices are surveyed annually against external benchmarks.

The remuneration of the directors for the period under review is set out in note 30 to the annual financial statements on pages 98 to 100.

The committee meets as often as required or necessary, meeting at least twice per annum.

The remuneration committee was also responsible for the assessment and nomination of new directors and succession planning at board and executive level during the period under review.

Nomination committee

Members: P L Erasmus (Chairman), J R Hersov, V Z Mntambo, R B Savage

The remuneration committee performed the task of the nomination committee during the past year.

A nomination committee has now been established being chaired by the deputy chairman of the board, Phil Erasmus, an independent non-executive director. The committee comprises four members, all being independent non-executive directors.

King II recommends that the chairman of the board should chair this committee. In order to ensure that board decisions are openly and objectively debated it has been decided that the chairman of the board, Richard Savage, should not chair this committee.

Terms of reference and powers delegated to this committee have been approved by the board in writing.

The primary purpose of this committee is to ensure that the board of directors consists of people with skills and attributes needed by the company. To do this it considers the need for new directors, searches for candidates and recommends new directors to the main board.

The performance of the Aveng executive directors is reviewed by the chief executive. The chief executive's performance is reviewed by the chairman of the board. The chairman of the board and non-executive directors' performance is reviewed by the nomination committee in the absence of those individuals being assessed. The nomination committee is notified of the results of the reviews.

The committee meets at least once a year or more often should it be deemed necessary.

Audit and risk committee

Members: C V Campbell (Chairman), P J Owen, R B Savage

The committee's primary objective is to provide the board with additional assurance regarding the integrity and effectiveness of the risk management framework and related internal controls, corporate governance, reporting and compliance systems that are operating within the group.

The audit and risk committee charter clearly sets out the terms of reference and powers delegated to this committee. The audit and risk committee charter has been approved by the board in writing.

The committee reviews internal and external audit processes, accounting policies and significant issues raised in the audit committees of the principal subsidiaries and the group.

Business risk areas have been identified and controls introduced to reduce the potential of loss to the group.

The committee members have access to all information, documentation and management explanations required in the discharge of their duties.

The committee is chaired by Colin Campbell, a non-executive director who was formerly executive chairman of LTA Limited. Although not considered to be an independent non-executive, the board is of the opinion that he is currently the best qualified member of the board to chair this committee.

The composition of the committee on 30 June 2002 comprised two independent non-executive directors, one non-executive director and two executive directors. The chairman of the group is a member of this committee. The board is presently of the opinion that Richard Savage is a valuable member of the committee and does not have an overbearing influence on committee members, who are all financially literate.

Subsequent to the year-end and in line with King II, it was agreed that the two executive directors would resign from the audit committee, attending such meetings as invitees. The committee will then consist of three non-executive directors, two of whom are considered to be independent.

The committee meets four times a year.

Corporate governance *(continued)*

Internal audit

Internal audit is decentralised and in certain operations outsourced. It is an independent appraisal function which examines and evaluates the activities and the appropriateness of the systems of internal control, risk management and governance processes.

The internal audit departments currently report directly to the financial director of the subsidiary on day-to-day matters, having direct access to the subsidiary company managing director and the chairman of the audit and risk committee. The head of internal audit attends the meetings and presents the findings. Significant findings are copied to the managing director of the operation. Subsidiary internal audit reports are included in the Aveng audit committee papers.

The chairman of the Aveng audit and risk committee is a member of the subsidiary audit and risk committees, having direct access to both internal and external auditors.

The objective of internal audit is to assist management in the effective discharge of their responsibilities and acts as a consulting resource designed to add value and improve the organisation's operations. Audit plans are presented in advance to the audit and risk committee and are based on an assessment of risk areas. Every assignment is followed by detailed reports to management including recommendations on aspects requiring improvement. Significant findings are reported to the audit committees. A formal review of internal controls is made at least quarterly.

External audit

External audit reviews the internal audit reports on a regular basis. The external auditors express their opinion on the annual financial statements.

The external auditors attend the subsidiary and Aveng audit and risk committees each quarter.

Risk

The systematic risk assessment process is the foundation of the group's management philosophy. The process ensures that risks associated with opportunities are identified, evaluated and managed at the appropriate level within the organisation. The risk management methodology is based on the Turnbull recommendations.

Major categories of risk have been identified, the group's exposure to each of these risk elements quantified, the probability of it occurring and the possible impact assessed. Measures to mitigate or control the major risks are put in place as may be appropriate.

Each of these categories of risk is monitored and actions amended continuously.

The process to control risk starts with the operating unit's executive committee and depending on its size and complexity progresses through to the business unit, the principal subsidiary and finally to the Aveng board. The decision to move the risk review process to a higher level is based on a clearly defined set of size and complexity criteria.

Share dealing by directors and offices

The group 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 employees of the group may not deal in the shares or any other instrument pertaining to the shares of the company.

Directors and designated employees may not deal outside of the closed periods in Aveng securities without the approval of the company.

Directors are required to inform their portfolio or investment managers not to trade in the securities of Aveng of which they are directors unless they have specific written instructions from the director to do so.

Details of directors' dealings in Aveng shares are disclosed to the JSE Securities Exchange South Africa through the Stock Exchange News Service (SENS) within 12 hours of the deal being consummated.

Investor and stakeholder relations

Aveng is committed to open and prompt communication with all its stakeholders. It is committed to transparency only to the extent that such transparency would not be detrimental to the business.

It is the practice of the company to meet regularly with institutional shareholders and investment analysts and to make presentations to both local and international investors biannually after the release of the group's results.

Shareholders are welcome to attend the company's annual general meeting to meet members of the board and discuss any issues with the directors.

Information found elsewhere in this report

2001/2002 Attendance register

		Board meetings				Audit meetings				Remuneration meetings				Board ad hoc	
		Independent	Tues 4 September 01	Wed 5 December 01	Friday 8 March 02	Audit committee member	Mon 3 September 01	Tues 4 December 01	Thurs 7 March 02	Remuneration and nomination com member	Wed 19 September 01	Fri 8 March 01	Wed 22 May 02	Tues 23 October 01	Thurs 25 April 02
R B Savage	Non-executive chairman	√	P	P	P	√	P	P	P	√	P	P	P	P	P
P L Erasmus	Non-executive deputy chairman	√	P	P	P					√	P	P	P	P	A
C Grim	Chief executive		P	P	P		P	P	P		P	P	P	P	P
C V Campbell	Non-executive		P	P	P	√	P	P	P					P	P
P F Crowley	Executive		P	P	P									P	A
M M Doyle	Non-executive		P	P	P									P	P
D R Gammie	Executive		P	P	P		P	P	P					P	P
J R Hersov	Non-executive	√	P	P	P					√	N/A	N/A	N/A	P	A
H D K Jones	Executive		P	P	P									P	P
V Z Mntambo	Non-executive	√	A	P	P					√	N/A	N/A	N/A	A	P
A R Mpungwe	Non-executive (Tanzanian)		N/A	P	A									P	P
P J Owen	Non-executive (Australian)	√	P	P	P	√	P	P	P					A	A
M Taback	Non-executive		P	P	P									P	P
W Wassermeier	Executive		A	P	P									P	A
E A Behr	Resigned 28 May 2002		P	P	P									P	P
A Dawson	Resigned 31 October 2001		P	N/A	N/A									A	N/A

P = Present *A = Absent*

The June meetings have been moved to July, resulting in only three meetings being held in the financial year to June 2002.

Black economic empowerment

• Msimbisi Ngudle, Prince Buthelezi

• Eggie Marigalhnu, Vivian Vilakazi

• Elias Damoyi

Aveng believes that real and lasting empowerment takes place at the business unit level. The objectives of black economic empowerment are best served by founding and growing construction companies with black shareholders who are empowered with the necessary skills and experience to manage the enterprise. The majority of the successful construction companies in South Africa today were started by entrepreneurial engineers who built on experience gained elsewhere to establish and carefully grow their companies over the years.

The Aveng approach is for one of its business units to establish a company that targets its area of expertise and to take in black shareholders as partners. The Aveng business holds an equity stake and provides ongoing technical assistance as necessary.

Typically, the Aveng operation holds a controlling share in the early stages and then, over time, reduces this to a minority position as its empowerment partner acquires the necessary skills. There have been some successes but also the inevitable business failures.

In all but one of these companies, the Aveng shareholding is now below 50% and in line with its empowerment strategy, Aveng has exited completely from five of these companies over the past year.

Over the past few years we have founded many such partnership companies, with those noted on page 54 still active today.

Black economic empowerment (continued)

Company	Nature of business	Aveng group % interest
Boshard Construction	Industrial and commercial building; power-floated floor construction	30
Contract Mining Services (Pty) Ltd	Opencast mine operation	50
Feza Izidingo SCS (Pty) Ltd	Supply of stay anchors and manufacture of stayrod requirements	48
Jehamo	Power/transmission lines	44
Klipbank joint venture	Opencast mine operation	50
KZN Reinforcing & Fixing Services (Pty) Ltd	Supply and fixing into position of reinforcing steel	33
Makokwe Grinaker Mining Contracting (Pty) Ltd	Production, development, shaft sinking, underground support, opencast mining, mine construction work and mining infrastructure services	40
Nare Construction	Construction systems, construction guarantees and management capacity building	30
Phambeli Plant Support (Pty) Ltd	Plant cleaning contractor	25
Reinforcing Fixing Services (Pty) Ltd	Steel reinforcing fixing services	33
Setshaba (Pty) Ltd	Installation, maintenance and servicing of surface and underground scrapers	40
Sivukile Contractors	Industrial and commercial building	29
Steeledale Fixing Systems (Pty) Ltd	Provides an installation service in the post tensioning industry	52
Tshipi SA (Pty) Ltd	Steel trading	30

Grinaker-LTA has in the past few years been in joint venture with these and other black economic empowerment companies on 24 construction projects

Project	Company name
Bethal Reseal (Road)	Ulusha
Ceasars Casino	Nare Construction
Cape Town International Airport	Boshard Construction
Capricorn	Boshard Construction
Durban Airport	Sivukile Contractors
Durban Harbour	Bafokeng Civil Works*
Effingham Contract	Sivukile Contractors
Gateway	Emmerson Electric
Grand West Casino	Boshard Construction
Hemmingways Casino	Sisonke Contractors
Melrose Arch	Reinforcing Fixing Services
Moloto Road	Ulusha
Mondi A4 Cutter	Sivukile Contractors
Mondi MCC Room	Sivukile Contractors
Montecasino	Nare Construction
MTN Head Office	Nare Construction
MTN Switch Centre	Sivukile Contractors
Mount Fletcher – Road Rehab	Toba Civils
Nelson Mandela Bridge	Bafokeng Civil Works*
Nelspruit Emnotweni Sun Hospital	Izinyoni Trading 55 (Pty) Ltd
Pretoria Academic Hospital	Yukusasa Thamané Building
Sugar Mill Temporary Casino	Sivukile Contractors
Sun Coast Casino	Sivukile Contractors
Witbank Casino and Hotel	Izinyoni Trading 55 (Pty) Ltd

** In provisional liquidation*

Corporate social investment

The group has a well-developed corporate social investment programme, coordinated at the centre with the majority of the expenditure being managed by the operating companies concerned. Group companies spent R4 million on a broad range of CSI projects last year with emphasis increasingly being placed on the upgrading of maths and science teaching in schools and the promotion of engineering education at university and, in particular, at technikon level.

Aveng endorses the objectives of the National Business Initiative and is a supporter of the Business Trust and believes that these initiatives deserve the support of all South African companies.

Selection of projects supported

- Eastern Cape maths and science schools project – Port Elizabeth Technikon
  This project is a response by PE Technikon, to an appeal from the National Education Ministry for institutions of higher learning to urgently intervene in the upgrading of teachers in these desperately underresourced areas of learning, particularly in rural schools.

- Provision of science resources – Valley of a Thousand Hills, KwaZulu-Natal
  The Valley of a Thousand Hills is – like most of rural South Africa – underresourced, with inadequate schooling facilities, poorly qualified teachers, and low parent and teacher expectations. The result has been that fewer, if any learners choose science subjects, and when they do, they make little progress as most of the concepts remain foreign to both teacher and learner.

  The provision of science kits to schools and learners seeks to address this problem. The Trust's maths and science development programme hopes to increase understanding and as a result, the number of individuals choosing careers in the sciences.

- Katlehong science and technology programme
  This programme has continued with its Saturday tuition programme for students in Grades 10, 11 and 12 studying maths, science, English and technology.

  Of last year's 46 students in their matric year, a pass rate of 80% was achieved which is far above the school average, proving once again that the programme produces worthwhile results. Of the 37 passes, six were granted university exemption, with four now attending university or technikon.

- Qinempini Women's Association
  Allocated funding to help Qinempini Women's Association build a structure to house its various income generation projects.

• Trident Steel social investment programme

The association consists of about 50 women in Molweni, KwaZulu-Natal, a severely underresourced area close to the Valley of a Thousand Hills in the outskirts of Durban. This community of about 400 000 people is made up of +70% women and their children, with most men having died violently in the 1980s and 1990s. Unemployment is at about 80%, and Qinempini is one of the most promising in a number of self-help initiatives in the area.

- Living in Hope (HIV/AIDS)

  This is a new project which has as its focus local communities affected by HIV/AIDS. Its objectives are to mobilise communities to care for those living with HIV/AIDS, to train care givers, to assist orphaned and abandoned children, to provide home-based care services and to support health and development initiatives.

- Care centre, Rondebult

  A monthly payment to Spar finances the delivery of a regular supply of bread and other basic foods to a day care centre in Rondebult. As a result of the increased food supply to the centre, an increasing number of destitute children are attending the centre. The centre now serves almost 100 children from a small two-roomed house.

Environment

• Fistos Letsholo, Herman Swart

• Piet Fourie, Johannes Loggenberg

The group has a very clear environmental policy published on the opposite page. At the year-end 16 operations had an ISO 14000 series accreditation with the Wonderwater Opencast Mining operation winning the “Industrial Conservancy of the Year” award.

In line with its undertaking to rehabilitate its quarrying operations, Alpha deposited R3,8 million into the Alpha Nature Conservation Trust this year, taking the total amount invested in the trust to R12 million.

The South African quarrying industry manages an “About Face Programme” where Fish Eagle awards are made based on compliance with a rigorous programme to ensure that quarrying operations are environmentally sensitive. For many years the Alpha quarries have led the industry in this programme.

An important component of the R340 million upgrade planned for Alpha’s No 3 kiln at the Dudfield factory is the installation of state-of-the-art precipitators that will ensure that smoke stack emissions are reduced to far below legal requirements, meeting world-class standards of at least 50 mg/Nm^2.

Alpha has also made good progress with its Green Cement Project, allowing increased levels of waste products such as slagment and pulverised fuel ash to be added to cement without affecting its performance.

During the past six months, 500 employees were given environmental law or practical environmental training.

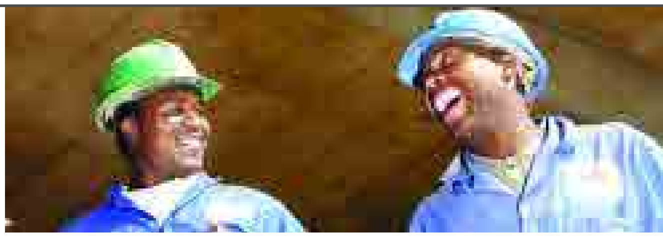
Environment policy

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 contracting 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
- ensure continuous improvement in our environmental conservation practice through an ongoing programme of review and corrective action

Employment equity

• Shaun Neethling, Moses Sithole



• David Mogano, Moses Simelane

Group companies have submitted employment equity plans as required by the Department of Labour. Performance against these plans is regularly reviewed by management, and is a permanent agenda item for most operating group and business units.

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 judgment calls in our operating environment. As the safety of our people and the public is often at stake, we cannot and will not compromise standards. Finding appropriately qualified and experienced black engineers is difficult and we are attempting to rectify the situation for the longer term through our generous bursary programme. Last year 60% of the 121 bursaries for technical degrees or diplomas were awarded to candidates from previously disadvantaged backgrounds. This year our target is 75%.

Group companies have made excellent progress in meeting their targets. At June 2002, the group employed 136 people from historically disadvantaged groups at the defined management level and 1 167 professionals, technicians and associate professionals (LSM and PRO/TAP levels respectively as defined by the Department of Labour).

We remain concerned that no recognition is being given in terms of the government's Preferential Procurement Policy to companies that have made real progress in achieving employment equity. This shortcoming needs to be addressed.

Health and safety

All our construction and most other operations follow the NOSA or some other recognised safety programme. At the year-end 41 South African-based Aveng operations held a 5-star NOSA rating. There were five operations that achieved the million manhours worked without disabling injury target. One project passed the 1,5 million target. The mechanical and electrical unit within Grinaker-LTA achieved the distinction of being awarded the NOSCAR award from NOSA for their safety record on the Engen project.

Unfortunately, the group had to report four work related fatalities for the year, however it has not been found to have been negligent in any of these instances.

The disabling injury frequency rate is below 0,5 for some of the larger operations and is 1,77 for the Grinaker-LTA group as a whole. The group is unhappy with this performance and has managed to reduce it to a far more acceptable 0,91 for the last quarter of the reporting period.

Twenty-six health and safety training courses are in operation and 3 770 employees received training during the year.

All businesses have approved policies on HIV/AIDS and ongoing AIDS awareness programmes. Out of a total of approximately 22 500 employees, Grinaker-LTA reported 70 health linked but not work-related deaths for the year.

Quality

All group businesses have formal quality assurance accreditation programmes, with most operations following the ISO 9000 route. Certification is above 80% in Grinaker-LTA, with all important businesses being accredited. All of the Trident Steel businesses have the ISO 9000 or VDA 6.1 accreditation. The Alpha cement factories are also appropriately accredited.

In an attempt to continuously improve quality standards, Grinaker-LTA operates a quality forum that reviews quality-related issues across the group.

Definitions

Average capital employed	Average of total shareholders' funds, minority interests and all interest-bearing debt.
Average ordinary shareholders' funds	Average of total shareholders' funds as reflected on the balance sheet including the equity component of subordinated debentures.
Cash flow per share	Cash flow from operating activities divided by the total 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 exercisable share options.
Dividend cover	Headline earnings per share divided by dividend per share.
Dividend yield	Dividend per share expressed as a percentage of the closing share price.
Earnings yield	Headline earnings per share expressed as a percentage of the closing share price.
Effective tax rate	Taxation as reflected on the income statement less any tax in respect of non-trading items divided by income before goodwill and non-trading items less income from associates and joint ventures, expressed as a percentage.
Headline earnings	Earnings per the income statement, adjusted for the specific items detailed in note 21 to the financial statements.
Headline earnings and earnings per share	Headline earnings and earnings per share divided by the weighted average number of shares in issue.
Interest cover	Operating income including associated and joint venture earnings divided by net interest paid.
Interest-bearing debt	Interest-bearing borrowings including the short-term portion of long-term borrowings.
Net asset value per ordinary share	Total shareholders' funds less subordinated debentures divided by the total number of ordinary shares in issue.
Net debt to equity	Interest-bearing debt less cash divided by total shareholders' funds.
Return on average equity	Headline earnings as a percentage of average ordinary shareholders' funds.

Return on average capital employed	Income before interest paid, taxation and exceptional items including income from investments and share of associate companies' retained earnings as a percentage of average capital employed.
Return on net assets	Income before interest paid expressed as a percentage of average net assets, average net assets being total assets less all non-interest-bearing debt.
Revenue per employee	Revenue divided by the number of employees.

Five year financial review

year ended 30 June

	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment	**1 770,0**	1 464,4	505,1	527,5	505,2
Goodwill	**1 075,7**	1 050,5			
Investments	**507,9**	618,5	440,3	438,7	740,7
Inventories and receivables	**4 270,1**	2 647,6	1 575,4	1 430,0	1 434,0
Cash and cash equivalents	**678,6**	368,0	755,6	693,6	523,3
Total assets	**8 302,3**	6 149,0	3 276,4	3 089,8	3 203,2
Deferred tax	**66,9**	76,5	64,1	61,7	51,2
Payables	**3 563,5**	2 323,3	1 209,4	957,8	983,2
Interest-bearing borrowings	**1 868,2**	1 562,6	125,1	193,0	205,1
Total liabilities	**5 498,6**	3 962,4	1 398,6	1 212,5	1 239,5
Net assets	**2 803,7**	2 186,6	1 877,8	1 877,3	1 963,7
Equity	**2 555,0**	1 841,7	1,616,3	1 468,2	1,549,9
Convertible debentures		171,2	171,2	177,7	177,7
Total ordinary shareholders' funds	**2 555,0**	2 012,9	1 787,5	1 645,9	1 727,6
Minority interests	**248,7**	173,7	90,3	231,4	236,1
Total shareholders' funds	**2 803,7**	2 186,6	1 877,8	1 877,3	1 963,7
CONSOLIDATED INCOME STATEMENT					
Revenue	**13 185,2**	10 317,1	4 926,1	4 392,8	4 342,9
Operating income before depreciation	**1 008,3**	722,9	332,5	298,7	316,5
Depreciation	**364,2**	292,1	81,4	77,5	73,0
Operating income	**644,1**	430,8	251,1	221,2	243,5
Net financing costs	**(194,0)**	(111,3)	54,3	39,6	28,9
Income from associates	**113,8**	99,9	74,9	79,5	54,2
Amortisation of goodwill	**(53,8)**	(65,9)	(10,0)	(38,9)	
Non-trading items	**(4,6)**	7,3	(11,4)	(4,5)	16,0
Income before taxation	**505,5**	360,8	358,9	296,9	342,6
Taxation	**(119,7)**	(78,6)	(78,8)	(52,4)	(85,9)
Minorities	**(23,3)**	(14,3)	(16,4)	(33,8)	(44,7)
Earnings	**362,5**	267,9	263,7	210,7	212,0
Headline earnings adjustment	**58,4**	58,6	13,9	59,6	(16,7)
Headline earnings	**420,9**	326,5	277,6	270,3	195,3
CONSOLIDATED CASH FLOW STATEMENT					
Cash available from operations	**296,1**	378,9	406,3	358,9	164,2
Dividends paid	**(79,3)**	(63,3)	(4,8)	(91,8)	(48,8)
Net cash from operating activities	**216,8**	315,6	401,5	267,1	115,4
Net cash (used in)/from investing activities	**(211,4)**	(2 024,7)	(83,8)	(395,8)	(154,0)
Net cash from/(used in) financing activities	**48,9**	529,0	23,6	(64,0)	58,6
Net increase/(decrease) in cash and cash equivalents	**54,3**	(1 180,1)	341,3	(192,7)	20,0

Five year financial review

year ended 30 June

	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
SHARE PERFORMANCE (cents per share)					
Headline earnings	**111,2**	99,4	79,3	80,2	57,9
Diluted headline earnings	**107,3**	86,8	72,4	70,1	53,3
Earnings	**95,7**	81,6	75,4	62,5	62,9
Diluted earnings	**92,4**	71,5	67,3	53,4	56,2
Cash flow	**74,8**	106,4	114,1	106,5	48,7
Net asset value	**645,0**	517,1	453,9	435,7	459,9
Dividend	**27,0**	22,5	18,5		
Closing share price	**800**	765	595		
RETURNS AND PRODUCTIVITY					
Return on average equity (%)	**18,4**	17,2	16,2	16,0	12,1
Return on average capital employed (%)	**19,1**	20,8	20,1	18,7	17,9
Total shareholders' funds to total assets (%)	**33,8**	35,6	57,3	60,8	61,3
Net debt to equity (%)	**42,4**	54,6	(33,6)	(26,7)	(16,2)
Total liabilities as a % of total shareholders' equity (%)	**196,1**	181,2	74,5	64,6	63,1
Gross margin (%)	**15,7**	16,1	16,4	16,8	16,4
Ebitda margin (%)	**7,6**	7,0	6,7	6,8	7,3
Ebit margin (%)	**4,9**	4,2	5,1	5,0	5,6
Revenue per employee (R'000)	**550,8**	462,8	399,2	335,8	324,8
Net interest cover	**3,9**	4,8	(6,0)	(7,6)	(10,3)
Increase/(decrease) in net borrowings	**5**	(1 825,1)	130	182	38
Return on net assets (%)	**19,2**	20,8	20,1	18,7	17,9
Fixed assets – expansion	**315,6**	324,8	87,2	72,9	45,3
Fixed assets – maintenance	**387,5**	211,3	45,4	92,9	80,7
Effective tax rate (%)	**26,6**	24,6	27,3	20,1	31,5
Dividend cover	**4,1**	4,4	4,3		
NUMBER OF EMPLOYEES	**23 939**	22 291	12 340	13 080	13 371
Number of shares (million)					
In issue	**396,1**	356,1	356,1	337,0	337,0
Weighted average	**378,6**	328,5	349,9	337,0	337,0
Diluted weighted average	**392,3**	383,4	392,0	394,6	377,0
Stock exchange performance (cents per share)					
Market value per share					
– at year-end	**800**	765	595		
– highest	**880**	869	890		
– lowest	**615**	570	420		
– volume weighted average price	**779**	685	649		
Earnings yield (%)	**11,4**	11,2	13,7		
Dividend yield (%)	**3,4**	2,9	3,1		
Market capitalisation at closing prices (Rm)	**3 169,2**	2 724,4	2 118,9		
Price earnings ratio at year-end	**8,7**	8,9	7,3		
Value of shares traded (Rm)	**1 465,9**	879,5	1 464,3		
Number of shares traded (million)	**189,9**	135,5	207,5		
Average price per share traded (cents)	**772**	649	706		
Percentage of market capitalisation traded (%)	**46,3**	32,3	69,1		
Liquidity (%)	**47,9**	38,0	58,3		
Weekly rand volume	**28**	18	28		

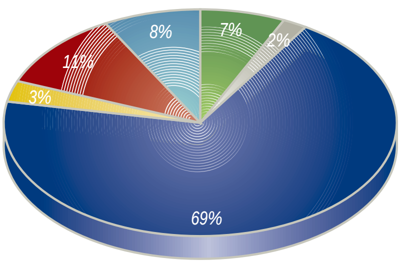
AVENG

Value added statement for the group

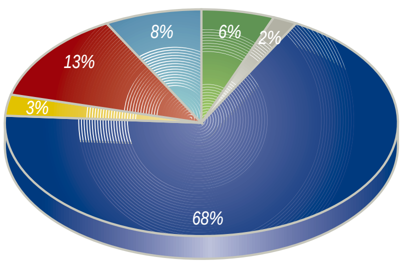
at 30 June 2002

	2002 Rm	2001 Rm
Revenue	**13 185,2**	10 317,1
Net cost of products and services	**9 535,2**	7 568,2
Value added by operations	**3 650,0**	2 748,9
Income from investments and interest	**48,6**	67,2
Total value added	**3 698,6**	2 816,1
Applied as follows to:		
Financing costs	**242,6**	178,5
Dividends	**74,3**	63,3
To providers of capital	**316,9**	241,8
Employee costs	**2 555,8**	1 919,2
The government as direct taxes	**119,7**	78,6
Total value distributed	**2 992,4**	2 239,6
Amortisation and depreciation	**418,0**	357,6
Retained reserves	**288,2**	218,9
Total value added	**3 698,6**	2 816,1

Value added 2002



Value added 2001



Financing costs *Dividends* *Employee costs* *The government as direct taxes* *Amortisation and depreciation* *Retained reserves*

Annual financial statements
for the year ended 30 June 2002

CONTENTS

The annual financial statements and group annual financial statements which appear on pages 69 to 108 were approved by the directors on 6 September 2002 and are signed on their behalf.

R B Savage
Chairman
6 September 2002

C Grim
Chief executive
6 September 2002

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 69 to 108 for the year ended 30 June 2002. 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 misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; and
- 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 2002, and the results of their operations, cash flows and changes in equity 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 1973, as amended.

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

Johannesburg
6 September 2002

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
Company Secretary

Chislehurston
Sandton
6 September 2002

Directors' Report

BUSINESS OF THE COMPANY

Aveng is a South African group, with significant foreign interests, and is listed in the Basic Industries – Construction and Building Materials sector of the JSE Securities Exchange South Africa.

The company does not have a holding company. Details of the interests of the directors at 30 June 2002 are given in note 30 to the annual financial statements on page 99.

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 ("GAAP"). 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 financial controls.

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.

More detailed information in respect of the board's supervision mechanisms for continual review of the controls and risks are set out in the Corporate Governance section of the Annual Report on page 46.

FINANCIAL

The results of the group's operations for the year are set out in the income statement on page 77.

Details of the movements in issued share capital and reserves are given in the statement of changes in equity on page 79.

The segmental analysis is set out on page 80.

The annual financial statements of Aveng Limited, the holding company are set out on pages 101 to 108.

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 and prior year figures have not been readjusted.

The company's accounting policies are subjected to an annual review to ensure continuing compliance with good accounting practice. The accounting policies have been changed to adopt AC 116 (employee benefits) and AC 135 (investment properties). The adoption of these statements has had no material effect on the group's results.

Directors' Report *(continued)*

INVESTMENTS

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

DEBENTURES

The 40 018 390 listed unsecured automatically convertible subordinated debentures were redeemed by the issue of an equivalent number of ordinary shares on 30 November 2001 in terms of the Trust deed relating to such debentures.

SHARE CAPITAL

Disposal of Treasury Shares

A wholly owned subsidiary company, Aveng Management Company (Pty) Limited, disposed of the whole of its holding of these shares. The disposal of the 20 616 919 shares held at 30 June 2001 realised R167,5 million at an average price of R8,12 a share. The profit on disposal, net of capital gains tax, of R31,7 million has in accordance with GAAP been credited to the share premium account as reflected in the group's consolidated annual financial statements.

ACQUISITIONS AND DISPOSALS

There were no material acquisitions or disposals during the year.

POST BALANCE SHEET EVENTS

On 12 July 2002 Alpha (Pty) Limited, in which the group has an interest of 45,6%, sold the whole of its shareholding of 14 048 226 ordinary shares in Omnia Limited for R155,5 million net of expenses and capital gains tax. The amount received exceeded the carrying value by R19,3 million.

DIRECTORATE

Changes

The following changes took place during the year:
Mr V Z Mntambo was appointed on 31 July 2001
Mr A R Mpungwe was appointed on 4 September 2001
Mr A Dawson resigned on 31 October 2001
Mr E A Behr resigned on 28 May 2002

Retirement by rotation

In terms of the company's articles of association, Messrs P L Erasmus, H D K Jones and W Wassermeier retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr M M Doyle and Mr P J Owen who also retire in terms of the articles are not making themselves available for re-election.

Increase in directors' fees

The acceptance of the recommendations in the King Report on Corporate Governance for South Africa – 2002 by the company has increased the workload placed on the non-executive directors. The proposed revised fees, including additional fees for work performed other than as a director, for the chairman, deputy chairman and directors are submitted for shareholder approval as Ordinary Resolution No 1 at the forthcoming annual general meeting. The revised fees will bring the company into line with the fees paid to directors in comparable listed companies.

Additional fees are paid to directors for serving on or chairing the sub-committees of the board and for attendance at board meetings of subsidiaries and associates. The amounts paid are disclosed in note 30 to the annual financial statements.

The fees payable in respect of executive directors are waived, and the fees in respect of Mr Doyle are paid to Alpha (Pty) Limited.

PRINCIPAL SHAREHOLDERS

The beneficial holders of 5% or more of the issued ordinary shares in the company at 30 June 2002 were:

	Number of shares	%
Public Investment Commissioner	**76 910 662**	**19,4**
Old Mutual Life Assurance Company South Africa Limited	**73 729 478**	**18,6**
Liberty Life Association of South Africa Limited	**25 811 583**	**6,5**

The shares in the Company held by a wholly owned subsidiary and the Aveng Limited Share Purchase Trust were:

	2002	2001
Aveng Management Company (Pty) Limited	**–**	20 616 919
Aveng Limited Share Purchase Trust	**6 673 125**	7 003 800
	6 673 125	27 620 719
% of issued shares	**1,7**	7,8
Debentures		
Aveng Limited Share Purchase Trust	**–**	1 459 300
% of issued debentures	**–**	3,6

The non-public shareholding at 30 June 2002 was 21,0% (2001: 28,9%). The analysis is shown on page 109.

Accounting policies

BASIS OF PREPARATION
The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice.

The financial statements have been prepared on a historical cost basis.

The accounting policies are consistent with those adopted in the previous year, except for the changes made as a result of the implementation of the following accounting statements with effect from 1 July 2001:

Employee benefits (AC 116)
Investment properties (AC 135)

The group's measurement currency is South African rand. The supplementary information provided in US dollars is translated at the closing rate for the balance sheet and at the average rate for the income statement.

BASIS OF CONSOLIDATION
The group consolidated financial statements include the results and financial position of Aveng Limited and its subsidiaries up to 30 June each year. 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.

All intergroup transactions and balances are eliminated on consolidation.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost, less accumulated depreciation and impairments.

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 material.

Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for the use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business. Investment property is carried at cost and depreciated over its useful life.

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. Goodwill is amortised through the group income statement on a straight-line basis over its estimated useful life, with a maximum of 20 years.

INVESTMENTS
Investments in the company, which include those that are accounted for as subsidiaries, joint ventures and associates, are stated at cost, less amounts written off where there has been a permanent diminution in value.

Income from investments is brought to account only to the extent of dividends received. Interest income is recognised on a time proportional basis at the rate implicit in the investment.

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, prior to equity accounting the investment.

Certain associated companies do not have coterminous 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 coterminous.

Unearned profits that arise between group entities are eliminated.

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.

Where 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 coterminous reporting dates. In those cases, the management financial statements at June are used.

TRADEMARKS

The cost of trademarks acquired is capitalised and amortised on a straight-line basis over their estimated useful life. 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.

Leased assets are depreciated at the same rates as property, plant and equipment.

INVENTORIES

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

CONTRACTS IN PROGRESS

Contracts in progress are valued by recognising revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is determined based on the work performed at the balance sheet date.

Progress payments received in excess of the measured value of work determined on each contract are 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.

Where a loss is anticipated on any particular contract, provision is made in full for such loss.

IMPAIRMENT

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication that any loss is indicated. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

FINANCIAL INSTRUMENTS

All financial instruments, including derivatives, are recognised on the balance sheet and include cash and cash equivalents, investments, trade receivables, trade creditors, borrowings and forward rate agreements.

AVENG

Accounting policies (continued)

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

Gains from forward exchange contracts, options and currency swaps used to hedge potential exchange rate exposures are offset against losses on the specific transactions being hedged. Balance sheet amounts are not set off.

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 qualifying fixed asset that requires a substantial period of time to prepare for its intended use are capitalised.

DEFERRED TAX
Deferred tax is provided on all temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Where the effect is material, provisions are determined by discounting to present value.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES
Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of these transactions. Monetary assets are translated at the closing rate. Non-monetary assets are translated at the later of acquisition or revaluation dates.

Gains or losses on translation are credited or charged against income.

FOREIGN ENTITIES
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.

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 rate ruling on the later of acquisition or revaluation date.

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.

EMPLOYEE BENEFITS

Equity-based compensation

The group operates a share incentive plan for the granting of shares and/or share options to executives and senior employees.

Shares and options are offered at the market price on the day prior to the remuneration committee granting the shares or options. The shares or options are released once payment has been received. Shares or options become available to executives and senior employees after an initial two-year period at the rate of 25% per annum thereafter and expire after ten years.

The dilutive effect, if any, of outstanding shares and options is recognised in the computation of diluted earnings per share.

The group bears the cost of the difference between the option price and the market value of the share when the right to the share or option transfers to the employee. This cost is expensed as an operating expense in the income statement.

Shares held by the Aveng Limited Share Purchase Trust are recorded at cost and disclosed in the balance sheet as a deduction from equity. The Trust is consolidated.

Short-term employee benefits

All short-term benefits, including leave pay, are fully provided in the period in which the related service is rendered by the employees.

Post-retirement benefits

The group contributes to defined medical aid schemes for the benefit of permanent employees and a closed group of retirees and their dependants.

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

The current service cost in respect of defined benefit plans is recognised as an expense in the year in which the employee renders the service. Interest cost is recognised on a time proportional basis. 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.

Defined benefit plans are not consolidated.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are written off as incurred except where considered material.

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.

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 the **rendering of services** is recognised on an accrual basis over the period for which the services are rendered.

Revenue from **construction contracts** is recognised on the measured value of work performed at the balance sheet date.

Dividends are recognised when received.

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

Consolidated Balance Sheet

as at 30 June 2002

2002 US$m		Note	2002 Rm	2001 Rm
	ASSETS			
	Non-current assets			
170,7	Property, plant and equipment	1	**1 770,0**	1 464,4
103,7	Goodwill	2	**1 075,7**	1 050,5
48,1	Investment in associates and joint ventures	3	**498,8**	604,6
0,9	Other investments	4	**9,1**	13,9
323,4			**3 353,6**	3 133,4
	Current assets			
120,5	Inventories	5	**1 249,5**	920,3
291,3	Trade and other receivables	6	**3 020,6**	1 727,3
65,4	Cash and cash equivalents		**678,6**	368,0
477,2			**4 948,7**	3 015,6
800,6	*TOTAL ASSETS*		**8 302,3**	6 149,0
	EQUITY AND LIABILITIES			
	Capital and reserves			
1,9	Share capital	7	**19,5**	16,4
89,8	Share premium	8	**932,0**	587,7
10,8	Non-distributable reserves	9	**111,7**	34,4
143,9	Distributable reserves		**1 491,8**	1 203,2
	Automatically convertible subordinated debentures	10		171,2
246,4	*Total ordinary shareholders' funds*		**2 555,0**	2 012,9
24,0	Minority interests		**248,7**	173,7
270,4	*Total shareholders' funds*		**2 803,7**	2 186,6
	Non-current liabilities			
59,2	Interest-bearing borrowings	11	**614,9**	632,3
6,5	Deferred tax	12	**66,9**	76,5
65,7			**681,8**	708,8
	Current liabilities			
338,2	Trade and other payables	13	**3 507,5**	2 247,7
120,9	Short-term interest-bearing borrowings	11.1	**1 253,3**	930,3
5,4	Taxation		**56,0**	75,6
464,5			**4 816,8**	3 253,6
800,6	*TOTAL EQUITY AND LIABILITIES*		**8 302,3**	6 149,0

** Provided for information purposes only. The 2002 US dollar figures do not form part of the statutory financial statements.*

Consolidated Income Statement

for the year ended 30 June 2002

2002 US$m		Note	2002 Rm	2001 Rm
1 313,3	*Revenue*	14	**13 185,2**	10 317,1
1 106,8	Cost of sales		**11 113,8**	8 655,1
206,5	*Gross profit*		**2 071,4**	1 662,0
105,9	Operating expenses		**1 063,1**	939,1
100,6	Operating income before depreciation		**1 008,3**	722,9
36,3	Depreciation	1	**364,2**	292,1
64,3	*Operating income*	15	**644,1**	430,8
11,3	Income from associates and joint ventures	3	**113,8**	99,9
4,8	Income from investments	16	**48,6**	67,2
80,4	*Income before interest paid*		**806,5**	597,9
24,2	Interest paid	17	**242,6**	178,5
56,2	*Income before goodwill and non-trading items*		**563,9**	419,4
(5,4)	Amortisation of goodwill	18	**(53,8)**	(65,9)
(0,5)	Non-trading items	19	**(4,6)**	7,3
50,3	*Income before taxation*		**505,5**	360,8
11,9	Taxation	20	**119,7**	78,6
38,4	*Income after taxation*		**385,8**	282,2
2,3	Minority interests		**23,3**	14,3
36,1	*Earnings*		**362,5**	267,9
5,8	Net adjustment for amortisation of goodwill and non-trading items	18, 19	**58,4**	58,6
41,9	*Headline earnings*	21	**420,9**	326,5
	EARNINGS PER SHARE (cents)			
10,7	Diluted headline	21	**107,3**	86,8
9,2	Diluted earnings	21	**92,4**	71,5
11,1	Headline	21	**111,2**	99,4
9,5	Earnings	21	**95,7**	81,6
2,6	*DIVIDEND PER SHARE (cents)*		**27,0**	22,5
	NUMBER OF SHARES (millions)			
	In issue	7	**396,1**	356,1
	Weighted average	21	**378,6**	328,5
	Diluted weighted average	21	**392,3**	383,4

** Provided for information purposes only. The 2002 US dollar figures do not form part of the statutory financial statements.*

Cash Flow Statement

for the year ended 30 June 2002

	Note	2002 Rm	2001 Rm
Cash retained from operating activities			
Operating income	22.1	**585,7**	372,2
Depreciation		**364,2**	292,1
Non-cash items	22.2	**(31,7)**	71,7
Cash generated by operations		**918,2**	736,0
Income from investments		**48,6**	67,2
Increase in working capital	22.3	**(279,3)**	(191,4)
Cash generated by operating activities		**687,5**	611,8
Interest paid	22.4	**(242,6)**	(178,5)
Taxation paid	22.5	**(148,8)**	(54,4)
Cash available from operating activities		**296,1**	378,9
Dividend paid	22.6	**(79,3)**	(63,3)
		216,8	315,6
Investing activities			
Fixed assets purchased to			
– maintain operations		**(387,5)**	(211,3)
– expand operations		**(315,6)**	(324,8)
Investments in subsidiaries and businesses	22.7		(1 654,9)
Minorities acquired			(8,7)
Investments in associate companies	22.8	**238,9**	21,7
Other investments	22.9	**4,8**	(3.9)
Proceeds on disposal of			
– fixed assets		**78,7**	43,8
– treasury shares		**169,0**	
– subsidiaries and businesses	22.7	**0,3**	113,4
		(211,4)	(2 024,7)
Financing activities			
Long-term borrowings – raised		**80,0**	694,5
Share issue expenses for debenture conversion		**(0,4)**	
Long-term borrowings – repaid		**(30,7)**	(165,5)
		48,9	529,0
Cash and cash equivalents at end of year			
Net increase/(decrease) in cash and cash equivalents		**54,3**	(1 180,1)
Cash and cash equivalents at beginning of year		**(485,2)**	694,9
	22.10	**(430,9)**	(485,2)

Statement of changes in equity

for the year ended 30 June 2002

	Share capital Rm	Share premium Rm	Non-distributable reserves: Attributable reserves of equity accounted investments Rm	Non-distributable reserves: Foreign currency translation Rm	Non-distributable reserves: Other non-distributable reserves Rm	Non-distributable reserves: Automatically convertible subordinated debentures Rm	Retained income Rm	Total Rm
Balance at 1 July 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 issue of shares to LTA Limited shareholders and share scheme participants		2,9						2,9
Transfers			(6,9)				6,9	
Other			(0,7)					(0,7)
Balance at 30 June 2001	16,4	587,7	22,6	11,6	0,2	171,2	1 203,2	2 012,9
Conversion of debentures	**2,0**	**(0,4)**				**(171,2)**		**(169,6)**
Earnings for the year							**362,5**	**362,5**
Disposal of treasury shares	**1,1**	**169,0**						**170,1**
Dividends paid							**(74,3)**	**(74,3)**
Foreign currency translation			**14,3**	**63,4**				**77,7**
Premium on issue of ordinary shares to redeem the debentures		**175,7**						**175,7**
Transfers			**(0,4)**				**0,4**	
Balance at 30 June 2002	**19,5**	**932,0**	**36,5**	**75,0**	**0,2**		**1 491,8**	**2 555,0**

Segmental Report

for the year ended 30 June 2002

		2002 Rm	2002 %	2001 Rm	2001 %
BUSINESS SEGMENTATION					
Revenue	Construction	**9 559,2**	**72,5**	7 517,5	72,9
	Steel & Allied	**3 626,0**	**27,5**	2 799,6	27,1
		13 185,2	**100,0**	10 317,1	100,0
Operating income	Construction	**345,0**	**53,6**	253,1	58,8
	Steel & Allied	**299,1**	**46,4**	177,7	41,2
		644,1	**100,0**	430,8	100,0
Assets	Construction	**4 573,0**	**64,3**	3 418,3	66,2
	Steel & Allied	**2 542,8**	**35,7**	1 744,2	33,8
		7 115,8	**100,0**	5 162,5	100,0
Liabilities	Construction	**2 919,0**	**83,2**	1 815,8	80,8
	Steel & Allied	**588,5**	**16,8**	431,9	19,2
		3 507,5	**100,0**	2 247,7	100,0
Capital expenditure	Construction	**609,6**	**86,7**	468,0	87,3
	Steel & Allied	**93,5**	**13,3**	68,1	12,7
		703,1	**100,0**	536,1	100,0
Depreciation	Construction	**341,4**	**93,7**	239,8	82,1
	Steel & Allied	**22,8**	**6,3**	52,3	17,9
		364,2	**100,0**	292,1	100,0
GEOGRAPHIC SEGMENTATION					
Revenue	Republic of South Africa (CMA)	**7 286,5**	**55,3**	6 654,8	64,5
	Africa and Middle East	**3 499,6**	**26,5**	2 217,3	21,5
	Australia and South East Asia	**2 399,1**	**18,2**	1 445,0	14,0
		13 185,2	**100,0**	10 317,1	100,0
Assets	Republic of South Africa (CMA)	**3 185,7**	**44,8**	2 519,7	48,8
	Africa and Middle East	**3 053,4**	**42,9**	2 068,5	40,1
	Australia and South East Asia	**876,7**	**12,3**	574,3	11,1
		7 115,8	**100,0**	5 162,5	100,0
Capital expenditure	Republic of South Africa (CMA)	**339,7**	**48,4**	268,2	50,0
	Africa and Middle East	**300,5**	**42,7**	225,5	42,1
	Australia and South East Asia	**62,9**	**8,9**	42,4	7,9
		703,1	**100,0**	536,1	100,0

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Notes to the financial statements

for the year ended 30 June 2002

	Land and buildings Rm	Investment properties Rm	Owned plant, equipment and vehicles Rm	Leased plant, equipment and vehicles Rm	Total 2002 Rm	Total 2001 Rm
1 *PROPERTY PLANT AND EQUIPMENT*						
Cost						
At beginning of year						
– historical cost	**229,7**		**2 497,2**	**75,1**	**2 802,0**	959,4
Foreign exchange movements	**0,3**		**102,5**	**13,1**	**115,9**	
Additions	**68,0**		**607,8**	**27,3**	**703,1**	536,1
Disposals	**(8,1)**	**(6,6)**	**(149,4)**	**(4,7)**	**(168,8)**	(194,9)
Applicable to subsidiaries and businesses acquired or sold		**(27,5)**	**(3,5)**		**(31,0)**	1 501,4
Reclassification of assets	**(34,1)**	**34,1**				
At end of year	**255,8**		**3 054,6**	**110,8**	**3 421,2**	2 802,0
Accumulated depreciation						
At beginning of year						
– historical cost	**51,5**		**1 261,6**	**24,5**	**1 337,6**	454,3
Re-allocation						
Foreign exchange movements	**(0,2)**		**69,2**	**4,1**	**73,1**	
Current year charge	**12,7**	**0,3**	**344,0**	**7,2**	**364,2**	292,1
Disposals	**(1,9)**	**(0,8)**	**(105,0)**	**(0,4)**	**(108,1)**	(159,6)
Applicable to subsidiaries and businesses acquired or sold		**(12,7)**	**(2,9)**		**(15,6)**	750,8
Reclassification of assets	**(13,2)**	**13,2**				
At end of year	**48,9**		**1 566,9**	**35,4**	**1 651,2**	1 337,6
Net book value at end of year	**206,9**		**1 487,7**	**75,4**	**1 770,0**	1 464,4
Land and buildings comprise:						
Freehold					**237,8**	214,1
Long leasehold					**18,0**	15,6
					255,8	229,7

Rates and methods of depreciation	Method	Rate	Rate
Freehold buildings	Straight line	2%	2%
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%

Notes to the financial statements (continued)
for the year ended 30 June 2002

		2002 Rm	2001 Rm
1	*PROPERTY PLANT AND EQUIPMENT (CONTINUED)*		
	Included in plant, equipment and vehicles are fixed assets with a net book value of R75,2 million (2001: R50,5 million) which are subject to finance lease agreements.		
	The cost of fully depreciated plant and equipment that was still in use at 30 June 2002 was R188,5 million (2001: R211,2 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 temporally idle is	**4,6**	nil
	The carrying amount of property, plant and equipment which is retired from active service and held for disposal	**nil**	nil
	There are no assets with impaired values.		
2	*GOODWILL*		
	Gross carrying amount		
	At beginning of year	**1 161,2**	
	Acquisition of subsidiaries		1 161,6
	Foreign exchange movements	**96,1**	(0,4)
	Reduction of gross carrying amount written off in full	**(27,1)**	
	At end of year	**1 230,2**	1 161,2
	Accumulated amortisation		
	At beginning of year	**110,7**	
	Acquisition of subsidiaries		45,0
	Current year charge	**53,8**	65,9
	Foreign exchange movements	**17,1**	(0,2)
	Reduction of accumulated amortisation written off in full	**(27,1)**	
	At end of year	**154,5**	110,7
	Net carrying amount at end of year	**1 075,7**	1 050,5

		2002 Rm	2001 Rm
3	*INVESTMENT IN ASSOCIATES AND JOINT VENTURES*		
	Unlisted	**498,8**	604,6
	Investment		
	At beginning of year	**604,6**	390,2
	Additional interest acquired		120,8
	Investment now associated company		40,1
	Associate now a subsidiary		(22,3)
	Loans and capital repaid	**(262,4)**	(39,0)
	Loans advanced	**28,5**	45,7
	Net share of results		
	– share of results before taxation as per income statement	**170,6**	138,1
	– share of taxation	**(56,8)**	(38,2)
	Dividends paid	**(5,0)**	(28,5)
	Provision for diminution in value reversed	**5,0**	(6,9)
	Share of reserve movements in the year	**14,3**	4,6
	At end of year	**498,8**	604,6
	The aggregate assets, liabilities and results of operations and cash flow of associate companies are summarised hereunder:		
	Non-current assets	**1 167,0**	1 074,6
	Current assets	**678,1**	468,7
		1 845,1	1 543,3
	Current liabilities	**590,5**	377,3
	Interest-bearing debt	**641,9**	418,5
	Non-interest bearing debt	**113,9**	142,9
	Equity	**498,8**	604,6
		1 845,1	1 543,3
	Revenue	**1 439,2**	1 301,9
	Expenses	**1 237,8**	1 161,4
	Net finance costs	**30,2**	38,2
	Income before taxation	**171,2**	102,3
	Taxation	**57,4**	2,4
	Income after taxation	**113,8**	99,9
	Net cash inflow/(outflow) from operating activities	**263,4**	123,9
	Net cash (outflow)/inflow from investing activities	**(254,0)**	(29,5)
	Net cash inflow/(outflow) from financing activities	**59,1**	(61,1)
	Net increase/(decrease) in cash and cash equivalents	**68,5**	33,3
	Cash and cash equivalents at beginning of year	**(50,4)**	(83,7)
	Cash and cash equivalents at end of year	**18,1**	(50,4)

Notes to the financial statements *(continued)*

for the year ended 30 June 2002

		2002 Rm	2001 Rm
4	*OTHER INVESTMENTS*		
	At beginning of year	**13,9**	50,1
	Additional interest acquired		3,9
	Disposals	**(4,8)**	(40,1)
	At end of year	**9,1**	13,9
	The directors value these unlisted investments at not less than their fair value.		
5	*INVENTORIES*		
	Raw materials	**276,4**	237,5
	Consumable stores	**289,2**	185,1
	Work in progress	**77,4**	60,6
	Finished goods	**495,6**	333,2
	Properties held for development and resale	**110,9**	103,9
		1 249,5	920,3
	No inventories are valued at net realisable value.		
6	*TRADE AND OTHER RECEIVABLES*		
	Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year-end, less progress payments	**1 453,7**	1 298,6
	Amounts receivable in excess of amounts billed	**839,0**	218,8
		2 292,7	1 517,4
	Advances receivable in excess of work performed	**(817,4)**	(875,6)
	Net amounts due on contracts	**1 475,3**	641,8
	Retentions receivable	**268,2**	162,0
	Contracts in progress less progress payments	**1 743,5**	803,8
	Trade	**803,3**	693,5
	Pre-payments and other	**473,8**	230,0
		3 020,6	1 727,3
7	*SHARE CAPITAL*		
	Authorised		
	Ordinary share capital		
	882 034 263 ordinary shares of 5 cents each	**44,1**	44,1
	Issued		
	Total issued share capital of 356 127 518 shares of 5 cents each at beginning of year	**16,4**	16,4
	Movements during the year:		
	Issue of 40 018 390 shares to redeem the convertible debentures	**2,0**	
	Disposal of treasury shares	**1,1**	
	Total issued share capital at end of year 396 145 908 shares (2001: 356 127 518)	**19,5**	16,4
	The 485 888 355 unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.		

		2002 Rm	2001 Rm
8	*SHARE PREMIUM*		
	At beginning of year	**587,7**	584,8
	Premium on issue of ordinary shares on conversion of debentures	**175,7**	
	Expenses on conversion of debentures	**(0,4)**	
	Disposal of treasury shares	**169,0**	
	Increase in share premium as a result of the issue of shares to LTA Limited shareholders and share scheme participants		2,9
	At end of year	**932,0**	587,7
9	*NON-DISTRIBUTABLE RESERVES*		
	Balance at end of the year comprises:		
	Associated companies' and joint ventures' retained reserves	**36,5**	22,6
	Capital redemption reserve fund	**0,2**	0,2
	Foreign currency translation reserve	**75,0**	11,6
		111,7	34,4
10	*AUTOMATICALLY CONVERTIBLE SUBORDINATED DEBENTURES*		
	In terms of the trust deed the 40 018 390, 5% unsecured automatically convertible debentures of R4,44 each, were redeemed by the issue of 40 018 390 ordinary shares of 5 cents each to the debenture holders at par, plus a share premium of R4,39 on 30 November 2001.		171,2
11	*INTEREST-BEARING BORROWINGS*		
11.1	*Non-current borrowings*		
	Summary of loans by financial year of redemption		
	2002		77,1
	2003	**143,8**	93,9
	2004	**127,0**	111,0
	2005	**153,7**	120,6
	2006	**103,8**	84,1
	2007	**46,0**	222,7
	2008 onwards	**184,4**	
	Total borrowings (Note 11.2)	**758,7**	709,4
	Current portion included in short-term borrowings	**(143,8)**	(77,1)
		614,9	632,3
	Short-term interest-bearing borrowings		
	Overdrafts	**490,0**	214,3
	Short-term call accounts	**619,5**	638,9
	Current portion of non-current borrowings	**143,8**	77,1
		1 253,3	930,3
	Total interest-bearing borrowings	**1 868,2**	1 562,6

Notes to the financial statements *(continued)*
for the year ended 30 June 2002

	Final repayment date	2002 Rm	2001 Rm
11 INTEREST-BEARING BORROWINGS (CONTINUED)			
11.2 Analysis of total non-current borrowings			
Unsecured loans			
	2002		67,0
	2003	**117,7**	83,4
	2004	**116,6**	100,5
	2005	**139,4**	120,6
	2006	**103,8**	84,1
	2007	**46,0**	222,7
	2008 onwards	**184,4**	
		707,9	678,3
Interest rates vary from 11% to 17,2% (2001: 11% to 17,2%).			
Secured loans			
	2002		10,1
	2003	**26,1**	10,5
	2004	**10,4**	10,5
	2005	**14,3**	
		50,8	31,1
Interest rates vary from 11% to 15% (2001: 10,1% to 15%).			
Finance lease liabilities are secured against the appropriate asset.			
Total non-current interest-bearing borrowings (Note 11.1)		**758,7**	709,4

The company and its subsidiaries have entered into cross-suretyships in respect of current and future financial obligations to FirstRand Bank Limited amounting to R621,6 million (2001: R684,6 million). These amounts are included above. The following covenants are applicable: net debt to equity, interest cover and Ebitda less replacement capital expenditure divided by net finance costs.

11.3 Borrowings and cash analysis

	2002 Rm	2002 %	2001 Rm	2001 %
Geographic				
South Africa	**1 556,6**	**83,3**	1 340,9	85,8
Foreign	**311,6**	**16,7**	221,7	14,2
	1 868,2	**100,0**	1, 562,6	100,0

	2002 Gross Rm	2002 Cash Rm	2002 Net Rm	2002 % Rm	2001 Net	2001 %
11 *INTEREST-BEARING BORROWINGS (CONTINUED)*						
11.3 *Borrowings and cash analysis (continued)*						
Fixed and variable						
Fixed – long term	**707,9**		**707,9**	59,5	709,4	59,4
– short term	**402,0**		**402,0**	33,8	384,5	32,2
Variable	**758,3**	**678,6**	**79,7**	6,7	100,7	8,4
	1 868,2	**678,6**	**1 189,6**	100,0	1 194,6	100,0

	2002 Rm	2001 Rm
12 *DEFERRED TAX*		
At beginning of year	**76,5**	64,1
Transfer from/(to) income statement – current year	**(7,3)**	(13,0)
– prior years	**(2,3)**	(1,4)
Arising on the acquisition and disposal of subsidiaries		26,8
At end of year	**66,9**	76,5
Balance at end of year comprises:		
Accelerated capital allowances	**59,9**	66,8
Other timing differences	**7,0**	12,9
Difference due to foreign tax rates		(3,2)
	66,9	76,5
13 *TRADE AND OTHER PAYABLES*		
Trade	**1 893,5**	1 321,7
Accrued expenses	**1 614,0**	926,0
	3 507,5	2 247,7
14 *REVENUE*		
Goods	**3 406,9**	2 792,5
Construction contract revenue	**9 738,8**	7 358,7
Services	**39,5**	165,9
Revenue	**13 185,2**	10 317,1

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

Revenue between sub-groups of the company is not eliminated on consolidation. All revenue within sub-groups, even if arm's length is eliminated on consolidation, except within the building and construction activities when sub-contracting 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.

Notes to the financial statements (continued)

for the year ended 30 June 2002

			2002 Rm	2001 Rm
15	*OPERATING INCOME DISCLOSURES*			
	In arriving at operating income the following items have been taken into account:			
	Foreign exchange gains	– realised	**23,0**	3,8
		– unrealised	**63,0**	
	Surplus on disposal of property, plant, machinery, equipment and vehicles		**(18,0)**	8,5
	Auditors' remuneration	– fees for audit	**14,2**	11,9
		– fees for other services	**1,8**	1,8
		– expenses	**1,0**	0,7
	Depreciation of property, plant, and equipment	– land and buildings and investment properties	**13,0**	5,8
		– plant, equipment and vehicles	**351,2**	286,3
	Operating lease expenses	– buildings	**42,4**	36,2
		– plant, machinery, equipment and vehicles	**283,6**	1,3
	Remuneration services	– managerial, secretarial, financial, technical	**2,4**	1,9
	Staff costs	– salaries and wages	**2 298,0**	1 746,6
		– bonuses	**104,4**	97,7
		– contributions to retirement funds	**89,6**	45,9
		– contributions to medical funds	**63,8**	29,0
16	*INCOME FROM INVESTMENTS*			
	Dividends – listed			3,4
	– unlisted		**14,0**	4,7
			14,0	8,1
	Interest – external		**34,6**	59,1
			48,6	67,2
	Dividends were received from			
	– associated companies		**5,0**	0,1
	– other investments		**9,0**	8,0
			14,0	8,1
17	*INTEREST PAID*			
	Interest expense		**242,6**	178,5
	No borrowing costs have been capitalised during the year, (2001: Nil)			
18	*AMORTISATION OF GOODWILL*			
	Goodwill is amortised through the income statement over its estimated useful life, with a maximum of 20 years		**53,8**	65,9

		2002 Rm	2001 Rm
19	*NON-TRADING ITEMS*		
	Net (surplus)/loss on disposal of properties	**(1,3)**	0,6
	Net loss/(surplus) on disposal of investments	**5,9**	(7,9)
		4,6	(7,3)
20	*TAXATION*		
	South African normal taxation – current	**52,0**	46,7
	– prior year	**3,1**	
	Deferred tax	**(9,6)**	(14,4)
	Foreign taxation – current	**74,1**	46,3
	Secondary tax on companies	**0,1**	
		119,7	78,6
	Reconciliation of rate of taxation (%)		
	Standard rate of company taxation	**30,0**	30,0
	Adjusted for:		
	Assessed loss utilised	**(2,5)**	(6,5)
	Current year's tax losses not utilised	**6,3**	3,9
	Disallowable expenditure	**4,6**	8,0
	Exempt income	**(5,6)**	(6,6)
	Foreign tax adjustment	**(5,1)**	(0,6)
	Income from associates	**(7,4)**	(7,9)
	Other	**2,8**	2,4
	Prior years	**0,6**	(0,9)
	Effective taxation rate	**23,7**	21,8
	Effective rate of taxation for the year before amortisation of goodwill, other non-trading items and associated companies	**26,7**	24,6

The estimated losses which are available for the reduction of future taxable income are R105,5 million (2001: R94,3 million) of which RNil (2001: R46,7 million) has been taken into account in calculating deferred tax. The balance represents losses that are not recoverable.

The group has estimated unused credits in respect of secondary tax on companies amounting to R230,3 million (2001: R300,2 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.

		2002	2001
21	*EARNINGS AND HEADLINE EARNINGS PER SHARE*		
	Weighted average number of shares:		
	For calculation of earnings per share	**378 594 481**	328 470 443
	Potential dilution on the exercise of share options	**13 674 375**	14 940 197
	Convertible debentures		40 018 390
	For calculation of diluted headline and diluted earnings per share	**392 268 856**	383 429 030

Notes to the financial statements *(continued)*

for the year ended 30 June 2002

		2002 Rm	2001 Rm
21	*EARNINGS AND HEADLINE EARNINGS PER SHARE (CONTINUED)*		
	Determination of headline and diluted headline earnings:		
	Earnings	**362,5**	267,9
	Adjustment for amortisation of goodwill	**53,8**	65,9
	Net (loss)/surplus on disposal of properties	**(1,3)**	0,6
	Net surplus/(loss) on disposal of investments	**5,9**	(7,9)
	Headline earnings	**420,9**	326,5
	Adjustment for debenture interest		6,2
	Diluted headline earnings	**420,9**	332,7
22	*NOTES TO THE CASH FLOW STATEMENT*		
22.1	*Cash retained from operations*		
	Net income before tax	**505,5**	360,8
	Adjust for:		
	Interest paid	**242,6**	178,5
	Income from investments	**(48,6)**	(67,2)
	Income from associates	**(113,8)**	(99,9)
		585,7	372,2
22.2	*Non-cash movements*		
	Write off of goodwill and other intangibles	**53,8**	65,9
	Translation differences on property, plant and equipment		21,1
	Forex gains on translation of working capital	**(63,0)**	
	Profit on sale of property, plant and equipment	**(18,0)**	(8,5)
	Fair value adjustments on investments	**(5,0)**	
	Surplus on disposals of investments		(6,6)
	Other	**0,5**	(0,2)
		(31,7)	71,7
22.3	*Working capital movements*		
	Increase in inventories	**(329,1)**	(212,6)
	Increase in trade and other receivables	**(1 282,5)**	(49,0)
	Increase in trade and other payables	**1 269,3**	70,2
		(342,3)	(191,4)
	Foreign exchange gains	**63,0**	
		(279,3)	(191,4)
22.4	*Net financing costs*		
	Net financing costs per income statement	**242,6**	178,5

	2002 Rm	2001 Rm
22 *NOTES TO THE CASH FLOW STATEMENT (CONTINUED)*		
22.5 *Normal taxation paid*		
Amounts unpaid at beginning of year	**75,6**	37,0
Amounts charged to the income statement	**129,2**	93,0
Amounts unpaid at end of year	**(56,0)**	(75,6)
	148,8	54,4
22.6 *Dividends paid*		
Amounts paid – holding company	**74,3**	60,7
– to minorities	**5,0**	2,6
	79,3	63,3
22.7 *Investments in subsidiaries and businesses*		
Property, plant and equipment		825,7
Working capital		(50,5)
Net cash and cash equivalents		(97,3)
Other investments		120,8
Minority interests		(140,6)
Deferred tax		(25,3)
Long-term borrowings		(166,5)
Goodwill on acquisition		1 116,5
		1 582,8
Cost of existing holding		(22,3)
Non-cash issue of shares		(2,9)
Net cash and cash equivalents included in net assets acquired		97,3
Cash flow on acquisitions		1 654,9
Net assets of subsidiaries and businesses disposed of		
Property, plant and equipment	**15,5**	75,1
Working capital	**(11,9)**	151,1
Net cash and cash equivalents		22,3
Minority interests		(70,6)
Deferred tax		1,6
Long-term borrowings		(50,5)
Goodwill on acquisition	**(3,3)**	0,1
	0,3	129,1
Surplus on disposal		6,6
Net cash and cash equivalents included in net assets disposed		(22,3)
Cash flow on disposals	**0,3**	113,4

Notes to the financial statements (continued)
for the year ended 30 June 2002

		2002 Rm	2001 Rm
22	*NOTES TO THE CASH FLOW STATEMENT (CONTINUED)*		
22.8	*Associated companies*		
	Return of capital	**262,4**	
	Dividends received	**5,0**	28,5
	Net loans advanced	**(28,5)**	(6,8)
		238,9	21,7
22.9	*Other investments*		
	Cost of acquisitions		(3,9)
	Return of capital	**4,8**	
		4,8	(3,9)
22.10	*Cash and cash equivalents*		
	Deposits and cash	**678,6**	368,0
	Overdrafts	**(1 109,5)**	(214,3)
	Short-term call accounts		(638,9)
		(430,9)	(485,2)
23	*COMMITMENTS*		
	Capital commitments		
	Capital expenditure authorised – contracted for	**183,7**	49,5
	– not contracted for	**152,0**	272,9
		335,7	322,4
	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	**35,1**	12,4
	– more than 1 year but less than 5 years	**88,0**	55,2
	– more than 5 years	**45,5**	108,2
		168,6	175,8
24	*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	**55,4**	24,7
	– other including claims	**36,6**	
		92,0	24,7

Foreign currency	Foreign amount 2002	Foreign amount 2001	Rand amount 2002	Rand amount 2001
25 *FOREIGN EXCHANGE EXPOSURE*				
Forward exchange contracts for purchases				
Deutsche mark		18,8		71,6
Euro	**7,7**	2,8	**78,0**	20,7
UK pounds	**0,1**	1,7	**0,9**	19,7
US dollars	**8,4**	1,8	**96,2**	14,8
			175,1	126,8
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. These contracts were entered into to cover foreign commitments not yet due.

Details of these contracts are as follows:

Foreign currency	Foreign amount 2002	Foreign amount 2001	Rand amount 2002	Rand amount 2001
Foreign currency payables and receivables				
Payables				
Australian dollars	**138,3**	116,4	**808,2**	478,9
Deutsche mark		3,9		14,7
Euro	**4,9**	0,2	**51,1**	1,6
Pula	**34,9**	74,2	**59,2**	106,1
UK pounds	**2,6**		**41,5**	
US dollars	**56,4**	26,5	**586,4**	215,8
			1 546,4	817,1
Receivables				
Australian dollars	**113,4**	157,0	**662,9**	645,7
Euro		0,3		1,9
Pula	**61,0**	108,3	**103,6**	154,8
UK pounds	**4,9**		**78,2**	
US dollars	**61,4**	32,0	**636,0**	257,6
			1 480,7	1 060,0

Notes to the financial statements *(continued)*
for the year ended 30 June 2002

	Assets	Liabilities	Net assets (liabilities) exposure
25 *FOREIGN EXCHANGE EXPOSURE (CONTINUED)*			
Exposure to uncovered foreign exchange (R million)			
Australian dollars		0,5	(0,5)
Cedi and meticals		16,3	(16,3)
Euro		0,6	(0,6)
Pula			
Swiss franc		0,2	(0,2)
UK pounds	0,5		0,5
US dollars	49,1		49,1
	49,6	17,6	32,0

The group's policy is to cover all foreign currency exposures unless a natural hedge exists.

Foreign exchange rate table – material currencies

	2002		2001	
	Closing	Average	Closing	Average
Australian dollars	**5,85**	**5,26**	4,11	4,11
Euro	**10,24**	**8,97**	6,82	6,66
UK pounds	**15,90**	**14,54**	11,40	10,88
US dollars	**10,37**	**10,04**	8,05	7,44

26 *EMPLOYEE BENEFITS*

26.1 *Post-retirement benefits*

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 21,7% (2001: 22,1%) of the employees are members of company funds. Other employees are members of provident funds administered by employee 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 rates were recommended.

The group has in place an insurance policy and provisions to cover expected post-retirement medical aid obligations.

The principal group funds are:

	2002	2001
Number of members		
LTA Limited Pension Fund		1 698
Grinaker-LTA Limited Retirement Plan	**3 272**	1 588
Grinaker Limited "Closed" Benefit Plan	**70**	79
Trident Steel Retirement Fund	**446**	397

The Group's retirement benefit expense was R89,3 million (2001: R45,9 million).

	2002 Rm	2001 Rm
26 *EMPLOYEE BENEFITS (CONTINUED)*		
26.2 *Post-retirement medical aid liability*		
The group has an accrued liability of R57,4 million which matches the present value of the obligation, in respect of the post-retirement medical aid subsidy entitlement of persons employed by the group before 30 June 1998 who were also members of the group medical aid fund at such date.		
This liability was actuarially valued at 1 July 2002.		
This liability has been provided for in full.		
26.3 *Defined benefit plans*		
Valuation method:		
Projected unit credit method	**Yes**	Yes
Principal assumptions:		
Discount rate (%)	**10,50**	10,50
Expected return on assets (%)	**10,25**	10,25
General inflation (%)	**7,00**	7,00
Salary inflation (%)	**8,00**	8,00
Present value of obligation:		
Opening balance at beginning of year	**139,8**	138,0
Interest cost on opening balance	**14,1**	13,8
Current service cost	**0,9**	0,9
Change in obligation due to past service costs		
Actuarial gain/(loss)		
Benefits paid	**(10,5)**	(12,9)
Closing balance at end of year	**144,3**	139,8
There were no past service cost charges.		
Fair value of plan assets:		
Opening balance at beginning of year	**216,6**	207,9
Expected return on fund assets	**21,7**	20,7
Contributions received	**0,6**	0,9
Actuarial gain/(loss)		
Benefits paid	**(10,5)**	(12,9)
Closing balance at end of year	**228,4**	216,6
Net assets not recognised	**84,1**	76,8

Notes to the financial statements *(continued)*
for the year ended 30 June 2002

26.4 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% (presently 19 807 295 shares) of the issued share capital. No one participant may acquire shares in excess of 2% (presently 7 922 918 shares) of the issued share capital of the company.

The movements during the year under review were as follows:

	Number of shares 2002	Number of shares 2001
Balance at beginning of year	**15 902 875**	4 120 000
Options granted or scheme shares allocated	**505 000**	12 961 125
Options exercised or allocation shares delivered	**(1 269 200)**	(548 750)
Options or scheme shares forfeited	**(748 850)**	(629 500)
Balance at end of year	**14 389 825**	15 902 875

Details of share options exercised and allocations taken up during the period:

	2002 R	2001 R
Average subscription or purchase price	**5,32**	3,60
Range of market prices at dates of exercising option or taking delivery	**7,10 – 8,65**	7,00 – 8,00

	Subscription price	Number of shares	Number of shares
The options outstanding at 30 June 2002 become unconditional between the following dates:			
1 September 2000 and 1 September 2008	3,60	**1 244 375**	1 708 750
17 April 2002 and 17 April 2010	6,90	**1 325 000**	1 675 000
25 May 2002 and 25 May 2010	6,10	**2 758 750**	3 175 000
1 September 2002 and 1 September 2010	6,20	**548 750**	548 750
29 November 2002 and 29 November 2010	5,80	**8 007 950**	8 795 375
1 October 2003 and 1 October 2011	7,55	**505 000**	
		14 389 825	15 902 875

26 EMPLOYEE BENEFITS (CONTINUED)

26.4 Executive share incentive scheme (continued)

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

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

Call options issued by the company that require settlement in cash are considered to be a financial liability to the company. On issue of the option the cost of the option is expensed, reduced by any amounts to be paid by employees to acquire the option. The liability is fairly valued at balance sheet date. Any changes in the value of the liability is recognised in net profit in the period in which it occurs.

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) or the Act. The Trust held 6 673 125 ordinary shares at 30 June 2002 (2001: 8 463 100 ordinary shares and convertible debentures).

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

27 BORROWING CAPACITY

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

28 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 2002, 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.

Notes to the financial statements *(continued)*

for the year ended 30 June 2002

28 *RISK MANAGEMENT (CONTINUED)*

Interest rate risk

Deposits and cash balances all carry interest at rates that vary in response to prime. In order to limit the exposure to interest rate risk the company enters into interest rate swaps as approved by the board. The current interest rate swap is for the amount of R100 million fixed at a minimum rate of 10,06% for a period of 24 months from January 2002. No adjustment has been made to fair value at 30 June 2002.

All other interest rate information in contained in the relative notes.

29 *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:

	2002 Rm	2001 Rm
Included in sales	**40,2**	25,0
Included in cost of sales	**32,6**	54,0
There were no related party transactions with directors or entities in which the directors have a material interest other than	**0,1**	

30 *DIRECTORS' REMUNERATION AND INTERESTS (R'000)*

Directors' remuneration

	Salary	Retirement fund contributions	Other benefits	Guaranteed remuneration	Bonus	Total 2002
Executive directors						
P F Crowley	1 225	177	175	**1 577**	1 000	**2 577**
D R Gammie	705	189	156	**1 050**	580	**1 630**
C Grim	1 209	311	283	**1 803**	1 100	**2 903**
H D K Jones	1 036	195	167	**1 398**	750	**2 148**
W Wassermeier	952	140	223	**1 315**	650	**1 965**
Retired directors	1 352	184	131	**1 667**		**1 667**
	6 479	1 196	1 135	**8 810**	4 080	**12 890**
Comparative 2001	6 729	1 225	1 130	9 084	5 219	14 303

	Fees as director	Chairman fees	Attendance at internal boards	Sub-committee fees	Other group fees	Total 2002
30 *DIRECTORS' REMUNERATION AND INTERESTS (R'000) (CONTINUED)*						
Non-executive directors						
C V Campbell	50 000			30 000		**80 000**
M M Doyle	50 000					**50 000**
P L Erasmus	50 000			5 000		**55 000**
J R Hersov	50 000					**50 000**
V Z Mntambo	50 000					**50 000**
A R Mpungwe	37 500				135 000	**172 500**
P J Owen	50 000			10 000		**60 000**
R B Savage	50 000	50 000	135 000	40 000		**275 000**
M Taback	50 000					**50 000**
	437 500	50 000	135 000	85 000	135 000	**842 500**
Comparative 2001	300 000	30 000	220 145	18 000		568 145

Executive directors' fees are waived in favour of Aveng.

	2002		2001	
	Ordinary shares	**Convertible debentures**	Ordinary shares	Convertible debentures
Interest of directors in the share capital of the company				
Executive directors				
D R Gammie	**71 301**		10 000	
C Grim	**203 149**		42 600	
H D K Jones	**100 000**		159 600	
Retired directors				150 000
	374 450		212 200	150 000
Non-executive directors				
C V Campbell	**10 300**		10 300	
P L Erasmus	**250 000**		310 000	
J R Hersov	**500 000**		4 447 632	1 122 501
	760 300		4 767 932	1 122 501
Total	**1 134 750**		4 980 132	1 272 501
% of issued securities	**0,3**		1,4	3,2

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 2002 to the date of this report.

Notes to the financial statements *(continued)*

for the year ended 30 June 2002

30 DIRECTORS' REMUNERATION AND INTERESTS (R'000) (CONTINUED)

Interest of directors in the executive share incentive scheme

	Date from which exercisable	Date on which expires	Price	Number entitled to at 30 June 2001	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2002**
P F Crowley	Nov-02	Nov-12	5,80	300 000			**300 000**
D R Gammie	Sep-01	Sep-11	3,60	315 000		105 000	**210 000**
	Sep-02	Sep-12	6,20	105 000			**105 000**
	Sep-03	Sep-13	7,55		105 000		**105 000**
C Grim	Sep-01	Sep-11	3,60	825 000		275 000	**550 000**
	Sep-02	Sep-12	6,20	275 000			**275 000**
	Sep-03	Sep-13	7,55		275 000		**275 000**
H D K Jones	Sep-02	Sep-12	3,60	187 500		62 500	**125 000**
	Apr-02	Apr-12	6,90	250 000			**250 000**
	Sep-02	Sep-12	6,20	62 500			**62 500**
	Nov-02	Nov-12	5,80	150 000			**150 000**
	Sep-03	Sep-13	7,55		62 500		**62 500**
W Wassermeier	Nov-02	Nov-12	5,80	200 000			**200 000**
Retired directors				712 500	62 500	775 000*	
				3 382 500	505 000	1 217 500	**2 670 000**

* Shares removed from the schedule of directors' interests in share options.

	Selling or take-up price R	Number redeemed or taken up	Sold	Redeemed to purchase	Held
Executive shares redeemed or taken up					
D R Gammie	8,65	105 000		43 699	61 301
C Grim	8,65	275 000		114 451	160 549
H D K Jones	8,25	62 500	62 500		
		442 500	62 500	158 150	221 850

Interest of directors in contracts

A conflict of interest with regard to directors' interest in contracts does not exist.

Company balance sheet
at 30 June 2002

	Notes*	2002 Rm	2001 Rm
ASSETS			
Non-current assets			
Investment in joint ventures	A	**191,1**	453,5
Investment in subsidiary companies	B	**1 801,8**	1 663,3
		1 992,9	2 116,8
Current assets			
Subsidiaries – current accounts		**285,7**	237,6
Subsidiaries – short-term loans		**223,0**	
		508,7	237,6
TOTAL ASSETS		**2 501,6**	2 354,4
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	C	**19,8**	17,8
Share premium	C	**940,1**	764,9
Non-distributable reserves		**0,2**	0,2
Distributable reserves		**146,2**	221,1
Automatically convertible subordinated debentures	12		177,7
Total shareholders' funds		**1 106,3**	1 181,7
Non-current liabilities			
Loans from subsidiaries – Non-interest bearing borrowings		**1 163,0**	1 163,0
		1 163,0	1 163,0
Current liabilities			
Payables	D	**5,3**	5,2
Subsidiaries – current accounts		**4,0**	4,0
Short-term borrowings		**223,0**	
Taxation			0,5
		232,3	9,7
TOTAL EQUITY AND LIABILITIES		**2 501,6**	2 354,4

** Figures refer to notes to the consolidated financial statements. Letters refer to the specific notes on pages 105 to 107 for the holding company.*

Company income statement

for the year ended 30 June 2002

	Notes*	2002 Rm	2001 Rm
Expenses		**3,6**	1,9
Loss		**(3,6)**	(1,9)
Income from investments	E	**14,9**	202,7
Income before interest paid		**11,3**	200,8
Interest paid		**6,0**	20,5
Income before exceptional items		**5,3**	180,3
Write off on transfer of dormant subsidiary			(2,8)
Income before taxation		**5,3**	177,5
Taxation	F	**0,1**	0,5
Income after taxation		**5,2**	177,0

Company cash flow statement

for the year ended 30 June 2002

	Notes	2002 Rm	2001 Rm
Cash retained from operating activities		**(123,5)**	57,3
Cash generated by operations	H1	**(3,6)**	(1,9)
Income from investments	E	**14,9**	202,7
Increase in net current assets	H2	**(48,1)**	(57,1)
Cash (utilised)/generated by operating activities		**(36,8)**	143,7
Interest paid		**(6,0)**	(20,5)
Taxation paid		**(0,6)**	
Cash (shortfall)/available from operating activities		**(43,4)**	123,2
Dividend paid		**(80,1)**	(65,9)
Investing activities			
Investments – acquisitions net of disposals			
– subsidiaries and businesses	H3	**(138,5)**	(1 397,3)
– associate companies and other investments	H4	**262,4**	39,0
– repayment of investment			81,1
		123,9	(1 277,2)
Financing activities			
Net increase/(decrease) in shareholder funding			
Proceeds of share issue to redeem debentures		**177,3**	
Redemption of debentures		**(177,7)**	
Long-term borrowings – raised			1 163,0
– repaid			(34,3)
		(0,4)	1 128,7
Net increase/(decrease) in cash and cash equivalents			(91,2)
Cash and cash equivalents at beginning of year			91,2
Cash and cash equivalents at end of year			

Company statement of changes in equity

for the year ended 30 June 2002

	Share capital Rm	Share premium Rm	Non distributable reserves Rm	Distributable reserves Rm	Automatically convertible subordinated debentures Rm	Total Rm
Balance at 1 July 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
Conversion of debentures	**2,0**	**175,6**			**(177,7)**	**(0,1)**
Expenses on issue of shares		**(0,4)**				**(0,4)**
Earnings for the year				**5,2**		**5,2**
Dividends paid				**(80,1)**		**(80,1)**
Balance at 30 June 2002	**19,8**	**940,1**	**0,2**	**146,2**		**1 106,3**

Notes to the company financial statements

for the year ended 30 June 2002

		2002 Rm	2001 Rm
A	*INVESTMENT IN JOINT VENTURES*		
	Balance at beginning of year	**453,5**	492,5
	Repayment of loan	**(143,7)**	
	Repayment of capital	**(118,7)**	(39,0)
	Balance at end of year	**191,1**	453,5
	comprising:		
	Unlisted shares at cost	**191,0**	309,7
	Loans		143,8
		191,0	453,5
	The directors' valuation of unlisted shares is not less than their carrying value		
B	*INVESTMENT IN SUBSIDIARIES*		
	Balance at beginning of year	**1 663,3**	268,8
	Acquisition of LTA Limited		1 410,8
	Other movements – loans to subsidiary	**138,5**	(16,3)
	Balance at end of year	**1 801,8**	1 663,3
	comprising:		
	– amount owing by the Aveng Limited Share Purchase Trust	**8,8**	15,3
	– unlisted shares and loans	**1 793,0**	1 648,0
		1 801,8	1 663,3
C	*SHARE CAPITAL AND PREMIUM*		
	Share capital		
	Authorised		
	Ordinary share capital		
	882 034 263 ordinary shares of 5 cents each	**44,1**	44,1
	Issued		
	Balance at beginning of year		
	356 127 518 ordinary shares of 5 cents each	**17,8**	17,8
	Movements during the year		
	Issue of 40 018 390 ordinary shares on the redemption of the convertible debentures	**2,0**	
	Balance at end of year		
	396 145 908 ordinary shares of 5 cents each	**19,8**	17,8
	The unissued ordinary shares are under the control of the directors other than those reserved for meeting the obligations of the Aveng Limited Share Incentive Scheme.		

Notes to the company financial statements (continued)

for the year ended 30 June 2002

		2002 Rm	2001 Rm
C	*SHARE CAPITAL AND PREMIUM (CONTINUED)*		
	Share premium		
	Balance at beginning of year	**764,9**	764,9
	Premium on the issue of ordinary shares to redeem the debentures	**175,6**	
	Expenses on issue	**(0,4)**	
	Balance at end of year	**940,1**	764,9
D	*PAYABLES*		
	Trade and other	**2,7**	3,6
	Accrued expenses	**2,6**	1,6
		5,3	5,2
E	*INCOME FROM INVESTMENTS*		
	Dividends – unlisted	**8,8**	191,8
	Interest – external		0,8
	– subsidiary companies	**6,1**	10,1
	Total – income from investments	**14,9**	202,7
	Dividends were received from		
	– subsidiaries		158,8
	– joint ventures	**8,8**	28,5
	– other		4,5
		8,8	191,8
F	*TAXATION*		
	South African normal taxation		
	Reconciliation of rate of taxation (%)		
	Standard rate	**30,0**	30,0
	Exempt income	**(50,0)**	(31,9)
	Disallowable expenditure	**20,1**	2,2
	Prior years adjustments	**1,8**	
	Effective rate of taxation for the year	**1,9**	0,3
	The company has estimated unused credits in respect of secondary tax on companies amounting to R116,0 million (2001: R137,5 million).		
G	*COMPANY'S AGGREGATE INTEREST IN THE PROFITS AND LOSSES AFTER TAXATION OF SUBSIDIARIES*		
	Profits	**310,9**	249,9
	Losses	**4,5**	1,2

		2002 Rm	2001 Rm
H	*NOTES TO THE CASH FLOW STATEMENT*		
H1	*Cash generated from operations*		
	Income before interest paid and taxation	**11,3**	200,8
	Adjusted for:		
	– income from investments	**(14,9)**	(202,7)
		(3,6)	(1,9)
H2	*Decrease/(increase) in net current assets*		
	Increase in receivables	**(48,2)**	(63,0)
	Increase in payables	**0,1**	5,9
		(48,1)	(57,1)
H3	*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)
	Loans (repaid to)/advanced or repaid by subsidiaries	**(138,5)**	35,3
		(138,5)	(1 397,3)
H4	*Associated companies and other investments*		
	Proceeds on disposals	**143,7**	
	Proceeds on reduction of share capital	**118,7**	39,0
		262,4	39,0
H5	*Cash and cash equivalents*		
	Deposits and cash	**223,0**	
	Short-term interest-bearing borrowings	**(223,0)**	

Investments

at 30 June 2002

	Issued share capital		% held		Investment value		Net indebtedness due by/(to) companies	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	Rm	Rm			**Rm**	Rm	**Rm**	Rm
DIRECT SUBSIDIARIES AND INVESTMENTS IN JOINT VENTURES								
Altur Investments (Pty) Limited	**2,6**	2,6	**45,6**	45,6	**191,0**	453,5		
Aveng Management Company (Pty) Limited			**100,0**	100,0			**508,7**	237,6
Grinaker-LTA Properties (Pty) Limited			**100,0**	100,0				
Grinaker-LTA Construction and Development Limited	**0,4**	0,4	**100,0**	100,0	**217,8**	217,8	**(153,0)**	(153,0)
Grinaker-LTA Intellectual Property (Pty) Limited			**100,0**	100,0	**15,0**	15,0		
Grinaker-LTA Limited	**28,7**	28,7	**100,0**	100,0	**1 410,8**	1 410,8	**45,0**	(100,0)
Steelmetals (Pty) Limited (dormant)	**1,6**	1,6	**100,0**	100,0	**4,0**	4,0	**(4,0)**	(4,0)
Trident Steel Holdings (Pty) Limited			**100,0**	100,0	**0,5**	0,5	**(910,0)**	(910,0)
Loan to the Aveng Limited Share Purchase Trust			**100,0**	100,0	**8,8**	15,2		
					1 847,9	2 116,8	**(513,3)**	(929,4)

INVESTMENTS

The group's major investments are:

	% held	
	2002	2001
McConnell Dowell Corporation Limited	**62,7**	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.

Shareholders' diary

Financial year end	30 June 2002	
Annual general meeting	Wednesday 23 October 2002	
Reports and profit statements	**Published**	
Half-yearly interim report	Monday 10 March 2003	
Results announcement	Monday 15 September 2003	
Annual financial statements	end September	
Dividend	**Declared**	**Paid**
Ordinary shares	Friday 6 September 2002	Monday 28 October 2002

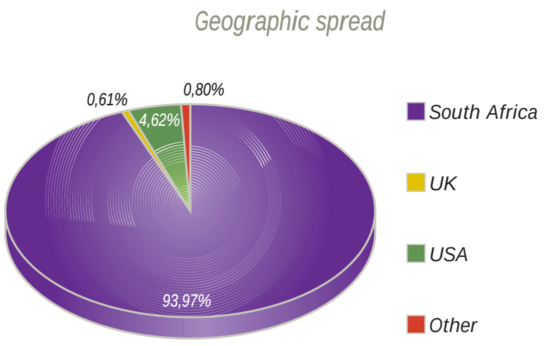
Shareholder analysis*

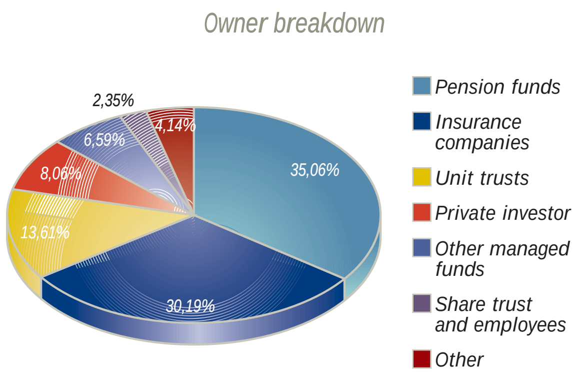
Ordinary shares at 30 June 2002

	Number of shareholders in SA			Number of shareholders other than in SA			Total shareholders		
Shareholder type	Number	Number of shares	Percentage	Number	Number of shares	Percentage	Number	Number of shares	Percentage
Public	6 160	289 240 701	73,01	266	23 884 104	6,03	6 426	313 124 805	79,04
Directors	6	1 134 750	0,29			0,00	6	1 134 750	0,29
Other**	3	81 886 353	20,67			0,00	3	81 886 353	20,67
Total	6 169	372 261 804	93,97	266	23 884 104	6,03	6 435	396 145 908	100,00

** Based on information provided by STRATE and by the Company's transfer secretaries*

*** Non-public other than directors*





Notice of annual general meeting

Notice is hereby given that the fifty-eighth annual general meeting of members of Aveng Limited ("the company") will be held at 19 Impala Road, Chislehurston, Sandton on Wednesday, 23 October 2002 at 12:00 for the following purposes:

1. To receive and consider the company's annual financial statements for the year ended 30 June 2002.

2. To elect directors in place of Messrs M M Doyle, P L Erasmus, H D K Jones, P J Owen and W Wassermeier, who retire in accordance with the company's articles of association. The retiring directors, other than Mr Doyle and Mr Owen, being eligible, offer themselves for re-election.

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

Ordinary resolution No. 1
"Resolved that with effect from 1 July 2002, the fees payable to the directors of the company be increased from R50 000 per annum to R90 000 per annum, and that additional annual fees shall be paid as follows: to the chairman, an additional R210 000; to the deputy chairman, an additional R80 000; to the chairman of the audit committee, an additional R70 000; to members of the audit committee, an additional R40 000; and to members of other board sub-committees, an additional R20 000."

Ordinary resolution No. 2
"Resolved as an ordinary resolution that all the authorised but unissued shares in the capital of the company, other than the 19 807 295 shares which have been specifically reserved for the purposes of The Aveng Limited Share Incentive Scheme, 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."

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

Any member who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant ("CSDP") or broker and has selected "own name" registration, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a member) as a proxy or proxies, to attend, speak and vote at the annual general meeting in such member's stead.

Should any member who holds dematerialised ordinary shares in the company and has not selected "own name" registration, wish to attend, speak and vote at the annual general meeting, such member should timeously inform his CSDP or broker for the purposes of obtaining the necessary authority from such member's CSDP or broker to attend the annual general meeting or timeously provide such member's CSDP or broker with such member's voting instruction in order for the CSDP or broker to vote on such member's behalf at the annual general meeting.

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
Company secretary
Chislehurston, Sandton
6 September 2002

Change of address:

Members are requested to notify any change of address to:

Computershare Investor Services Limited
(formerly Mercantile Registrars Limited)
The Transfer Secretaries
Aveng Limited
PO Box 61051
Marshalltown, 2107
South Africa

Form of proxy

AVENG LIMITED ("the company")
Registration number 1944/018119/06

for the fifty-eighth annual general meeting of the company to be held on Wednesday, 23 October 2002, at 12:00

For use by the holders of certificated ordinary shares in the company and/or dematerialised ordinary shares in the company held through a Central Securities Depository Participant ("CSDP") or broker who has selected "own name" registration.

Holders of dematerialised ordinary shares in the company who have not selected "own name" registration must inform their CSDP or broker timeously of their intention to attend and vote at the annual general meeting or to be represented by proxy thereat in order for the CSDP or broker to issue them with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the meeting.

I/We

(NAME IN BLOCKLETTERS)

of

(ADDRESS)

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

1. of or failing him

2. of or failing him

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, 23 October 2002, 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 P L Erasmus as a director			
2. To re-elect Mr H D K Jones as a director			
3. To re-elect Mr W Wassermeier as a director			
4. Ordinary resolution No. 1 – Approval of increases in directors' fees			
5. Ordinary resolution No. 2 – Unissued shares placed under the control of the directors			

Signed at on 2002

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 company or failing him 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 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, Computershare Investor Services Limited (formerly Mercantile Registrars Limited), 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown, 2107, South Africa), to be received by not later than 12:00 on Monday, 21 October 2002.

9. **This proxy form is to be completed only by those members who either hold shares in a certificated form, or whose shares are recorded in their own name in electronic format in the sub-register.**

Corporate information
30 June 2002

COMPANY SECRETARY
P H Hansen

BUSINESS ADDRESS AND REGISTERED OFFICE
19 Impala Road
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Sandton, 2196
PO Box 846, Saxonwold, 2132
South Africa
Telephone +27 11 779 2800
Telefax +27 11 884 2315

AUDITORS
Ernst & Young
52 Corlett Drive, Illovo
PO Box 2322, Johannesburg, 2000
South Africa
Telephone +27 11 772 3000
Telefax +27 11 772 4000

PRINCIPAL BANKERS
ABSA Bank Limited
Australia and New Zealand Banking Group Limited
Barclays Bank PLC
Commerzbank AG
Crédit Agricole Indosuez
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

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Telephone +27 11 483 1571
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ISIN: ZAE 000018081

SPONSOR
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Telefax +27 11 507 0770

TRANSFER SECRETARIES
Computershare Investor Services Limited
70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown, 2107
South Africa
Telephone +27 11 370-5000
Telefax +27 11 370-5560

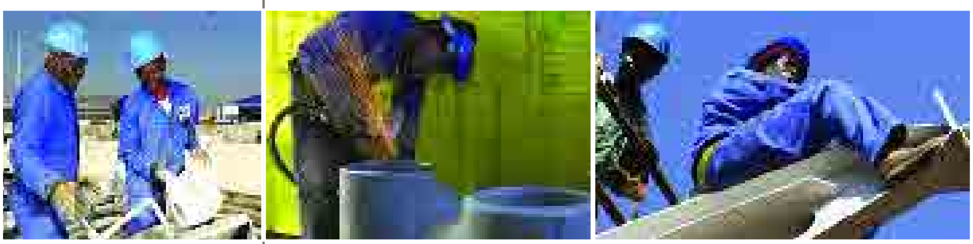
COMPANY REGISTRATION NUMBER
1944/018119/06

WEBSITE
www.aveng.co.za

G R A P H I C O R   2 7 6 9 2

AVENG

Targeting consistent long-term value



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