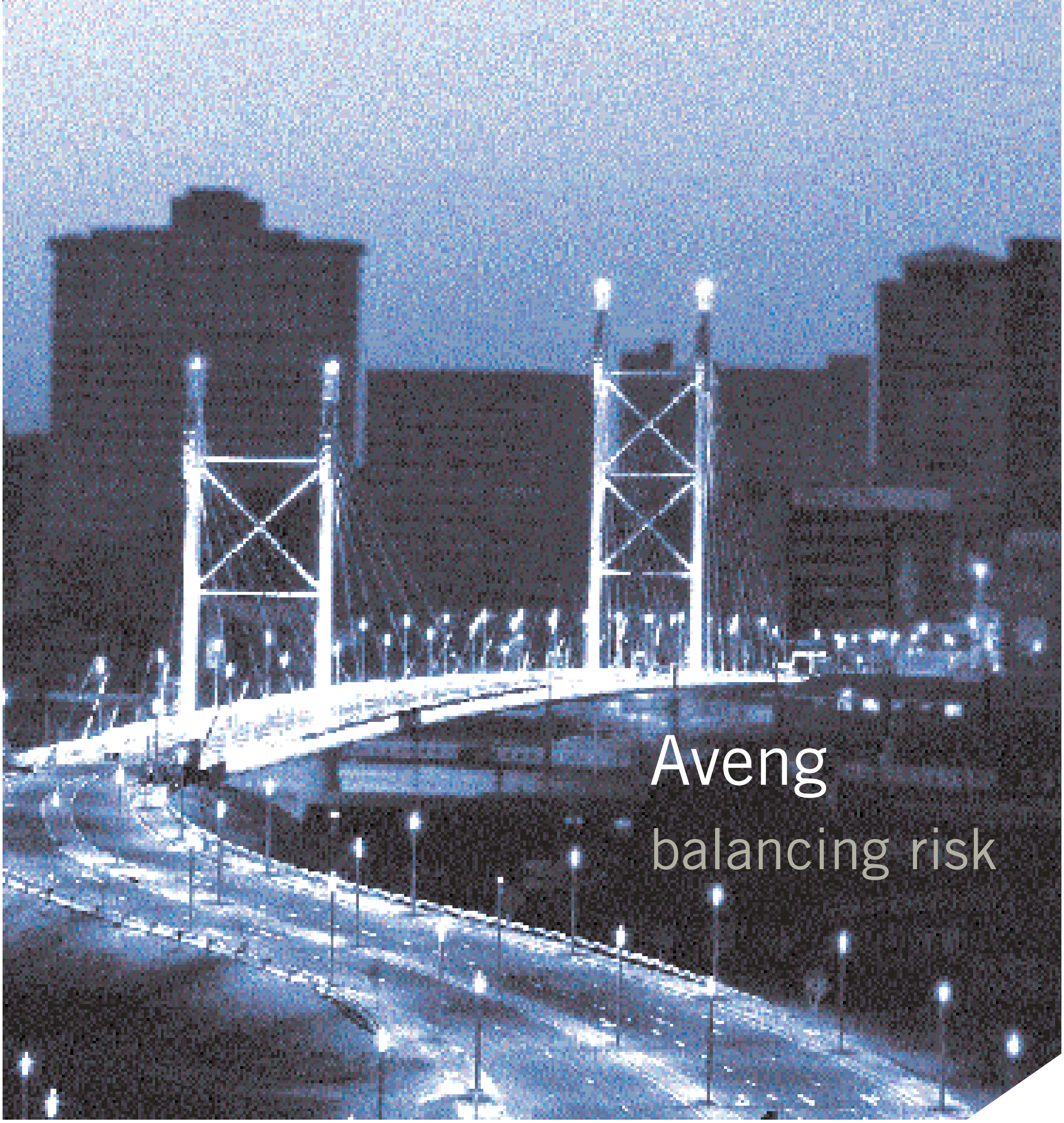


Aveng

balancing risk

annual report
june 2003

AVENG

Aveng Limited annual report 2003

Contents

Introduction

This annual report has been prepared to provide information of interest to our numerous stakeholders, be they investors, staff, customers, suppliers, government, or local communities.

The report reviews the group's activities over the past financial year, sets out its current financial position and outlines future strategic direction.

In addition to the financial information, the sustainability issues relating to the group's business are reviewed, including its governance, social and environmental activities.

While we have complied with statutory disclosure requirements and all material recommendations from various regulatory bodies, our primary objective has been to present our company in a way that makes it readily understandable to most stakeholders.

With this in mind, we have included a fairly comprehensive local and international market review for the first time. It will help you to better understand the overall context within which the Aveng businesses operate.

We trust that you, the reader and a stakeholder in Aveng, will understand our group better as a result of this approach

Financial objectives

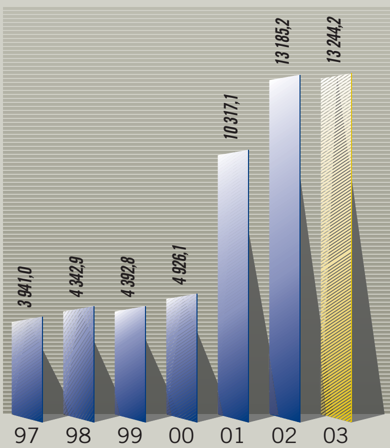
Objectives Long-term	Achieved target		2003	2002	2001	2000	1999
1. Return on average equity	CPIX + 10%	Nominal:	**17,2%**	18,4%	17,2%	16,2%	16,0%
		Real:	**7,8%**	11,3%	9,1%	8,5%	8,5%
To achieve a long-term return on average equity of CPIX + 10%			• Three year average return: CPIX + 9,4% • Five year average return: CPIX + 9,0% Last year's strong rand temporarily arrested the upward trend in ROE. The currency volatility of the past few years, probably makes the three year average a more reliable indicator of performance. Target of CPIX + 10% remains achievable.				
2. Growth in diluted headline earnings per share	CPIX + 10%	Nominal:	**10,5%**	23,7%	19,9%	3,3%	31,4%
		Real:	**1,2%**	16,6%	11,8%	(4,4%)	23,9%
To achieve a long-term average annual growth in diluted headline earnings per share of CPIX + 10%			• Three year average growth: CPIX + 9,7% • Five year average growth: CPIX + 9,9% Again, a longer term perspective is appropriate. Over three and five years, Aveng is only marginally behind its long-term growth objective.				
3. Hard currency revenues	50%		**40,6%**	44,7%	35,5%	16,3%	4,1%
To generated half of group revenue in hard currencies in the longer term			There has been significant progress from 4% to 40% over the past four years with the spike in 2002 due to the then weak Rand. The move towards 50% continues as we believe this gives shareholders the best protection against relative currency volatility.				
4. Net debt to equity ratio	35%		**43,9%**	42,4%	54,6%	(33,6%)	(26,7%)
To achieve a net debt to equity ratio of 35% in the longer term			The strong Rand of past year, a substantial capex programme and some contract payment difficulties interrupted the downward trend. The 5% per annum average reduction achieved in the past two years is still in place. Target of 35% is achievable within two years.				

Note: Last year, when CPIX was close to 10%, the 2003 target for the first two objectives was set at 20%. The long term targets of CPIX + 10% remain unchanged.

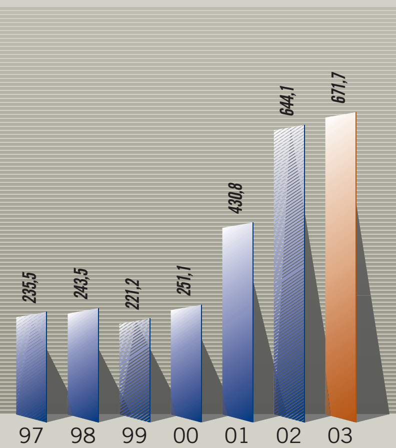
Financial highlights

2002 US$m	**2003 US$m**		**2003 Rm**	2002 Rm	% change
		FINANCIAL RESULTS			
1 313	**1 773**	Revenue	**13 244**	13 185	0,4%
64	**90**	Operating income	**672**	644	4,3%
42	**62**	Headline earnings	**462**	421	9,7%
		ORDINARY SHARE PERFORMANCE			
		(cents per share)			
10,7	**15,9**	Diluted headline earnings	**118,6**	107,3	10,5%
9,5	**20,2**	Diluted earnings	**150,9**	95,7	57,7%
2,6	**4,0**	Dividend	**30,0**	27,0	11,1%
		CASH FLOW			
64	**91**	Net cash generated by operations	**681,9**	638,9	6,7%
		EXCHANGE RATE			
		Rand to US$ – Closing rate	**7,47**	10,37	(28,0%)
		– Average rate	**9,00**	10,04	(10,4%)

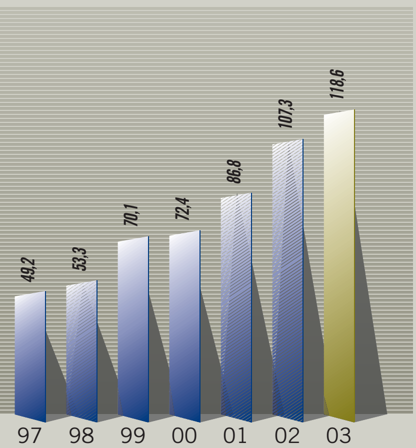
Revenue (Rm)



Operating income (Rm)



Diluted headline earnings per share (cents)



Organisational chart

AVENG

CE: Carl Grim
FD: Dennis Gammie

Construction Division

McConnell Dowell (100%)

Chairman: Frank Crowley
MD: David Robinson

- Civil Engineering
- Mechanical Engineering
- Electrical Engineering
- Pipelines

Grinaker-LTA (100%)

MD: Howard Jones
FD: Brian Barrow

- Building
- Engineering
- Mechanical & Electrical
- Roads & Earthworks
- Opencast Mining
- Properties
- Infrastructure & Mining Services

Steel & Allied Division

Trident Steel (100%)

MD: Ben Fourie
GM: Richard Martin

- Merchanting
- Automotive
- Cutting
- Coastal branches
- Trident Sterling Tube
- 80% Trident Midrand Steel
- 30% Tshipi Steel

Cement Division

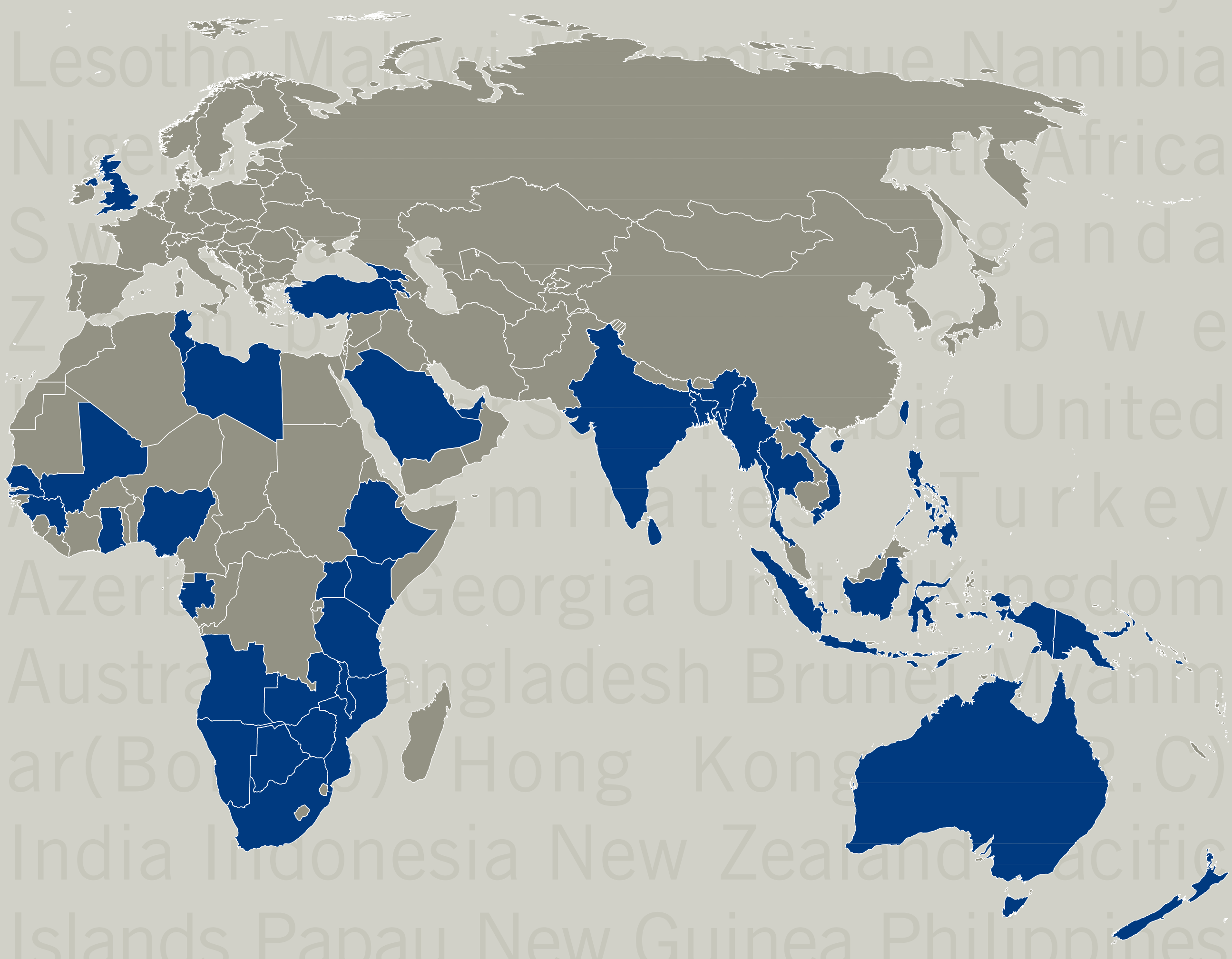
Alpha (46%)

MD: Karl Meissner-Roloff
FD: Dave King

- Dudfield Factory
- Ulco Factory
- Cement Blending Depots
- Stone & Sand Quarries
- Ready Mixed Concrete
- 33% Slagment
- 25% Ash Resources
- 62,5% Tanga Cement (Tanzania)

Countries of operation

Ethiopia Libya Mali Tunisia Angola
Botswana Gabon Ghana Guinea Kenya
Lesotho Malawi [illegible]bique Namibia
Nige[illegible] [illegible]uth Africa
S w [illegible] g a n d a
Z [illegible] b [illegible] b w e
[illegible]ia United
A[illegible] E m i [illegible] a t e s [illegible] T u r k e y
Azer[illegible] Georgia Un[illegible]ingdom
Austra[illegible] [illegible]angladesh Brunei [illegible]
ar(Bo[illegible]) Hong Kong [illegible].C)
India Indonesia New Zealand [illegible]acific
Islands Papau New Guinea Philippines
Singapore SriLanka Taiwan
Thailand Vietnam



Code of business conduct

business

Code of business conduct

Aveng is proud of its reputation for **integrity** and is committed to continually reinforcing this reputation in the way it conducts business.

The group's directors and senior employees have committed themselves to both the spirit and letter of the following ten point code of business conduct:

- 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 will be avoided and employees are expected to perform their duties conscientiously, honestly and in accordance with the best interests of the group and its shareholders.

- No group employee 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 their group responsibilities. Nobody may participate in an activity that is potentially in conflict with the group or which could be perceived to impair their independence. Employees may not accept gifts, hospitality or other favours from suppliers or potential suppliers of goods or services which, in the view of their direct employer, supervisor or colleagues would place the recipient or the group under obligation.

- Group funds, property and assets will be used only for legitimate business purposes. Strict internal **controls** and governance procedures of the highest standard will be enforced to discourage fraud and safeguard the group.

- Accurate and reliable **records** will be kept which fairly reflect all business transactions in terms of statements of Generally Accepted Accounting Practices, in order for the group to properly manage its affairs and meet its legal, financial and reporting obligations.

- Personal and business **information** gained in the course of business dealings will be safeguarded and its privacy respected.

- The group will uphold its **employment equity** policy which requires that equal opportunity be offered to all employees. The individuality of each person is respected, as is their right to freedom of association and to absolute privacy in this regard. Furthermore, management will seek to identify, develop and appropriately reward those employees who demonstrate exceptional commitment to the group's core values of integrity, quality and entrepreneurship.

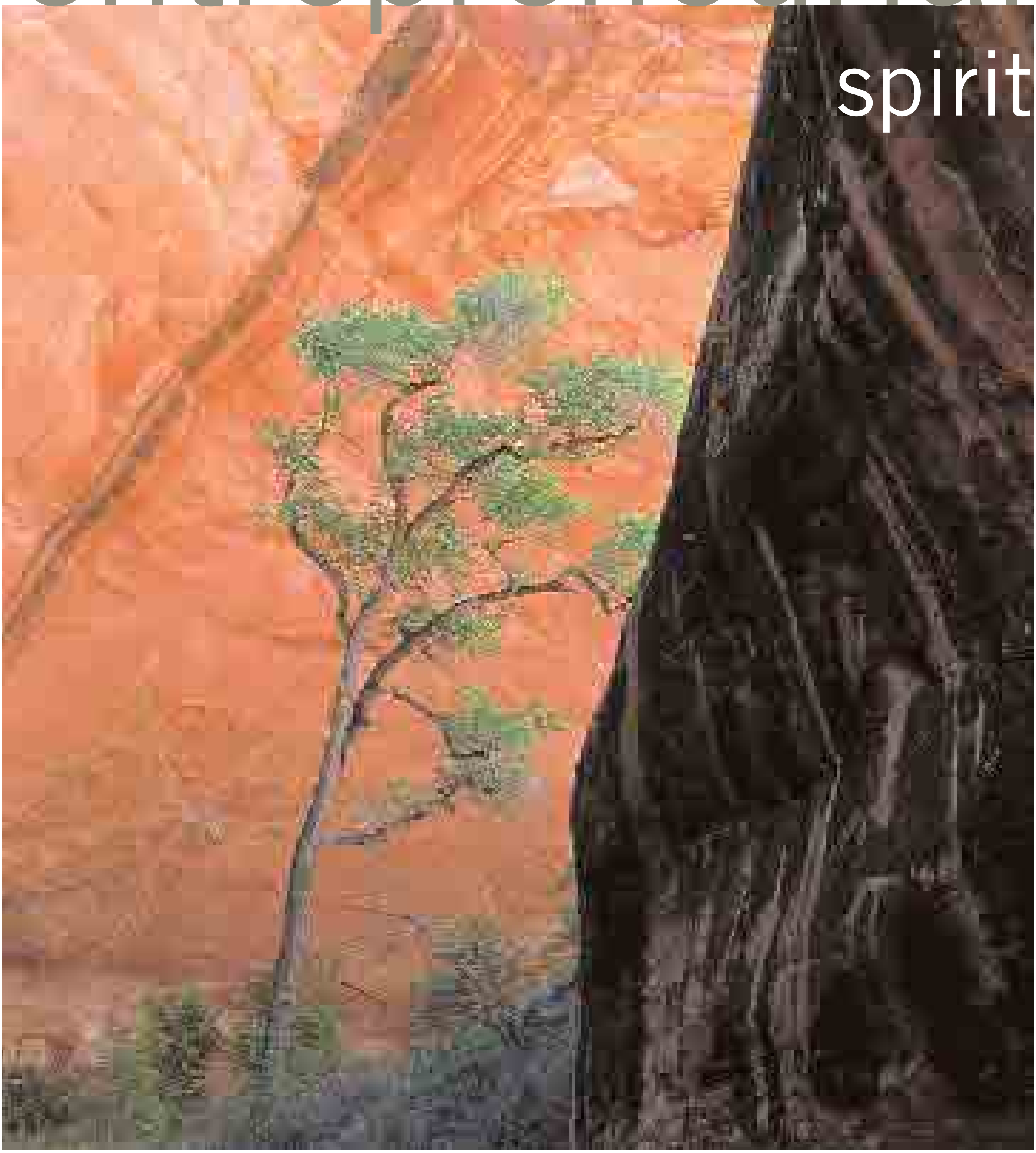
- Aveng will strive to be a good **corporate citizen** and is committed to working with its employees, their families, local communities and society at large to improve the overall quality of life and to achieve sustainable economic development at all levels.

- The group is committed to implementing policies and operating procedures that conserve resources and minimise 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.

Board of directors

entrepreneurial spirit



Non-executive directors

Richard Savage (60)
Independent non-executive director
Chairman of the board
Member of the audit, remuneration and nomination committees
MCom

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 a director of Goodyear South Africa and Air Liquide Southern Africa (Pty) Limited. He is a governor of Rhodes University.

Phil Erasmus (62)
Independent non-executive director
Deputy chairman of the board
Chairman of the remuneration and nomination committees

Phil Erasmus is the retired chief executive and the former principal shareholder of Tanker Services, Waste-tech and Sani-tech and former head of the Imperial transport division until his retirement in 1995. He is a director of Imperial Holdings Limited and joined the Aveng board prior to its listing in 1999.

Colin Campbell (66)
Non-executive director
Chairman of the audit committee
CA(SA), FCA, PMD (Harvard)

Colin Campbell joined LTA Limited'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 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.

Non-executive directors continued

Leah Gcabashe (46)
Independent non-executive director
BA Admin (NUL), BA Law (Cantab), LLB (Natal)

Leah Gcabashe is a practicing advocate, and a member of the Johannesburg Bar. Prior to this she held the position of head-legal services at the Office of the Presidency. She has amongst other things served as a member of the Truth and Reconciliation Amnesty Committee, lectured at the University of Natal (Durban) and worked as a journalist.

She currently serves as a trustee of Penryn Trust, and of Phillsisizwe Association of Development. She is a non-executive director at both the State Information Technology Agency, and at World Vision South Africa.

Leah was appointed to the Aveng board in August 2003.

James Hersov (38)
Independent non-executive director
Member of the remuneration, nomination and corporate social investment committees
MA (Cantab)

James Hersov was the co-founder and joint managing director of Otterbea International (Pty) Limited from 1989 to 1994. He was appointed a director of Anglovaal Limited in 1994, as well as a member of the executive committee and a director of all the group's major subsidiaries. From 1997 to 1999 he was an executive director of Anglovaal Industries Limited. He was a director of Control Instruments Group Limited from 1994 to 2000 and a director of Wesbank from 1998 to 2000. He is still a director of Anglovaal Industries Limited. James was one of the founding directors of Aveng, having joined the board in 1999.

Karl Meissner-Roloff (50)
Non-executive director
Managing director of Alpha (Pty) Limited
BSc Eng (Civil) (Hons)

Karl Meissner-Roloff joined Alpha in 1979 and held various general management positions in the Alpha Group. In 1996 he was appointed director of the Stone and Ready-Mixed Concrete Division and in 2000 director of the Cement Division of Alpha. In 2003 Karl was appointed managing director of Alpha (Pty) Limited. He is currently also a director of Tanga Cement Company Limited (Tanzania) and the chairman of the Cement and Concrete Institute.

Karl joined the Aveng board in July 2003.

Vincent Mntambo (45)
Independent non-executive director
Chairman of the corporate social investment committee and member of the remuneration and nomination committees
BJuris, LLB, LLM (Yale)

Vincent Mntambo is the founder and director of Sediba Consulting and Sediba Accords. He is also chairman of the Commission of Conciliation, Mediation and Arbitration, Eyesizwe Mining (Pty) Limited, non-executive director of Eyesizwe Coal (Pty) Limited and Everest Systems Solutions (Pty) Limited.

Vincent was appointed to the Aveng board in July 2001.

Ami Mpungwe (52)
Independent non-executive director
BA (Hons)

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.

Ami was appointed to the Aveng board in September 2001.

Brian Steele (60)
Independent non-executive director
Member of the audit committee
BCom, CA(SA), MBA (Stanford)

Brian held several financial directorships in the Barlow Rand Group prior to its unbundling, including CG Smith Limited, CG Smith Foods Limited and Tiger Brands Limited. He subsequently spent four years as financial director of Malbak Limited and then returned to Barloworld Limited in the position of chief group financial manager until his retirement in 2002.

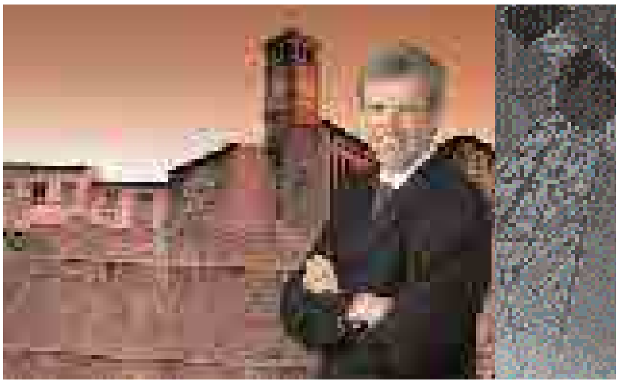
Brian was appointed to the Aveng board in January 2003.

Mervyn Taback (56)
Non-executive director
BCom, LLB, H Dip Tax

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 founding Tabacks in October 2000, he was a director of Deneys Reitz and a senior member of that company's commercial and corporate division.

Mervyn was appointed to the Aveng board in June 2001.

Executive directors



Carl Grim (52)

Chief executive
Pr Eng, BSc Eng (Civil), BA, MBA, MSAICE
5 years service

Carl Grim acquired varied onsite experience in the construction industry before joining Darling & Hodgson Limited as marketing manager of its Materials division in 1982. Following a stint as regional director for the Cape Concrete and Quarrying businesses, he was appointed managing director of Blue Circle Cement in 1990, managing director of Darling & Hodgson Limited in 1992 and managing director of the Materials Operating Group of Murray & Roberts Limited in 1995.

In 1998 Carl resigned from Murray & Roberts to take responsibility for Aveng Limited, which was listed on the JSE in July 1999. He is chairman of Grinaker-LTA Limited and Trident Steel Holdings (Pty) Limited and a director of the Australian based McConnell Dowell Corporation Limited and Alpha (Pty) Limited. Carl is a past president of the Steel & Engineering Industries Federation of South Africa and the Institute of Quarrying. He serves on the Construction Industry Development Board, the board of the National Business Initiative and the advisory board of the Wits Business School.

Dennis Gammie (49)

Financial director
BCompt (Hons), CA(SA)
5 years service

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 1998 and is a director of Aveng Australia Pty Limited, Grinaker-LTA Limited, McConnell Dowell Corporation Limited, Trident Steel Holdings (Pty) Limited and Alpha (Pty) Limited.

Frank Crowley (58)

Executive director
Chairman of McConnell Dowell Corporation Limited
Pr Eng, BE (Civil), FSAAE, FSAICE, FSAAA
30 years service

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 moved from Grinaker-LTA in July 2003 and has been appointed chairman of the Australian based construction company, McConnell Dowell Corporation Limited. Frank was appointed to the Aveng board in November 2000. In 1997 he was president of SAFCEC.

Ben Fourie (56)
Managing director of Trident Steel Holdings (Pty) Limited
28 years service

Ben Fourie joined Trident Steel in May 1975 and was appointed a general manager and director in October 1977 at the time when Anglovaal Industries Limited acquired a controlling interest in the company. In 1989, he was promoted to the position of managing director of Trident Steel (Pty) Limited and in July 2003 was appointed as managing director of Trident Steel Holdings (Pty) Limited.

Ben joined the board in July 2003.

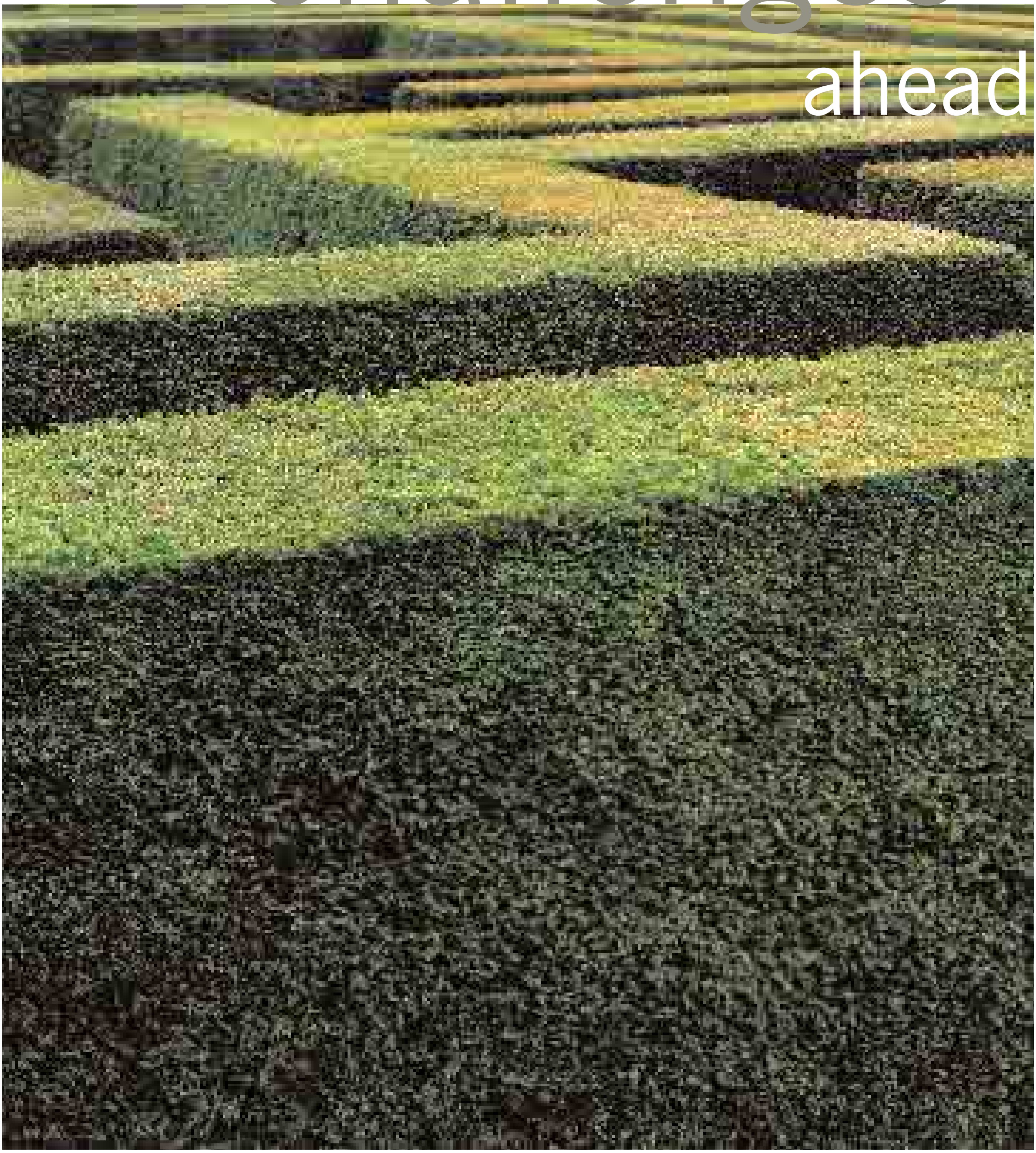
Howard Jones (54)
Group managing director of Grinaker-LTA Limited
Pr Eng, BSc Eng (Civil), MSAICE, FCIOB
31 years service

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 he joined consulting engineers, Horne, Glasson and Partners as a design engineer in order to obtain his Pr Eng. 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 he 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. In August 1999 he was appointed to the board of Aveng as an executive director. In 2001 Grinaker Construction Limited and LTA Limited merged and after three years as deputy managing director was appointed group managing director of Grinaker-LTA Limited in July 2003.

Wolf Wassermeier (59)
Deputy group managing director of Grinaker-LTA Limited
35 years service

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 the deputy group managing director of Grinaker-LTA Limited. Wolf was appointed to the Aveng board in November 2000.

challenges ahead



> "Aveng believes that corporate social commitment should not waiver when times are tough and has accordingly voted 1% of headline earnings towards this end"

Aveng wholeheartedly supports the Government's black economic empowerment initiatives. We have been successful at business unit level in the past and have now formed a board sub-committee to advance this thinking at group level.

The growth in headline earnings per share of 10,5% fell short of our objective, largely attributable to an economic environment which proved to be exceptionally difficult. The major reason for the disappointing growth was the sharply strengthening Rand which appreciated by 28% against the US dollar over the 12 months. We were particularly badly affected by our significant 40% exposure to hard currency revenues.

The strong Rand also impacted the balance sheet where increased borrowing moved the group's net debt to equity ratio from 42,4% to 43,9%. While the deterioration was relatively small, it was particularly disappointing as we had hoped to achieve our stated long-term objective of 35% this year.

Construction industry

The construction industry worldwide is in the midst of significant change, and is faced with some daunting challenges. The slowdown in economic activity and the resultant desire to pass on risk, is causing a potentially serious deterioration in the relationships between client, engineer and contractor. More and more clients are opting for fixed price "Engineer, Procure, Construct" type contracts which, when modified, add significant additional indirect costs for the contractor. While the construction environment has always had some cause for conflict, traditionally these issues have been resolved through amicable negotiation. Litigation or arbitration have a serious short-term effect on cash flows and in the case of our smaller Australian subsidiary, resulted in Aveng having to buy out the minorities and inject the capital necessary to 'sit out' the process.

Transformation

South Africa has made great strides in transformation during the last decade, both from an economic and social point of view. The Departments of Finance and of Trade and Industry have made good progress, but as a country we still face serious challenges, mainly resulting from the high rate of unemployment. The gap between rich and poor, violence and the spread of HIV/Aids would all be materially affected for the good if we could create more jobs and reduce the level of unemployment. Government is continuously faced with strategic decisions and the balancing of imperatives. While the correct guidelines are usually applied, it is even

> "Low inflation and a strong Rand are vital for a successful economy, but so is an environment which will stimulate rapid growth"

more important that the correct relative emphasis be placed on each guideline. Low inflation and a strong Rand are vital for a successful economy, but so is an environment which will stimulate rapid growth. High relative interest rates, the strength of the Rand and in particular the volatility of our currency are of real concern to us.

The recent announcement by the Government, to substantially increase expenditure on infrastructure, is to be welcomed. For many years South Africa has enjoyed the benefits of a sophisticated and robust infrastructure, but recently there have been several worrying developments which have begun to undermine this status. Growth in the economy will be driven largely by expanding our export base and this will depend on an effective railway system, well-maintained roads and a reliable and cost-efficient electricity supply. This is not only a matter of capital investment, but also about having the skills to maintain standards.

Black economic empowerment

As outlined in my previous chairman's statement, Aveng wholeheartedly supports the Government's black economic empowerment initiatives. We have been successful at the business unit level and have now formed a sub-committee of the board of directors to advance this thinking at a group level. We are concerned that to date the benefits of black empowerment have not been sufficiently wide-spread and we will be taking this into account in developing our future strategy. We have noted that a number of foreign groups, especially in the banking sector, have expressed difficulty with introducing minority shareholders into their local structures. A situation must not be allowed to develop which condones different sets of rules for foreign and local investors.

Globalisation has resulted in the world becoming more competitive and for South Africa to attract new investments we need to create an attractive investment environment. Black economic empowerment and affirmative action are important issues, but they must not be allowed to be perceived in a negative light by potential foreign investors when assessing alternative investment locations.

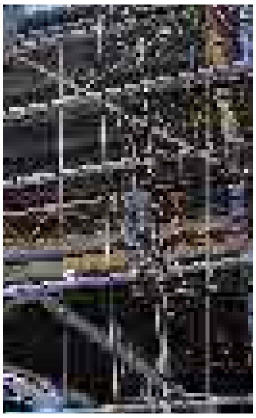
Corporate governance

Good corporate governance is a vital ingredient of the capitalist system and we, as a group, place a great deal of emphasis on it. The role of the audit committee is extremely important in a construction group where the measurement of risk is inherently difficult.

Recently there has been a great deal of criticism directed at the level of senior executive remuneration throughout the developed world. We are sensitive to this and the remuneration committee, composed entirely of independent non-executive directors, is tasked with assessing current practice and recommending appropriate remuneration guidelines. Strict criteria are employed in evaluating executive performance and the level of bonuses paid depend mainly on financial targets being achieved.

In the medium term we aim to have a smaller board of directors, half of whom will be independent non-executives. Short-term succession planning constraints make this difficult as a number of our experienced directors, who know the business intimately, will be retiring within the next five years. Given that the pool of




experienced people in South Africa who are prepared to serve as directors is limited, it is necessary to be proactive in the appointment of directors.

Corporate social responsibility

Traditionally, large corporations in South Africa have adopted a responsible attitude towards funding corporate social investment projects. Aveng believes this commitment should not waver when times are difficult and has accordingly voted 1% of headline earnings towards this end. A board sub-committee has been constituted to ensure that these funds are wisely applied.

Outlook

The outlook for the year ahead is difficult to predict. The United States economy appears to be improving and world-wide, businessmen are more optimistic. Interest rates in South Africa are likely to continue to decline and as a result, the interest rate differential between local rates and those pertaining to the developed world will close. Consequently there should be a gradual reduction in the value of the Rand which will give the South African economy a much-needed boost. As a group we will continue to emphasise a positive cash flow and a reduction in borrowings. It is also essential that we build up our Australian operation which is a corner stone of our long-term international strategy.

Appreciation

During difficult times staff come under enormous pressure and so we are particularly appreciative of everyone's efforts throughout the group during the past year. I would like to record a special vote of thanks to Frank Crowley, who hands over the managing directorship of Grinaker-LTA to Howard Jones. He played a critical role in bringing the two groups together, and will now be devoting most of his time to our Australian operations. My heartiest thanks to Ernie Behr, the founder of Trident Steel, who has now handed over executive responsibility to Ben Fourie and stepped back into an advisory role. Carl Grim and his executive directors continue to manage the group most competently and work well with the other members of the board. The non-executive directors have been most supportive and I extend a special thanks to those who serve as chairmen of the sub-committees of the board.

RB Savage

Richard Savage

Chairman

12 September 2003

Chief executive's report

balancing

“We like construction steel and cement. Look at the majestic Nelson Mandela Bridge for example. It’s big, it’s real, and it adds real value to our city”

Balancing risk across construction, steel and cement; between the Rand and hard currencies; and across different market segments gives our shareholders the best possible protection in an uncertain environment.

Financial review

The directors of Aveng are able to report to shareholders that in spite of a difficult currency environment during the year ended June 2003, the group returned a growth of 10,5% in diluted headline earnings per share. While lower than our targets for the year, the currency volitality of recent years makes a three year comparison benchmark more appropriate. Using this benchmark, the group’s three year growth target of CPIX +10% was achieved.

Revenue was flat, reflecting a 28% Rand appreciation against the US dollar, the currency to which approximately 40% of group revenue is linked. This translated into a negative impact of R91 million (R86 million positive in 2002) on the income statement, restraining operating profit growth to 4,3%.

The stronger Rand also affected the balance sheet which suffered a negative R169 million in foreign currency translation. Increased net borrowings of R125 million reflected a substantial capital expenditure programme and payment difficulties on some contracts. The group’s net debt to equity ratio of 43,9% (42,4% in 2002), interrupting the downward trend in this ratio over the past two years.

The past year’s 17,2% return on average equity was below the target of 20%, however, the three-year average return was just short of the long-term target of CPIX +10%.

The underlying efficiency measures in the business showed improvement. The operating margin of 5,1% is the highest it has ever been. Inventory levels declined by 11%, despite an average 28% rise in steel prices. The return on net assets increased to 17,7% (17,3% in 2002) and revenue per employee continued to grow in real terms.

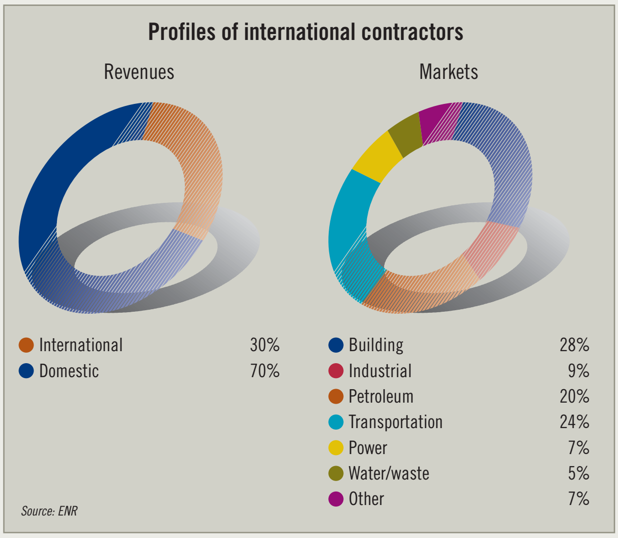
"Greater level of alliancing between clients and contractors"

Market review

International construction

Internationally construction is an important fixed investment activity, representing a significant investment of the world's wealth.

Most global contractors operate in many different regions of the world, either directly or through subsidiaries, and often in a number of different contracting disciplines, on average earning 30% of their revenues in markets outside their home country.

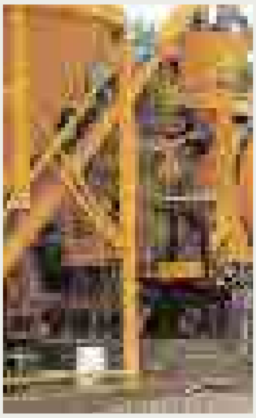


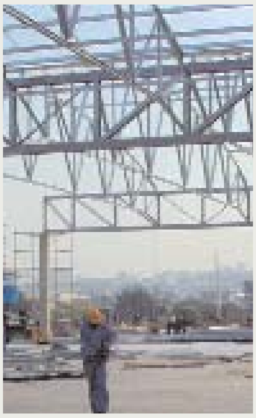
The international construction market has always been a double-edged sword. It provides new opportunities for contractors seeking to expand and to cushion local and regional fluctuations in activities. But it is also highly volatile, subjecting contractors to financial and geopolitical risks. Contractors continue striving to reduce risks, by increasing their share of steady revenue generators, such as maintenance work and long-term operating contracts.

Construction is not only the building of roads, high-rise buildings and concrete arch dams. It has become multi-faceted, and today contractors are opencast miners, facility managers, toll road concessionaires, oil and gas pipeline installers, turnkey builders of manufacturing plants, amongst other skills, often following customers across the globe.

The quest for a greater global presence is slowing down. Contractors in the developed world are focusing more on home or near-home markets, where risks are generally lower and logistics easier, and are anchoring work in developing markets through key investments. In turn, those that operate mainly in the developing world are selective in their endeavours and are watchful so as not to expand in an opportunistic fashion, always ensuring that new markets are sustainable.

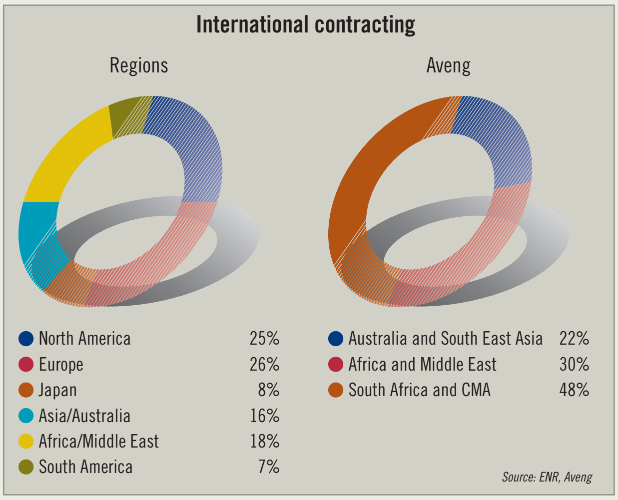
An important macro-trend in the global construction world (with South Africa some two years behind) is a move by clients towards lump sum contracts, driven by pressure from the banking and insurance fraternity, leading to increasing potential for disputes and higher risk and therefore greater resistance from contractors. Already this approach is proving to be problematic as contractors





attempt to price risk into their bids, making the projects very expensive. The longer term solution is increasingly being recognised to be a greater level of alliancing between clients and contractors – key to affordable quality construction in the next decade. The exact nature of this alliance will be shaped by quality and performance issues.

Conservatively measured, global construction is a larger than US$2 000 billion industry, of which South Africa's industry represents less than 1%. Some 30% to 40% of international contracting revenue is generated in the developing world, indicating the considerable scope for growth in selected regions and market niches. Entry into new regions calls for a three to five year planning horizon, with risks much higher and competition stronger than in local markets.



Aveng operates principally in the developing world, with Grinaker-LTA and McConnell Dowell the vehicles for pursuing opportunities in the central and eastern time zones respectively, and working jointly where matching skills are required – the Mozambique to South Africa pipeline being an example. Whilst a sustainable home base is important, hard currency revenue diversification by local construction groups will remain a priority, probably within a range of 40% to 60%. Working internationally is also important to develop the niche construction skills necessary to win large construction projects at home. Again, the pipeline project referred to above illustrates the point – local contractors have to work outside South Africa to gain the skills required to compete locally on large contracts.

In the Engineering News Review's latest (August 2003) ranking of the Top 225 international contractors, Grinaker-LTA holds 43rd position (up from 46th).

Market review - continued

Top International contractors

(ENR, August 2003)

Rank* 2003	2002	Company	SA subsidiary
1	1	Skanska, Sweden	Cementation
2	2	Hochtief, Germany	Concor
3	3	Vinci, France	–
4	4	Bouygues, France	Basil Reid
–	–	–	–
–	–	–	–
–	–	–	–
23	18	Dragados, Spain	Dragados
–	–	–	–
–	–	–	–
–	–	–	–
43	46	Grinaker-LTA, South Africa	–

*Note: * Based on international revenues*

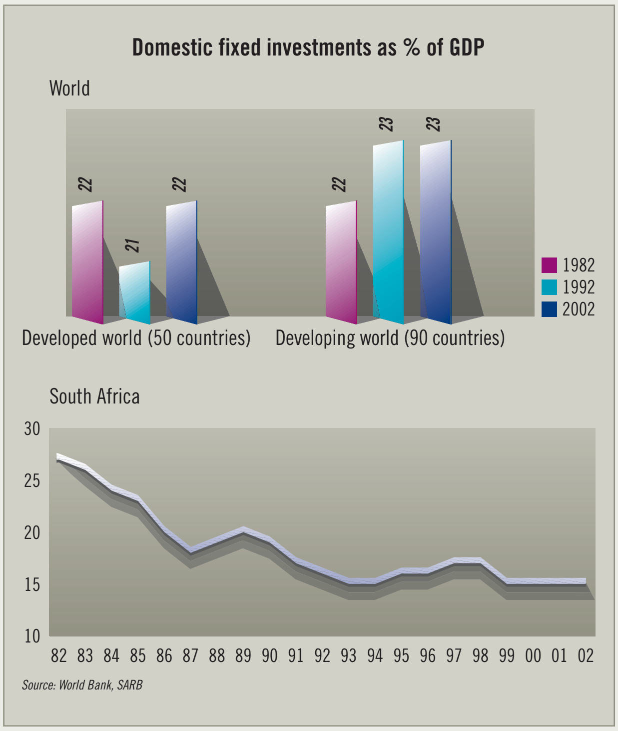
Within South Africa and in a global market context, Grinaker-LTA could be considered a medium-sized contractor. It competes with, and often beats, much larger and better resourced international groups such as Skanska of Sweden, Hochtief of Germany and Bouygues of France on significant local projects. Ongoing success depends therefore on having 'best in class' skills.

In summary, the global construction prognosis is positive. According to Global Insight Inc, authors of the Global Construction Study 2003, growth of 5% per annum in global construction activity is forecast through to 2012. Much of this growth will happen in Asia, particularly India and China. Europe and the USA markets are still experiencing a short-term economic slowdown, but are expected to rebound by 2004/5.

Local construction

Domestic fixed investment, in both the developed and developing world, accounts on average for 22% of GDP. By comparison, the level of fixed investment in South Africa of 15% of GDP is at its lowest level in 20 years, as is the building and construction contribution to that investment.

While an analysis of the above trend could lead to the logical deduction that a sustained upturn in fixed investment will occur in the coming years, leading to higher growth in construction, it needs to be recognised that the high level of investment spending pre-1985 has provided infrastructure capacity greater than that dictated by economic growth imperatives. After almost two decades of below world average investment, and as a result of sustained growth since the mid-1990s, the situation is now changing. Greater levels of economic participation and access by all population groups to utilities and



infrastructure is resulting in a looming deterioration in rail, road, airport and harbour facilities and in electricity generation, to name but a few examples.

An analysis of national accounts data reveals that real cutbacks by the central and provincial Governments were a major contributor to the overall poor fixed investment performance since the early 1980s in South Africa. Investment in economic infrastructure bore the brunt of the decline in capital expenditure by the State, which undoubtedly constrained the long-term growth potential of the economy. However, with fiscal stability restored, Government has confirmed a renewed commitment to both economic and social infrastructure investment. This could lead to a greater proportion of fixed investment being spent by the public sector.

At the national level, infrastructure development focuses on bulk water works, rail refurbishment, electrification, and tourism facilities, while provinces take responsibility for schools, clinics, roads and housing. Local Government takes responsibility for water, sanitation, and other bulk municipal services. Strong expenditure growth is projected in all three sectors, with a combined annual average growth rate of 12,4%.

In order to improve their competitiveness in the face of pending competition and to cope with increased demand for services in ports and the electricity supply chain, major public enterprises have signalled an increase in infrastructure spending over the next three years. The construction of a deep water harbour at Coega, the capacity expansion at the Durban container terminal, and other port infrastructure projects imply an investment of about R12,5 billion over the next three to four years.

A significant increase in infrastructure investment through public private partnerships is being projected. These include toll-road concessions under the auspices of the South African National Roads Agency Limited (SANRAL). Key public private partnerships currently under consideration include the Gautrain project where Grinaker-LTA is a member of one of the two bidding consortia.

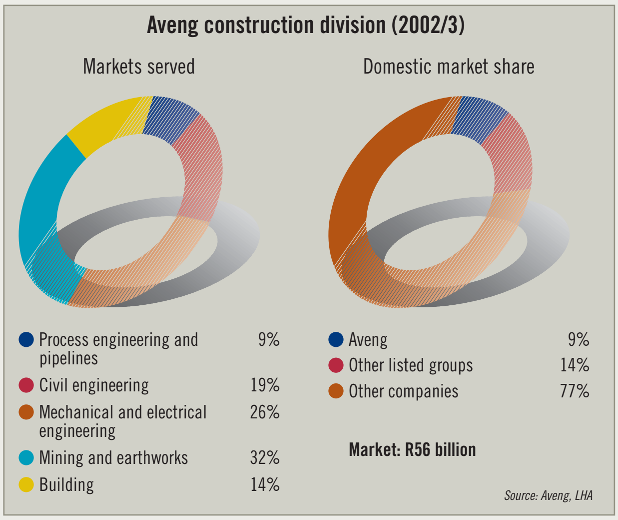
The business sector has similarly committed itself to large-scale investment on many fronts. The platinum mining industry could invest about R20 billion in some 20-odd capital projects over the next five years, the automotive industry intends investing R15 billion in new vehicle manufacturing, the energy industry has a project pipeline that will entail investment of R10 billion, and the oil industry will spend R10 billion on refinery upgrades that will allow for the production of clean fuels.

A summary of a number of possible high profile mega-projects that are being considered is given below.

- Gautrain
- Coega Port and Smelter
- Skuifraam Dam
- Platinum Mining Expansions
- Recommissioned Power Stations
- Pulp Plant Expansions
- Clean Fuel Upgrades
- Energy Projects
- 2nd Fixed Line Telecomms Network
- KZN Road Renaissance
- Richards Bay Coal Terminal
- Toll Roads

Market review - continued

In addition, Africa presents significant opportunities for local contractors in gold mining, oil and gas off the West Coast, the rebuilding of Angola and the DRC, and Nepad initiatives. Currently Africa attracts 2% of world foreign direct investment, however a growing realisation exists that it is only through infrastructure investment that economic growth can materialise, which in turn will assist with poverty alleviation. Grinaker-LTA business units operate throughout Africa and are ideally positioned to be involved in many of these projects.



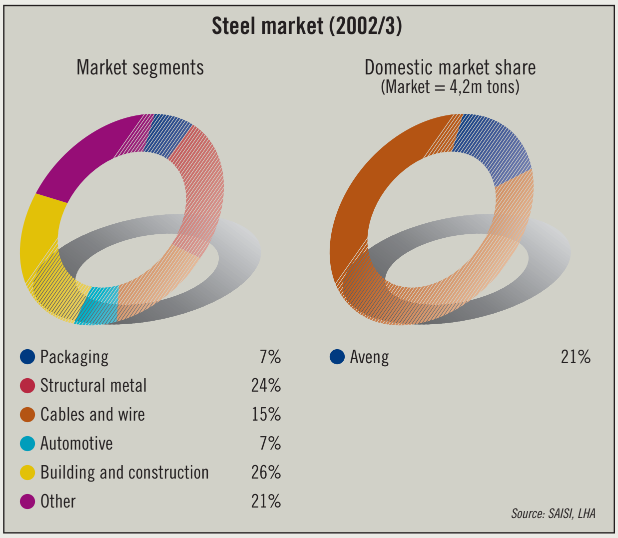
Many factors shape the fortunes of the construction industry – new environmental and mining legislation, BEE charters, interest rates, exchange rates and government delivery mechanisms – all of them remain unpredictable in their short-term impact. South Africa's construction companies have however demonstrated a flexibility that has allowed them to deal adequately with these uncertainties.

The significance of South Africa's construction industry is out of proportion to its relatively small size in world terms. Its larger contractors represent a significant home based asset that is unmatched in the rest of Africa and rare in other regions of the developing world.

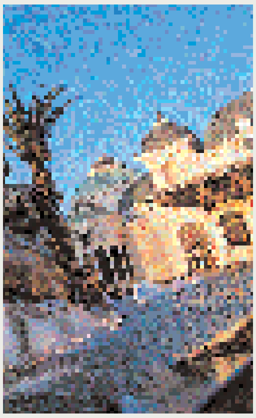
Steel

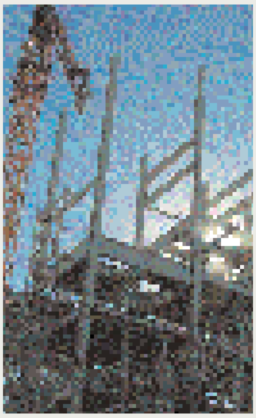
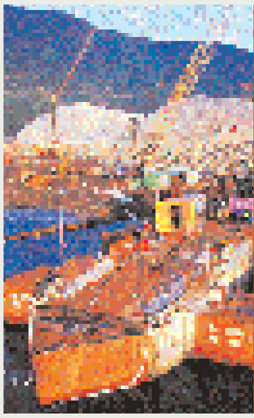
Local steel consumption decreased by 2% in financial 2003. A drop of about 5% to 10% is expected for the full year.

The distribution of primary steel to the converting industries or final end-users is either direct from the mills (55%) or via merchanting operations who add value through intermediate processing. Trident Steel is one of two major steel merchanting companies serving the local market.



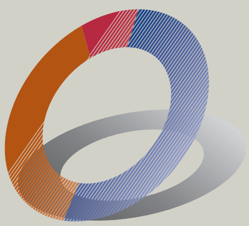
Through Trident Steel and Grinaker-LTA Infrastructure and Mining Services, Aveng is able to serve most steel markets in South Africa. In recent years, local steel demand has benefited from increased exports by the manufacturing sector, and in particular from local vehicle manufacturing. Aveng has a strong position in this supply chain and anticipated further local vehicle assembly for the global market by leading names such as Toyota, BMW, Volkswagen and Ford bodes well for the future. Similarly, anticipated increased maintenance of the national railway infrastructure is expected to benefit Aveng as they are well positioned in the rail maintenance market.

The local steel market is cyclical in nature, with trends in 'manufacturing GDP' and 'construction fixed investment' being the most important indicators. Factors that are expected to have a direct positive impact on steel demand are declining interest rates, lower inflation, improved global economic growth and declining steel inventory levels.

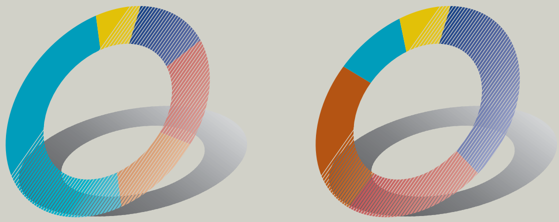
Steel and Allied



Cement

The cement and aggregates industry is made up of four large companies; PPC, Alpha, Lafarge and Cimpor (Natal Portland Cement), and smaller cement blending and quarry operations. Cement and aggregate sales are directly linked to the fortunes of the building and construction industry.

Cement and aggregate market (2002/3)



Source: C&CI, LHA

In the cement market, readymix concrete is steadily increasing its market share over on-site batching. The retail market (resellers of cement) has been showing good growth in recent years as a result of improving disposable income levels which has led to buoyant residential building activity.

Total cement demand in the region grew by 5% in 2002 and 4,4% in the first six months of 2003, well above the long-term growth trend of 3% per year. Aggregate demand has declined steadily over the last five years, mainly as a result of insufficient new road building activity (35% of demand).

Behavioural values

Behavioural values embedded in a company define the interface between talk and action. Talk is transient. How we act is what matters.

Some years ago Aveng embarked on an exercise to identify those behavioural values or practices that over the years had become entrenched in one or more of the group's then constituent subsidiaries. After further discussion, these were distilled into three words that in the broadest terms describe how we believe we should behave corporately.

The first value, 'Integrity', is of primary importance to our future as it impacts on the reputation of the group. Non-compliance by an employee of the company is considered in a very serious light and could result in dismissal. The remaining two values are secondary and inspirational in nature. They drive Aveng's focus, and exceptional commitment by employees to what these values represent, is rewarded.

The group's three behavioural values are:

Integrity: Acting ethically

Integrity as a behavioural value, has unfortunately almost become a platitude in business parlance. Aveng has sought to avoid this by defining its own brand of integrity as being the very specific business behaviour set out in the group's ten point 'code of business conduct' published in the early pages of this report.

These ten directives are our 'rules of engagement', defining the nature of our relationship with each other and with the outside world. The code defines the boundary conditions within which we hope to provide a challenging work environment for our people and make money for shareholders.

At the beginning of each year this code is formally accepted by the directors of Aveng and its principal subsidiaries. Integral to this acceptance is a commitment to communicate the contents of the code and its broader implications widely within the operating companies.

Any management practitioner will understand that commitment at the top of an organisation is one thing, while actual practice deep down in the company is very much more difficult to control. With Aveng being relatively decentralised and having 23 000 employees spread across hundreds of sites in dozens of countries, the need for ethical leadership at all levels in the group is paramount. In summary, for Aveng's people integrity means being honest, caring for the company, its people and assets and delivering on its undertakings.

Quality: Acting professionally

The Aveng understanding of quality as a behavioural value is about acting professionally in everything we do. More colloquially, it is about 'being the best at what we do' and since no one company can be the best at everything, it means that each business unit has to develop commercially desirable 'best in class' capabilities. Underpinning this behavioural value is a commitment to disciplined systematic and logical behaviour. This includes complying with product and service quality codes; safety, health, environmental and other regulations and committing to uphold the highest standards of corporate governance.

In addition, it is also about improvement. Without a commitment to continuous improvement we will not be able to stay at the top of our game.

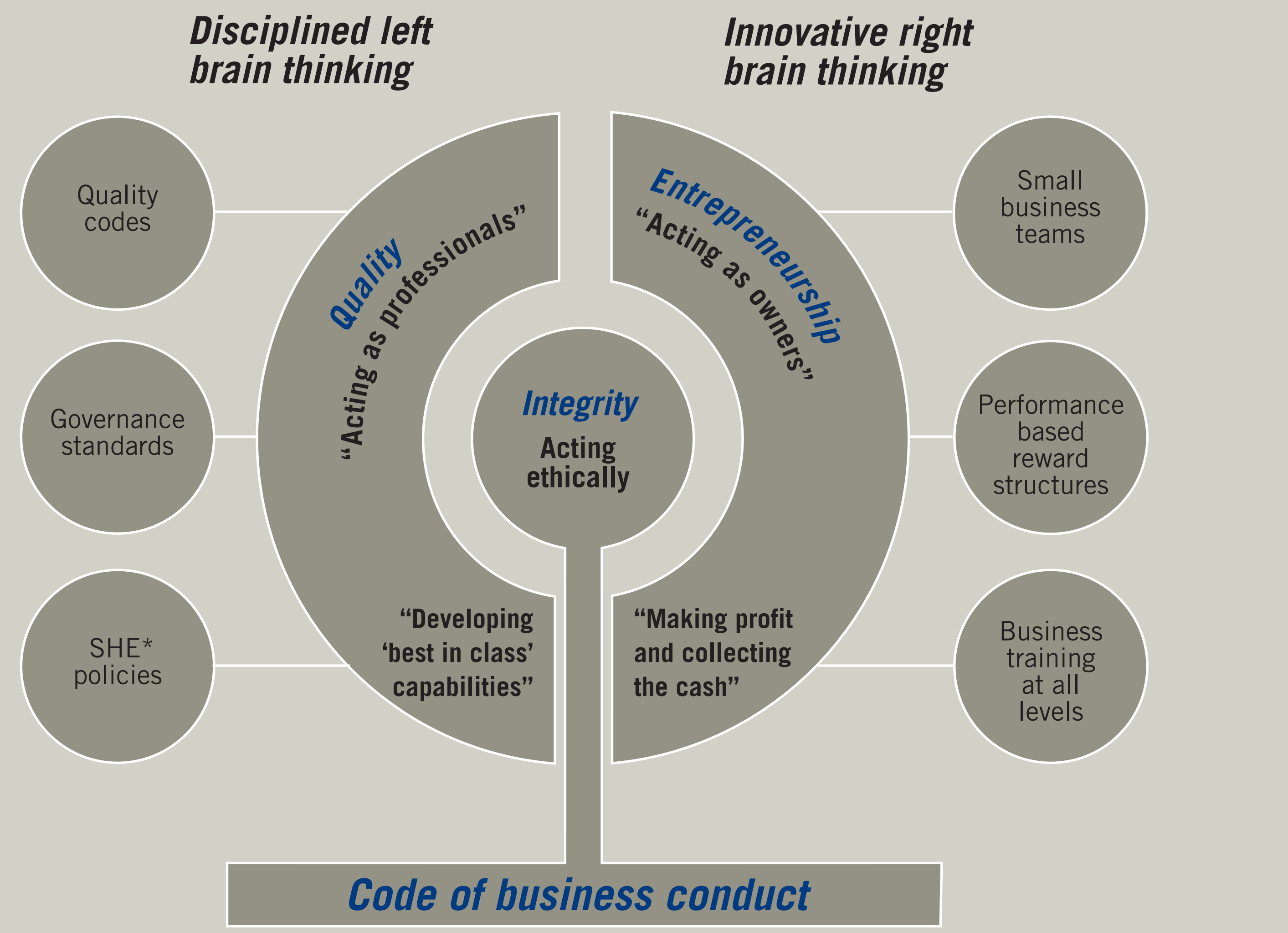
Entrepreneurship: Acting as owners

In Aveng language entrepreneurship means 'getting out there, making the profit and collecting the cash' –

something drilled into the business units by their entrepreneurial founders.

Large businesses have the advantages of economies of scale. Highly debilitating however, is the bureaucracy that most often accompanies size. A sense of ownership and destiny is lost and 'cog in a big machine' mentality develops. Aveng continually strives to avoid this trap by promoting the establishment of relatively small autonomous business units and smaller teams within these units that have clearly defined authority and accountability. Innovative thinking is encouraged and a sense of ownership develops. We need to find ways of being both big and small at the same time – relatively easy in the decentralised construction business.

Finally, for entrepreneurship to succeed in our group, we recognise the need to nurture free thinking energetic leadership and provide these leaders with the appropriate practical business training. Integral to entrepreneurship, and probably most important, is a financial reward system that is heavily dependent on financial results – a matter dealt with in the group's remuneration policy outlined elsewhere in this report.



* Safety, Health and Environment

Vision

"We wish to be a value driven construction, steel and cement group leveraging 'best in class' construction capabilities across subsidiaries and associates in selected areas of the developing world"

In summary

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

Values

- Integrity
- Quality
- Entrepreneurship

Mission

To deliver **consistent long-term value** for all stakeholders by:

- managing the group in a way that nurtures the behavioural **values** of integrity, quality and entrepreneurship
- incentivising each business unit to develop commercially desirable 'best in class' **capabilities** and then find opportunities to leverage these with fellow Aveng companies locally or elsewhere
- **balancing risk** *strategically* across construction, steel and cement; between the rand and hard currencies; and across market segments with different client bases and cash flow characteristics;
  and balancing risk *operationally* between projects and opportunities with different risk characteristics using the Aveng risk framework methodology

"Best in class" Capabilities

locally

- steel processing and trading
- construction in specific niches across most engineering disciplines
- manufacture of cement, aggregates and concrete

developing world

- selected mining services for demanding clients
- specialised energy-related projects and pipelines
- complex infrastructure and marine projects

Strategy

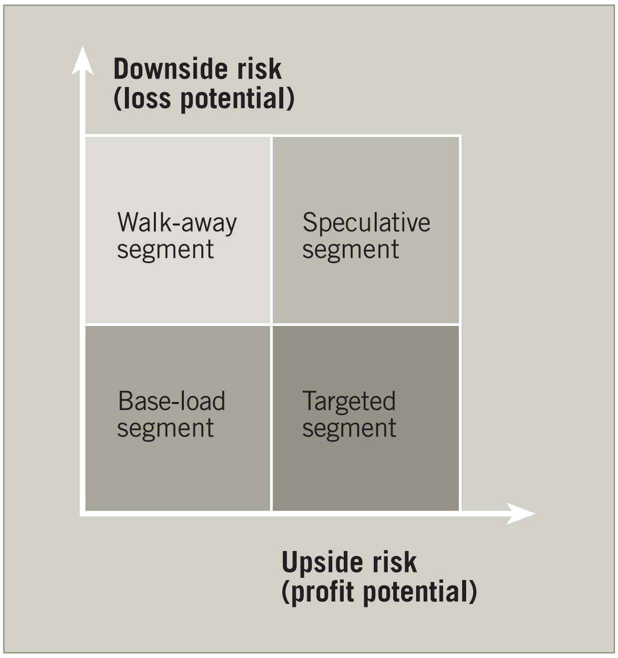
Note: Balancing risk operationally between projects and opportunities with different levels of risk is managed through the 'Aveng risk framework' discussed below

> "Aveng attempts to understand and categorise its commercial risk"

Operational risk management

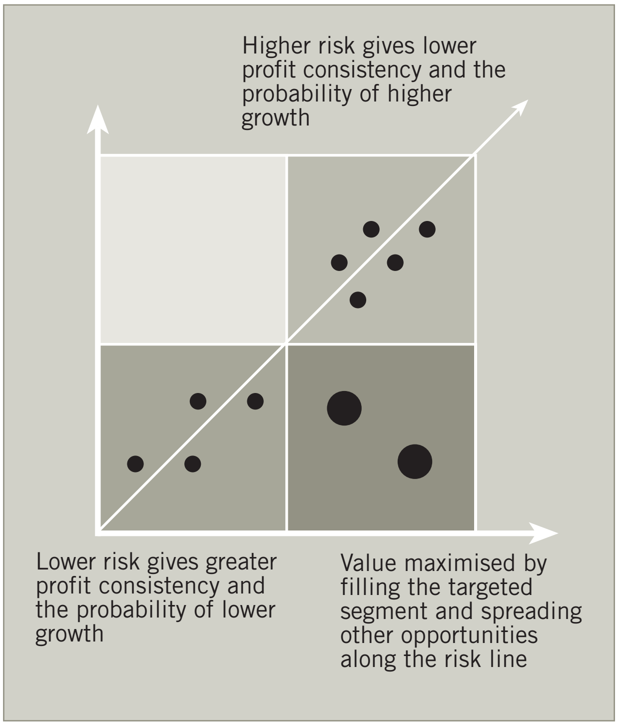
Aveng attempts to understand and categorise all its commercial risk, be it projects, customers, potential opportunities or businesses, within the context of its 'risk framework' given below.

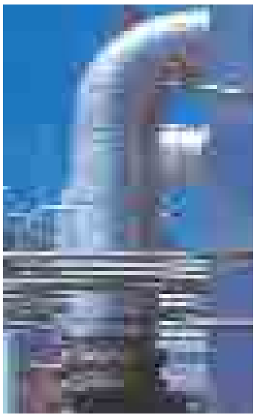
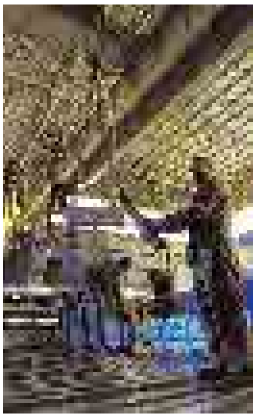
Businesses, projects or opportunities that fall into the targeted segment are clearly more attractive as they present the opportunity for Aveng to capitalise on past experience and on its particular strengths relative to competitors. Profit potential is good and the downside risk is small.



Unfortunately it is seldom possible to fill up capacity in any particular business unit by taking on work in the targeted segment only. Business units are generally forced to take on base-load work at low profit rates but with relatively little downside risk. Examples include national building materials merchants in the case of Cement, motor manufacturers in the case of Steel & Allied and urban high-rise office buildings in the case of Construction.

Because of the diluting impact that base-load work has on the profit margin, projects or opportunities with higher profit margins (but inevitably greater downside risk) are also taken on. These are particularly attractive if we believe that the type of work being contemplated is important for the future and therefore needs to be done to get the necessary experience. Over time as experience is acquired, this type of work will migrate to the targeted zone on the risk matrix. Examples include complex mechanical/electrical/process engineering work for the mining and energy sectors.



Having tried to get all available work or opportunities in the targeted segment, an attempt is made to balance the risk profile of the remaining work/opportunities by spreading them along the risk line. This is done by ensuring that work with higher potential downside risk is also marked up with higher potential profit margins.

Implementation mechanism

Risk is managed on a day to day basis through the structure of executive committees in the various business units. These meet regularly, and at least once a week in the construction businesses. The responsibility for finally reviewing the risk and approving a given project/opportunity is delegated to either the business unit or the operating subsidiary executive committee on the basis of carefully defined size and complexity criteria. The risk analysis on the largest/most complex projects/opportunities are reviewed by the Aveng board.

In construction for example, the risk discussion is centred around information contained on a standard risk template, filled in by the sponsoring business unit. The final page of this template is a graph projecting project cash flow for the duration of the project. This is built up from the tendering criteria used in pricing the job. Post award, this graph has great value in monitoring the actual and ongoing performance of that project.

Based on the risk framework categorisation of the project/opportunity as discussed above, various options are considered. A decision could be made to put in additional effort into the preparation of the tender, by for example preparing alternative innovative proposals for the client in the case of projects in the targeted segment. Alternatively, the project could be categorised as a base-load job or as a higher risk opportunity, in which case the profit mark-up is increased substantially. Most importantly, some projects/opportunities/clients/engineers are best left alone – at any price. This is where the combined experience, running into hundreds of years, of the people around the executive committee table is brought to account.

The real skill is the ability to identify high risk projects – particularly those with little upside opportunity and then be bold enough to 'walk away'.

International infrastructure

Construction

The construction cluster consists of Grinaker-LTA, excluding the non-construction Infrastructure & Mining Services business unit, and 63% of the Australian based McConnell Dowell Corporation Limited. Subsequent to the year end, the remaining 37% of the company was acquired.

With more than half of its revenue earned mostly in hard currencies outside of South Africa, the impact of the strong Rand was particularly evident in construction. International revenues were 10% down on the prior year, making up 52% of total construction revenue (down from 58% in the prior year).

The second reason for the decline in international revenues was the difficult time experienced by McConnell Dowell Corporation, as discussed elsewhere in this report. An inability to raise performance bonds resulted in less work being won with a consequent decline in revenue. In addition, a significant part of their activity was directed at the large equity accounted Sasol pipeline project which does not reflect in the revenue of either Grinaker-LTA or McConnell Dowell.

Locally, the South African construction operations performed well. A number of prestigious contracts were successfully completed, including the landmark Nelson Mandela Bridge in the centre of Johannesburg. A list of past and current construction projects is tabled elsewhere in this report.

Operating income grew marginally by about 4% – reflecting the toughness of the market, the strong Rand and the negative impact of a number of difficult and high risk road construction jobs in Mozambique and Zambia, practically all of which have been completed. The impact of these road contracts on group cash flow has been significant. In spite of these difficulties, operating profit as a percentage of revenue remained unchanged at 3,6% reflecting good profitability in other areas.

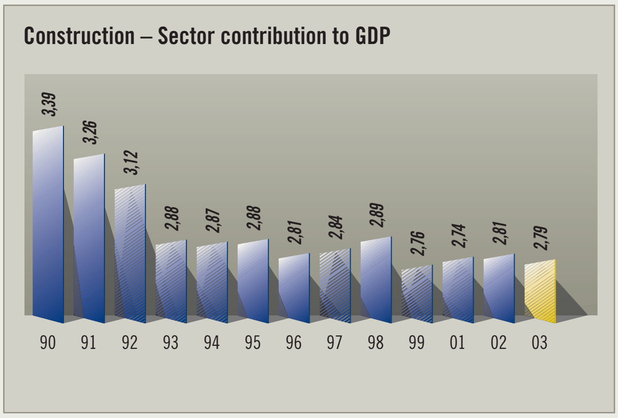
Cash flow was also impacted by a number of contracts where cost over-runs have been incurred as a result of substantial changes to the scope of work. We have registered claims and have every reason to believe that the dispute resolution process will rule in our favour.

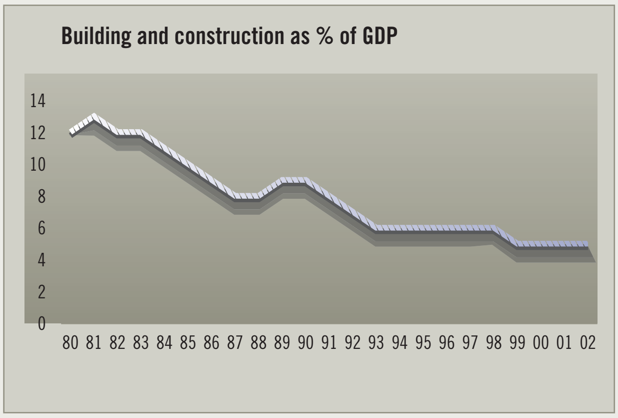
> "A number of prestigious contracts were successfully completed, including the landmark Nelson Mandela Bridge in the centre of Johannesburg"

In line with Aveng succession plans, Howard Jones has taken over from Frank Crowley as group managing director of Grinaker-LTA, assisted by Wolf Wassermeier as deputy managing director. Frank has agreed to assume strategic oversight of McConnell Dowell Corporation, managed by David Robinson. All four executives are broadly experienced and highly respected. The business units of both construction groups are well structured and led by competent executives (see organisational chart).

The capital investment in construction of R664 million is up on the prior year and principally represents investment in opencast mining equipment, R180 million of which was spent on expansion opportunities in Mali. These projects substantially exceed the group's cost of capital hurdles.

The two year order book of R8,9 billion is equal to 91% of the past year's construction revenue. It has been managed down from the 102% of a year ago, to get closer to the middle of the group's target band of 70% to 100% of revenue. It is our experience that an order book greater than 100% proves to be sub-optimal, leading to over-trading with the higher associated risk and leaves the group with less flexibility to take on short notice higher margin work.





Recently completed contracts

(a number of which are joint ventures)

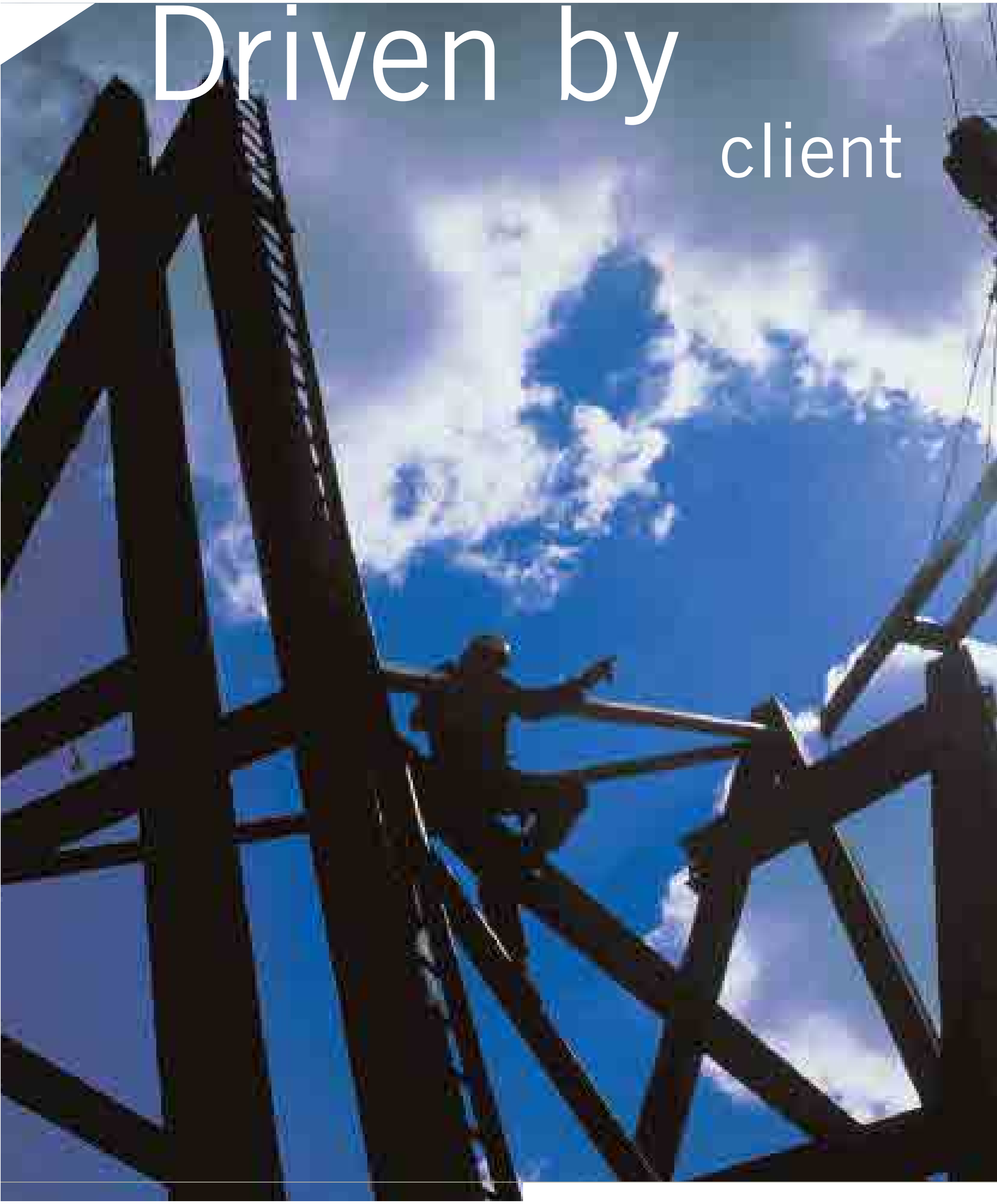
Description of contract	Country
Electrical reticulation rural villages	Botswana
Gas pipeline	Tasmania
Glisa colliery underground mining	South Africa
Ho Ping power station outfall	Taiwan
Katumani to Wote road	Kenya
Lavumisa road	Swaziland
Mogoditshane water reticulation	Botswana
Monza Zimba road rehabilitation	Zambia
MTN head office	South Africa
Mozal potlines	Mozambique
N3 toll road	South Africa
Nam Con Son gas plant	Vietnam
Nelson Mandela bridge	South Africa
New airport Mpumalanga	South Africa
North Mara process plant	Tanzania
Ras Laffan desalination plant	Qatar
Skorpion Zinc acid plant	Namibia
Suncoast casino and entertainment world	South Africa
UAC flats	Nigeria
VLCC jetty	Singapore

Some current contracts

(a number of which are joint ventures)

Description of contract	Country
Acrylic acid and acrylates Sasolburg	South Africa
Agostinho Neto University	Angola
Concrete sleeper manufacture	Namibia
Fitiuta runway extension	American Samoa
Foskor waste management project	South Africa
Golden Pride opencast gold mine	Tanzania
K 157/P157 interchange Boksburg	South Africa
Kwamashu to Effingham link road interchange	South Africa
Limpopo rail rehabilitation	Mozambique
Madinat Jumeirah Resort Dubai	UAE
Marikana platinum mine Rustenburg	South Africa
Minerals dune treatment plant Richards Bay	South Africa
Mongu Kalabo road	Zambia
Newbury gas pipeline	England
New quay wall Durban harbour	South Africa
Phoenix nickel mine	Botswana
Pretoria academic hospital	South Africa
Rail grinding and profiling	South Africa
Senoko cable tunnel	Singapore
Temane to Secunda gas pipeline	Mozambique/SA
Two Rivers Steelpoort underground mining	South Africa
Unleaded gasoline project Ruwais	UAE

Driven by client



Steel & Allied

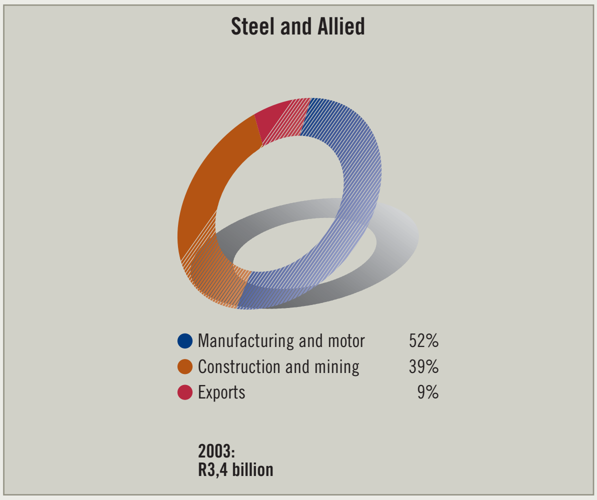
The Steel & Allied division is driven by businesses that trade and process steel for customers in the construction, mining, manufacturing and motor industries. Steel & Allied consists of the Aveng corporate office, Trident Steel and Grinaker-LTA Infrastructure and Mining Services, the latter company 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 make an important contribution to the cluster's profitability.

The South African steel market contracted by 2% last year with overall market volumes declining to 4,2 million tons. While demand in the motor sector was sound, our customers in the manufacturing sector with export orders were very badly affected by the strong rand and the rapid increases in local steel prices.

As a result, volumes dropped and Steel & Allied posted a revenue decline. Assets reduced by a significant 15%, largely as a result of tighter stock management.

A number of important capital projects were completed, including the final relocation of the Grinaker-LTA Infrastructure and Mining Services businesses together with significant machinery upgrades. Trident Steel commissioned the R110 million press feed line to service the motor industry and made good progress on the construction of the R65 million Saldanha Steel service centre. These projects contributed to the capital expenditure of R164 million, a significant 75% up on the prior year.

The next leg of Trident Steel's distribution rationalisation strategy is the construction of a new service centre in Cape Town, planned for completion in the 2004 financial year. This will allow Trident to integrate E.A. Steel, acquired some years ago, and the local Trident branch. Minimal capital equipment will be required, limiting investment to R30 million.



World-class emission levels

Cement

Cement had another good year although industry volume growth in the second half of the year contracted to 4,4% from the highly buoyant 9,9% (six month year on year growth) experienced during the first half of the Aveng financial year.

Outside of South Africa, volume growth was good in Tanga Cement (Tanzania). However, once the profits are converted to rands the buoyant trading results seem less attractive.

The major R315 million capital project upgrading the No.3 Kiln at the Dudfield cement factory is on schedule for completion by December 2003. The primary objective of this upgrade was to address the kiln's mechanical condition and improve its energy efficiency. The secondary benefits include a more consistent cement, world-class emission levels and an upgrade in kiln capacity of about 400 000 tons of clinker a year. While additional capacity does not benefit Aveng in the short term, it does position us very well in the event of a future rapid growth in the demand for cement.

The ability of Spoornet to reliably deliver coal to our factories and cement to our depots has been a major operational concern. While we have experienced some problems, Spoornet's operational management have demonstrated a high level of commitment in attempting to address and resolve the issues. Nevertheless, the overall capacity constraints in Spoornet remain an area of concern for the group. Partly as a consequence of the above, industry rail deliveries of finished product have declined from 5% some years ago to 1,65% of cement volume in the past year.

Significant strategic realignment took place in Alpha during the year. Alpha's non-core stake in Omnia Limited was sold as was the one third interest held in Natal Portland Cement. The proceeds from these two sales were retained by Alpha to help finance the Dudfield Kiln upgrade.

The relationship between Aveng and the major shareholder, the Swiss based world number two in cement – Holcim, continues to be excellent. Holcim has recently embarked on the re-branding of their operations across the world and we believe a similar branding strategy would add value to the South African business.

The largely metropolitan based aggregates and ready mixed concrete businesses strategically complemented the core cement product line. They are efficiently run and stand to benefit directly from the increased levels of urbanisation being projected for the future.

From an Aveng 'balancing of risk' perspective, cement is nicely balanced between consumer driven and industrial driven demand profiles. Bagged products (57% of sales) are retailed by merchants and tend to follow a consumer product demand cycle while bulk cement (43% of sales) is more closely linked to broader industrial demand.

Strategic challenges

Black economic empowerment

Black economic empowerment is one of the primary challenges facing South African companies today. Ownership issues need to be addressed without diluting the value of the shareholding of the group's existing investors. Competent and appropriately experienced executives and senior managers need to be found to fill top positions in the group – particularly challenging because of the technical nature of the risk issues in Aveng's operating businesses. Reliable subcontractors able to do quality work and dependable suppliers need to be found and nurtured.

Over the years Aveng has facilitated the establishment of small black companies. The group's experience has been that real and enduring empowerment is most successful when implemented at business unit level. The formula in the past has been for one of the Aveng business units to establish a new company, in partnership with an active black manager/shareholder, in an area where that business unit has particular expertise. Initially the Aveng company would hold a controlling interest and provide the technical input while the empowerment shareholder manages the business. As the company matures, skills are transferred and confidence builds. The Aveng shareholding reduces over time until it may exit completely. This approach has proved to be successful in the past and elsewhere in the report we have listed companies in which Aveng has partnership interests with empowerment shareholders.

The group not only strives to forge long-term relationships such as those mentioned above but also enters into numerous joint venture arrangements with local black contractors on a contract specific basis – also listed elsewhere in this report. During the year a significant 14% of the Aveng South African construction turnover was generated from joint ventures with black contractors.

With a number of acts and charters in force for our clients, there is no single formula for the measurement of black economic empowerment. The 'balanced scorecard' proposal published some six months ago by the Department of Trade and Industry comes closest to providing an industry standard for construction. We trust that it will reduce the current level of uncertainty and the very different empowerment benchmarks being applied in Government and quasi-government procurement.

An associated difficulty is the level of uncertainty and lack of clear definition that exists at present, making it very difficult for Aveng to formulate a robust procurement policy of its own.

Nevertheless, as a proud and committed South African company, Aveng will continue to work with Government and through its agent, the Construction Industry Development Board, to address the numerous practical problems encountered on the road to building sustainable and equitable empowerment in our industry.

The changing construction environment

As discussed elsewhere, the international construction environment is changing in a number of ways:

- a move to bigger turnkey 'engineer, procure contract' type work with significant bonding requirements
- clients attempting to pass risk associated with a project onto the contractor
- growing difficulty in the relationships between client, engineer and contractor as a result of unworkable contract conditions
- the fear of possible accusations of corruption causing an overly cautious and reactive stance from engineers and client representatives, often forcing formal dispute resolution and in some instances arbitration, to settle relatively simple claims
- an increasingly cautious approach to the provision of performance bonds by many international banks, particularly those that don't know us well. The stricter provisions stemming from the proposed Basel II Capital Accord may be partially responsible for this state of affairs.





The old axiom relating the size of a challenge to that of the potential opportunity is appropriate here. Our response is to hold a steady course, ensure that we continue to maintain a balanced stance on risk at all levels in the business and do the basic things well. We will work constructively with all concerned to resolve these issues and build a model that will promote development in the interests of all. The pendulum will swing back again and we will be well positioned to benefit.

McConnell Dowell Corporation Limited

McConnell Dowell Corporation, a relatively small international construction company (revenue US$300 million), has been caught up in the changing environment outlined above. This resulted in cash and bonding capacity constraints developing, in spite of being ungeared. Towards the end of 2002 Aveng, then a 63% shareholder, agreed to assist by injecting Aus$20 million of working capital into the company. When this amount proved to be insufficient to support the company's bonding requirements, the independent directors of McConnell Dowell, i.e. those not associated with Aveng, reviewed the alternative of a rights issue and then requested that Aveng make an offer to minority shareholders. The ruling market price of Aus$1,54, which approximated the average price of the prior month and past year, was proposed and subsequently found to be fair and reasonable by the independent expert, Deloitte & Touche. In subsequent discussions with shareholders Aveng agreed to a 10 cent per share sweetener, paid in the form of a dividend. The total cost to Aveng of the minority takeout was R130 million – a transaction consummated subsequent to the year end.

Now that Aveng owns 100% of the business, risk management systems together with the associated financial disciplines will be introduced into the business, bolt-on opportunities from other group companies will be evaluated and operating capabilities enhanced where required. Frank Crowley, previously group managing director of Grinaker-LTA and the newly appointed chairman of McConnell Dowell, will oversee the strategic re-alignment of the group.

The Rand

While the current level of our currency compared to that of the dollar makes Aveng relatively less competitive in its quest to win international work, it is the volatility of the Rand and the associated uncertainty that concerns us most. It is not always possible to build natural hedges in the way in which contracts are configured and buying forward cover is expensive and is not always possible.

In our business, as undoubtedly in most others, certainty is paramount. Without it planning is difficult and making accurate forecasts is nigh on impossible.

> "Aveng is value-driven, strategically balanced, and soundly positioned in its chosen segments"

Future outlook

In looking forward, as in looking back, the volatile currency environment precludes a short-term perspective. The construction order book is running at 91% of revenue – almost exactly in the middle of our target zone. The Rand probably won't get any stronger and we are able to compete internationally at current levels. Locally, there are some exciting projects in the wings. While the steel market is very tough at the moment, largely the result of mining investment inertia, the current declining interest rate environment will undoubtedly boost cement with its strong consumer demand profile.

In addition to the cement expansion project mentioned above, Aveng has committed R828 million in capital expenditure to prepare itself for the future growth, exceeding the depreciation charge of R375 million.

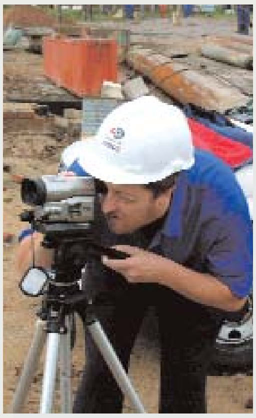
Aveng is value-driven, strategically balanced, and soundly positioned in its chosen segments. While market volatility makes the next year difficult to predict, the group's longer term outlook is assured.

Executive management

Over the past year the leadership baton was passed on seamlessly in each of the Aveng subsidiary and associate companies – a testimony to the depth of management in these groups. Frank Crowley has handed over to Howard Jones as group managing director of Grinaker-LTA, with Frank assuming the position of chairman of the now 100% held Australian subsidiary, McConnell Dowell Corporation. Karl Meissner-Roloff has taken over from Mike Doyle as managing director of Alpha and Ben Fourie from Ernie Behr as managing director of Trident Steel.

My heartiest thanks to Frank, Mike and Ernie – each of them have made a unique and valuable contribution to our affairs.

Strength to Howard, Karl and Ben as they review assumptions and priorities in a quest to move their organisations to the next level of competitiveness.


Appreciation

On behalf of the executive directors, I'd like to thank all our people for their hard work and loyalty over the past twelve months. While things have been tough, they probably won't get any easier. Its great to have such a solid team out there.

Members of the larger team include our clients, the various professional bodies, suppliers and members of the public who may have been inconvenienced in some way as a result of our varied and far-reaching activities. Thank you all for your support and tolerance.

Conclusion

The hunter in our corporate emblem personifies the spirited entrepreneurship of our founders and as a marksman fits our hard-earned reputation for quality and a 'straight shooting' integrity.

These are our values, our heritage – the sturdy foundation on which Aveng is being built. They give us the confidence necessary to face an uncertain future and succeed.

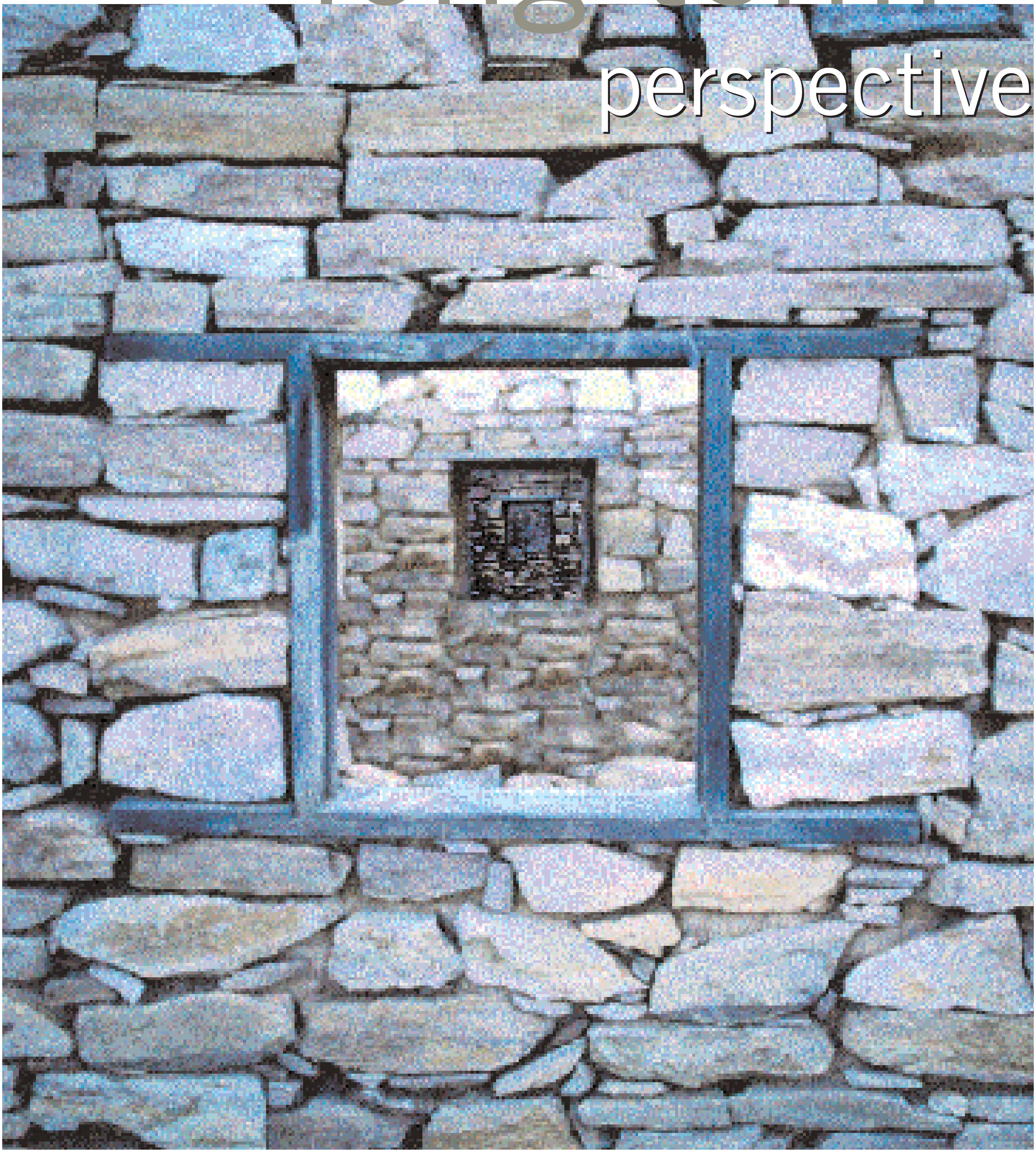
Carl Grim

Carl Grim

Chief executive

Financial director's commentary

long-term



perspective

"The currency volatility of recent years makes a three or five year benchmark more appropriate. On both counts the group has achieved its HEPS growth target"

The geographical spread of our business means that the group is and will be impacted positively or negatively by currency fluctuations when reporting in Rand at each reporting date.

Introduction

These results have been compiled in accordance with the South Africa Statements of Generally Accepted Accounting Practice and the Listings Requirements of the JSE Securities Exchange South Africa and Schedule 4 of the South African Companies Act. The accounting policies used in the preparation of the results are consistent in all material respects with those adopted in the annual financial statements for the year ended 30 June 2002. During the year the group adopted AC133, Financial Instruments: Recognition and Measurement. There has been no material effect on earnings on the adoption of this statement. No material events have occurred subsequent to the year end except for the purchase of the 37% minority shares in McConnell Dowell Corporation Limited on 18 August 2003.

The geographical spread of our business means that the group is and will be impacted by currency fluctuations when reporting in Rand at each reporting date. Management will follow the accounting guidelines and report accordingly.

The income statement is affected by the translation of integrated foreign operations and the balance sheet by the translation of integrated foreign entities. The arithmetical average Rand to US$ exchange rate reduced by 10,4% to R9,00, whilst the closing rate at 30 June 2003 strengthened by 28% to R7,47.

Dividend

It is the policy of Aveng to maintain a dividend cover of approximately four times headline earnings. Accordingly the board has approved a dividend for the year of 30 cents per share, being an increase of 11,1% over the prior year.

Earnings per share

Headline earnings per share increased from 107,3 cents to 118,6 cents, an improvement of 10,5%, whilst earnings per share increased by 57,7% to 150,9 cents. The increase in earnings per share resulted from a surplus of R192 million on the disposal of investments and a small surplus on the disposal of properties. The major portion of the surplus on the sale of investments is attributable to the sale of the shares held by Alpha in Natal Portland Cement and Omnia.

There is now no difference between the weighted average and diluted weighted average number of shares in issue, because the group effectively expenses all Aveng share

"The significant capital spend of the past few years positions us well for the future"

options that are 'taken up'. The potential cost of all outstanding Aveng share options issued to members of staff have been expensed through the income statement at June 2003, irrespective of whether they have vested or not.

Operating performance

Overall operating performance was affected by currency movements. Operating income was negatively impacted by R90 million being the result of foreign exchange losses both realised and unrealised.

The increase in associate and joint venture activities and the effect of the strong Rand resulted in a restrained revenue growth of 0,4%. Associate and joint venture revenue grew by 48%.

'Hard' currency revenue reduced from 45% to 41% during the 12 months, in line with group projections. The ratio of revenues earned between business segments remained comparable to that of the prior reporting period.

Despite the flat revenue, operating income improved by 4,3% to R672 million primarily as a result of an operating income margin improvement from 4,9% to 5,1%. The contribution to operating income by business segment moved by 3% between segments.

Income from associates and joint ventures, which is net of tax, increased from R114 million to R155 million, as a consequence of an increased equity accounted number of joint-venture contracts, and increased earnings from Alpha.

Capital expenditure, high interest rates and the lengthening of the time between the certification of work and the receipt of payment date, resulted in increased net finance costs of R68 million.

The effective rate of taxation before the amortisation of goodwill, other non-trading items and income from associates and joint ventures, was 25% compared to 27% in the previous year. Foreign taxation reduced from R74 million to R45 million, whilst South African tax increased by R20 million, for the reporting period.

Shareholders' funds

Total ordinary shareholders' funds increased by 11%, despite a negative foreign currency translation of R169 million, compared to a positive movement of R63 million in the prior year.

The reduction in the minority interests was as a result of currency appreciation.

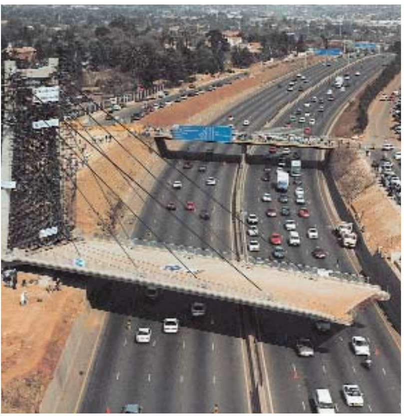
Total shareholders' funds increased by 7% over the past year.

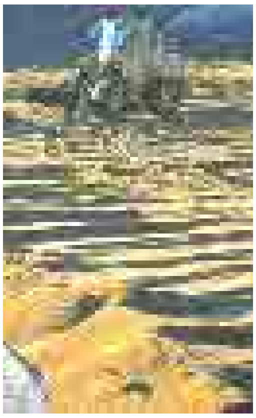
Net borrowings

Total interest-bearing borrowings include funds raised by the commercial paper programme. Gross interest bearing debt of R1 988 million was R120 million more than the reported R1 868 million last year.

South African sourced interest-bearing debt at year end amounted to 87% of total gross debt and cash resources held in South Africa represented 53% of the total cash balances. For more details see note 11 to the annual financial statements.

The group's investment in expansionary capital expenditure of R404 million together with replacement capital expenditure of R424 million further impacted the net debt position. Replacement capital expenditure, exceeded depreciation by R49 million. Total capital expenditure of R828 million should be reduced by the proceeds on the disposal of fixed assets amounting




to R276 million, resulting in a net cash cost of R552 million.

A hefty portion of capital expenditure was spent in the mining and earthworks construction business unit, where expansionary capital expenditure totalled R180 million and replacement capital expenditure R240 million. The Steel and Allied division spent a total of R163 million, the majority of which was in respect of the new automotive press feed line installed at Roodekop.

Working capital was negatively impaired by the reduction in trade and other payables to the extent of R265 million, together with an increase in trade and other receivables of R102 million. The decrease in inventories had a positive impact on cash flow.

The resultant net debt to equity ratio was 44% compared to 42% a year ago.

Goodwill

The goodwill figure arises principally from the purchase of LTA Limited and McConnell Dowell Corporation Limited with other amounts in respect of much smaller investments which are not significant. The total net goodwill figure at the year-end comprises the LTA Limited goodwill figure representing 83% and that of McConnell Dowell Corporation Limited 15%.

Cash flow

Net cash generated from operations, being cash generated by operating activities less income from investments, increased by R43 million to R682 million. Cash and cash equivalents at the year end increased by R31 million compared to a R54 million increase last year. Working capital was negatively affected by currency movements of R96 million.

Cash flow earnings per share of R1,86 improved by 7% compared to R1,74 achieved to June 2002, based on the same number of shares in issue.

Post-retirement benefits

The group has eliminated its post-retirement liability for medical aid benefits by agreement with the members concerned.

Future priorities

The primary area of focus for the next 18 months will be cash generation and the repayment of debt.

DR Gammie

Financial director

Board charter – summary

effective

The board of Aveng Limited has adopted a board charter setting out the role of the directors and their responsibilities to the company and its shareholders. Newly appointed directors subscribe to the provisions of the charter and commit themselves to act accordingly.

Role of the board

The charter confirms that the role of the board is to effectively represent and promote the interests of the company (and thereby its stakeholders) with a view to adding sustainable value to the company. The board fulfils this role by ensuring that company goals are clearly defined, that management has put strategies in place to achieve them and that appropriate steps are taken to monitor progress. Furthermore, the board is involved in formulating policy, appointing and monitoring the performance of the chief executive, overseeing board succession planning as well as assisting in the selection, appointment and remuneration of senior group executives.

The board's role is also to evaluate developments in the external environment and provide counsel to the chief executive and executive directors. An important element of the board's responsibility is to ensure compliance with all relevant legislation, both in the spirit and the letter of the law, as well as ensuring that the company adheres to the high standards of ethics and corporate behaviour set out in its 'Code of Business Conduct'. Its actions must demonstrate unwavering commitment to the group's core values of personal integrity, quality of work and entrepreneurial conduct.

A further dimension to the role of the board is its relationship with its shareholders. To that end the board undertakes to review the shareholder register on a regular basis and to familiarise itself with issues of concern to shareholders that may be raised from time to time by directors, management or the company's external investor relations consultants.

In order to effectively fulfil its role, the board has adopted a set of procedures that govern and regulate its activities. Some of the more important elements include attendance of and preparation for board meetings, open and constructive discussion and a recognition that genuinely held differences of opinion can bring greater clarity and lead to better decision-making.

Board meetings take place quarterly and, while the final agenda is set by the board, via its chairman, a number of standing issues are covered at each meeting. These include: a business overview from the chief executive, a report from the financial director, operational reports from the company's subsidiary and associate groups, a review of capital expenditure and acquisition proposals as well as major strategic issues and potential opportunities for the company.

In addition to its statutory duties, the board annually reviews the company's goals, its overall strategy for achieving these goals and approves the annual budget and business plan. The board also reviews and evaluates its own performance and that of its standing committees as

> “The board ensures that corporate goals are clearly defined and that appropriate steps are taken to monitor progress”

well as monitoring the performance and remuneration of the executive directors.

To aid them in their tasks, directors have full access to company information and to the chief executive and other executive directors. Directors are entitled to obtain independent professional advice relating to the affairs of the company or to his or her other responsibilities as a director. The cost of the advice will be paid for by the company.

The board charter recognises that the chairman is responsible for board integrity and the effectiveness of its governance processes. He is also tasked with maintaining a regular dialogue with the chief executive on operational matters. The chairman acts as a facilitator at board meetings, ensures that no one director dominates the debate and that discussions result in logical and understandable outcomes.

Board sub-committees

The board has constituted four standing committees to facilitate efficient decision-making and assist the board in its functions. These are the audit and risk committee, the nomination committee, the remuneration committee, all of which consist exclusively of independent non-executive directors, and the corporate social investment committee. Other ad hoc committees may be formed for specific proposes, and are disbanded when their task has been accomplished.

The audit and risk committee provides a forum for effective communication between the board and the external and internal auditors. The committee reviews the annual and half-yearly financial statements prior to submitting them to the board for approval, the management information systems and procedures for internal control, the risk management processes, the significant risks facing the company, and the effectiveness of the external and internal audit functions.

The nomination committee ensures that the board consists of directors with the appropriate balance of skills, experience and other attributes required by the company. It considers the need for new directors, searches for candidates and recommends potential appointees to the board.

The remuneration committee reviews the fees paid to non-executive directors annually and makes recommendations to the board. Salary packages for executive directors including base salary, fringe benefits, share schemes, performance-related bonuses and entitlements upon retirement and termination, are reviewed annually with due regard for performance and other relevant factors including market relativity. The committee notes the details of remuneration packages of senior executives and approves policy for operating company remuneration.

The corporate social investment committee consists of the chief executive and between two and three non-executive directors, with the chairman being a non-executive director. The committee sets group policy, approves the budget for submission to the board and monitors the allocation of funds. It reports to the board twice annually.

Board procedures

The board strives to achieve the balance of skills and experience necessary to guide the company and its subsidiaries, to present a public face that engenders confidence in the company amongst present and potential investors, and to reflect the racial diversity of its stakeholders. The board therefore needs to be large enough to provide the necessary range of knowledge, views and experience, without jeopardising its ability to achieve common purpose, full participation and camaraderie. Generally, the number of directors are between ten and fifteen, the majority of which are non-executive with the majority of these being independent.

Subject to any limitations imposed by shareholders, non-executive directors hold office for between three and ten years. Executive members retire from the board at age 60 and non-executive members at the age of 65.

Non-executive directors undergo an induction programme aimed at deepening their understanding of the company, the business, the environment and the markets in which the company and its subsidiaries operate. Directors are expected to keep themselves informed of changes in the business, trends in the company's operating environment and to be aware of the broader economic, political, social and legal issues that may impact on the group.

Each year the board critically evaluates its own performance, together with its processes and procedures to ensure that they are not unduly complex and that they continue to assist the board in fulfiling its role effectively.

The chief executive

A further important element of the board's responsibility is its relationship with the chief executive. The chief executive is the link between the company's management and the governance functions and the board. All board authority conferred on management is delegated through the chief executive so that the authority and accountability of management is considered to be the authority and accountability of the chief executive.

With this as its premise, the board works with the chief executive to set company goals and the chief executive is accountable to the board for the achievement of these goals within the limits of authority delegated to him. The chief executive is expected to act at all times in the best interests of the company and its shareholders and to uphold the highest standards of corporate governance and fairness in the group's dealings with all its stakeholders.

Corporate governance

practical implementation

Aveng is committed to maintaining a high standard of governance, to ensure that the group is managed ethically, within prudently determined risk parameters. The group accepts the underlying philosophy and recommendations expressed in the King Report on Corporate Governance for South Africa – 2002 (King II) published during March 2002 and complies with the additional requirements for corporate governance set out by the JSE Securities Exchange South Africa.

Aveng implements good governance in a practical way and will not allow form to 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 all its stakeholders.

This commitment is demonstrated by the ongoing fine tuning of structures to reflect current best practice in corporate governance. Where Aveng holds a contrary view to those expressed in the King II recommendations, we have noted our reasons.

Board of directors

Members: see page 8.

The board is the hub of Aveng's corporate governance. It determines the purpose, values and strategic direction of the group. It sets strategic objectives, key policies, risk parameters and financial performance criteria. It exercises leadership, enterprise and sound judgement in its quest for continued prosperity for all stakeholders.

The board delegates the detailed planning and implementation of policy to management, formally reviewing progress on a quarterly basis.

A board charter has been developed, a summary of which is given on page 48 of this annual report. The protection of shareholders' rights, and responsibility to other stakeholders within the constraints of the regulatory environment is of paramount importance in all board decisions.

Aveng has a unitary board structure, comprising 16 directors; six independent non-executive, four non-executive and six executive. Details appear on pages 9 to 13.

Because of their calibre, independence, experience and number the views of non-executive directors carry significant weight in the board's deliberations and resolutions. Non-executive directors are not awarded share options or benefits other than director's fees.

The independent non-executive chairman of the group has no executive functions. The strong independent composition of the board ensures that neither he nor any other individual has unfettered powers of decision and authority. There are no shadow directors.

“Aveng implements good governance in a practical way and will not allow form to replace substance”

There are no service contracts with either non-executive or executive directors. An executive director is required to retire from the board at age 60, and non-executive directors at the age of 65. There is at present one exception to this which will be rectified within the next 18 months.

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. Re-appointment of non-executive directors is not automatic. The board approves the appointment of new directors, based on recommendations of the nominations committee.

New directors are inducted by the chairman, chief executive and the company secretary. The chairman deals with the workings of the board, the chief executive with the strategic issues in the business and its future plans, and the company secretary with legal and governance issues.

The board meets formally at least once a quarter, or more frequently if necessary to consider and review matters specifically reserved for its decision. These include financial and operational results, issues of strategic direction, major acquisitions and disposals, approval of major capital expenditure, large construction tenders as well as any other matters of a material nature. The attendance record of each director is set out on page 61 of this annual report.

The timely dissemination of detailed meeting papers which include financial, safety, health, environmental, operational and other supporting documentation ensures that the directors are fully informed on matters scheduled for discussion and decision at each board meeting. All directors may request the company secretary to put a matter on the board agenda.

Directors have unrestricted access to all company information, records, documents and property.

An annual assessment of the performance, attendance, preparedness, participation and candour, of the board as a whole and of individual non-executive directors, is conducted by the chairman for review by the nomination committee. The performance of the chief executive is reviewed by the chairman in consultation with the remuneration committee. The performance of other executive directors is revised by the chief executive in consultation with the remuneration committee.

Board committees have been established to assist the board in its deliberations. The remuneration, nomination, audit and risk, and corporate social investment committees report to the board. Each of these committees has a mandate and other than the corporate social investment committee, are made up exclusively of non-executive directors, the majority of whom are independent. The chairman of each of these committees reports verbally to the board and minutes of committee meetings are circulated to directors. These committees in no way diminish the responsibility of the board.

The performance of each board committee is formally assessed by members of the board annually in November, with committee members for the new year being elected at the group’s December board meeting. This is done in a way that ensures both continuity and new thinking.





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. He is assisted as required by the deputy chairman, Phil Erasmus, who is also 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 in June for a period of one year.

The chairman serves as a non-executive director on the group's principal subsidiary company boards. Aveng believes that this level of involvement is necessary to acquire and maintain the level of understanding of group operations required to effectively chair the board. This greater involvement is information gathering in nature and 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 with the prior agreement of the chairman, are entitled to obtain independent legal advice on group related matters at the group's expense.

The company secretary also keeps the board advised of any relevant changes in the JSE Securities Exchange South Africa listings requirements and other regulations, and updated on changes in company law and legislation.

Audit and risk committee

Members: Colin Campbell (chairman), Brian Steele, Richard Savage.

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

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. The internal audit plan is reviewed and approved by this committee.

The audit and risk committee charter has been approved by the board and clearly sets out the terms of reference and powers delegated to this committee. This includes reviewing the annual financial statements, the internal control procedures, accounting policies, and compliance and regulatory matters as well as advising the board on issues relating to the application of accounting standards into published financial information.

"Systematic risk assessment is a foundation of the group's management philosophy"

Minutes of the four meetings per annum held by this committee form part of the quarterly board papers.

Recommendations are made by the committee to the board in respect of the appointment of the external auditor and the appointment of advisors for non-audit services, taking into account appropriate independence issues.

Business risk areas have been formally 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.

During the past year the committee was chaired by Colin Campbell, a non-executive director who retired as chairman of LTA Limited in 2000. Although only defined as independent in terms of King II as of January 2004, the board is of the opinion that he is the best qualified member of the board to chair this committee. He attends subsidiary audit committee meetings as a member so as to better familiarise himself with the operational details of the businesses. He also has direct access to the internal and external auditors.

On 30 June 2003 the committee consisted of a further two independent non-executive directors. Contrary to the King II recommendations, the chairman of the board is a member of this committee as Aveng is of the opinion that the individual concerned is a valuable member of the committee and does not have an overbearing influence on committee members, who are all financially literate and very experienced in their fields.

The chief executive, the financial director and the external auditors are in attendance at each meeting and other members of staff including internal audit staff will attend as required. Executive attendees are not present during periodic discussions with the external auditors on executive openness and co-operation.

Internal audit

The directors are responsible for the group's system of internal control and for reviewing its effectiveness. This system of control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The internal audit and risk review structure is decentralised and in certain operations it is outsourced. The independent appraisal function constantly examines and evaluates the appropriateness of the systems of internal control, risk management and governance.

The internal audit departments report directly to the financial director of the subsidiary company on day to day matters, but do have direct access to the subsidiary company managing director as well as the chairman of the audit and risk committee. The managing director of the operation concerned is immediately notified of any significant findings. The head of internal audit attends the audit and risk committee meetings and presents the report. Subsidiary internal audit reports are included in the Aveng audit committee papers.

An important 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 the risk areas.

Each assignment is followed by a detailed report to management, including recommendations on which aspects require improvement. Significant findings as defined by the terms of reference are reported to the appropriate audit committee. A formal review of internal controls is carried out at least once a quarter.

External audit

The external audit provides an independent assessment of systems, risk and financial controls. The external auditors review the internal audit reports on a regular basis and meet formally with the internal audit team at least twice annually to ensure that their efforts are properly co-ordinated.

The external auditors express their independent opinion on the annual financial statements and review the group's interim results.

The external auditors attend the audit and risk committees of Aveng and its subsidiaries each quarter.

The external auditors are required to demonstrate a high level of ethical commitment and ensure that their professional independence is not impaired.

Risk

The systematic risk assessment process is a 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. At the macro level the risk management methodology is based on the Turnbull recommendations. Major categories of risk are identified, the group's exposure to each of these risk elements quantified, and the probability of occurrence and possible impact assessed. Appropriate measures to mitigate or control major risks are then put in place.

Each category of risk is monitored and actions continuously adjusted.

There is a process of regular reporting to the board through the audit and risk committee on the status of the risk management and internal control systems, which also covers new risk issues or internal control breakdowns that may occur.

The risk control process starts with the operating unit's executive committee and depending on the size and complexity of the risk involved, progresses up to the business unit, the principal subsidiary and finally to the Aveng board for review. The decision to move the risk review process to a higher level is based on a clearly defined set of size and complexity criteria. For further details on the company's micro risk management approach see page 30.

Corporate social investment committee

Members: Vincent Mntambo (chairman), Carl Grim, James Hersov.

The committee is chaired by an independent non-executive director. Clear terms of reference and powers have been approved by the board.

The committee is accountable to the board. The primary objective of the committee is to familiarise itself with current corporate social investment practice and norms, assessing annual expenditure and reviewing the budget for submission to the board. It also gives the chief executive guidance in evaluating the merits of relatively large and potentially controversial corporate social investment projects.

This committee meets three times per year or more often as required.

"Organisational and individual integrity is Aveng's core value"

Nomination committee

Members: Phil Erasmus (chairman), James Hersov, Vincent Mntambo, Richard Savage.

The nominations committee is chaired by the deputy chairman of the board, an independent non-executive director. The committee consists of four members, all being independent non-executive directors.

The King II report recommends that the chairman of the board should chair this committee. It is Aveng's view that a candid discussion on board decisions and processes would probably be more effective where this committee is chaired by another director.

Terms of reference and the powers delegated to this committee have been approved by the board and include the important responsibility of reviewing the effectiveness of the board, and that of individual non-executive directors.

The committee considers the composition of board committees, retirements and appointment of additional and replacement directors and makes appropriate recommendations to the board. Potential non-executive directors are selected on the basis of industry knowledge, professional skills and experience. Executive directors are considered for appointment on the basis of the executive positions they hold in the group.

The board chairman conducts annual appraisals of the performance of each of the non-executive directors and reviews these with the nominations committee. Members of the committee recuse themselves when they are being discussed. The nominations committee reviews the performance of the chairman of the board and in doing so reserves the right to consult with the chief executive. Thereafter where appropriate, individual directors may be interviewed. The results of the review process are reported to the board.

The committee meets at least twice a year or more often as required.

Remuneration committee

Members: Phil Erasmus (chairman), James Hersov, Vincent Mntambo, Richard Savage

The committee is chaired by the deputy chairman of the board, an independent non-executive director. The committee consists of four members, all independent non-executive directors.

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

The committee is responsible for the assessment and approval of the broad remuneration strategy for the group, covering both short and long-term incentive pay structures.

The remuneration committee's objective 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 market and country benchmarks.

The performance of Aveng executive directors is reviewed by the chief executive who discusses his assessment with the remuneration committee. The chief executive's performance is reviewed by the chairman of the board in consultation with the remuneration committee. Executive succession planning is discussed by the committee and reported to the board when appropriate.

The committee recommends non-executive compensation to the shareholders and executive remuneration to the board. The remuneration of the directors, both executive and non-executive, for the period under review is set out on page 107. Further details on remuneration policy are set out on page 65.

The committee meets at least three times per annum or more often if necessary.

Integrity

Organisational and individual integrity is Aveng's core value. The group's code of business conduct is set out on page 7 and is formally committed to annually by the directors of all principal subsidiaries. The code of conduct is made known to employees through various means and the internal audit department monitors activities against the 'Code' in a systematic manner. Behaviour that undermines the letter and spirit of the 'Code' is reported as soon as it becomes known. Harsh action is taken to ensure that the reputation of the group is upheld.

Aveng considers carefully its dealings with others that do not demonstrate an appropriate level of commitment to organisational integrity.

Share dealing by directors and officers

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 half and full year results respectively.

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.

In addition, directors and senior employees cannot trade in shares during a period where there is unpublished price sensitive information. To ensure that this stipulation is effectively implemented, it is a requirement that outside of the 'closed periods' no trade in Aveng securities may take place without prior written approval from the chairman, chief executive or other designated person.

Directors and senior employees are required to inform their portfolio or investment managers not to trade in the securities of Aveng unless they have consent in writing from the affected director or senior employee.

Identical rules and restraints apply where shares in Aveng are held by the immediate family of the director or a trust of which the director or his family is a beneficiary.

Details of directors' dealings in Aveng shares are disclosed to the JSE Securities Exchange South Africa through the Stock Exchange News Service (SENS) within 24 hours of being advised of the deal.

"Aveng is committed to open and prompt communication with all its stakeholders"

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.

The company communicates as often as practicable with all stakeholders through the numerous mediums available. Direct discussions are encouraged and welcome.

The company goes beyond the minimum required in public announcements, to keep its stakeholders informed of its progress or otherwise but in so doing ensures that it does not contravene JSE Securities Exchange South Africa regulations on disclosure.

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 bi-annually after the release of the company's results.

Shareholders and their appointed representatives are encouraged to attend the company's annual general meeting, where relevant discussions could be held with directors.

Information found elsewhere in this report

Directors' attendance register

For the year ended 30 June 2003

			Board meetings				Audit meetings				Remuneration meetings				Nomination meetings			CSI meetings		Board ad hoc	
		Independent	Fri, 5 July 2002	Fri, 6 September 2002	Fri, 6 December 2002	Fri, 7 March 2003	Thurs, 4 July 2002	Thurs, 5 September 2002	Wed, 4 December 2002	Thurs, 6 March 2003	Sat, 6 July 2002	Mon, 5 August 2002	Fri, 6 September 2002	Fri, 31 January 2003	Mon, 5 August 2002	Fri, 6 September 2002	Wed, 2 October 2002	Thurs, 30 January 2003	Mon, 23 June 2003	Wed, 2 April 2003	Tues, 29 April 2003
RB Savage	Non-executive chairman	✓	P	P	P	P	P	P	P	P	P	P	P	P	P	P	**A**			P	P
PL Erasmus	Non-executive deputy chairman	✓	P	P	P	P					P	P	P	P	P	P	P			P	P
C Grim	Chief executive		P	P	P	P	P	I	I	I	P	I	I	I				P	P	P	P
CV Campbell	Non-executive		P	P	P	P	P	P	P	P										**A**	**A**
PF Crowley	Executive		P	P	P	P														P	**A**
DR Gammie	Executive		P	P	P	P	P	I	I	I										P	**A**
JR Hersov	Non-executive	✓	P	P	P	P					n/a	P	P	P	P	P	P	P	P	**A**	P
HDK Jones	Executive		P	P	P	P														P	P
VZ Mntambo	Non-executive	✓	**A**	P	P	P					n/a	P	P	P	P	P	P	P	P	P	P
AR Mpungwe	Non-executive		**A**	P	**A**	P														**A**	**A**
BP Steele	Non-executive	✓	n/a	n/a	n/a	P	n/a	n/a	n/a	P										P	P
M Taback	Non-executive		P	P	P	P														P	**A**
W Wassermeier	Executive		P	P	P	P														P	**A**
MM Doyle	Non-executive – Retired		P	P	n/a	n/a															
PJ Owen	Non-executive – Retired	✓	P	P	n/a	n/a	P	P													

P = present
***A** = absent*
I = present by invitation
n/a = not applicable

Black economic empowerment

The diversity of the group, both geographically and from a product perspective, lends itself to forging partnerships with black shareholders at business unit level.

The approach is for a business unit to establish a company with black shareholders who have the necessary skills and experience to manage the company and to bring real value to the partnership.

These empowerment companies cover a wide spectrum of the group's activities in South Africa and, in most cases, a minority equity stake is held.

Black empowerment is an ongoing process with four new partnerships being added and only one being closed. Details of the empowerment companies are listed below and on the opposite page.

The group not only forges long-term relationships such as those mentioned above, but it also enters into numerous joint ventures with local black contractors on a contract specific basis. During the year 14% of the South African construction turnover was from joint ventures with black contractors.

With a number of acts and charters in force, there is no single formula for the measurement of black economic empowerment. This makes it difficult to formulate a policy, or measure the level of procurement from empowerment companies. Nevertheless, the group is actively pursuing ways and means of increasing the level of procurement from empowerment organisations.

Black economic empowerment companies

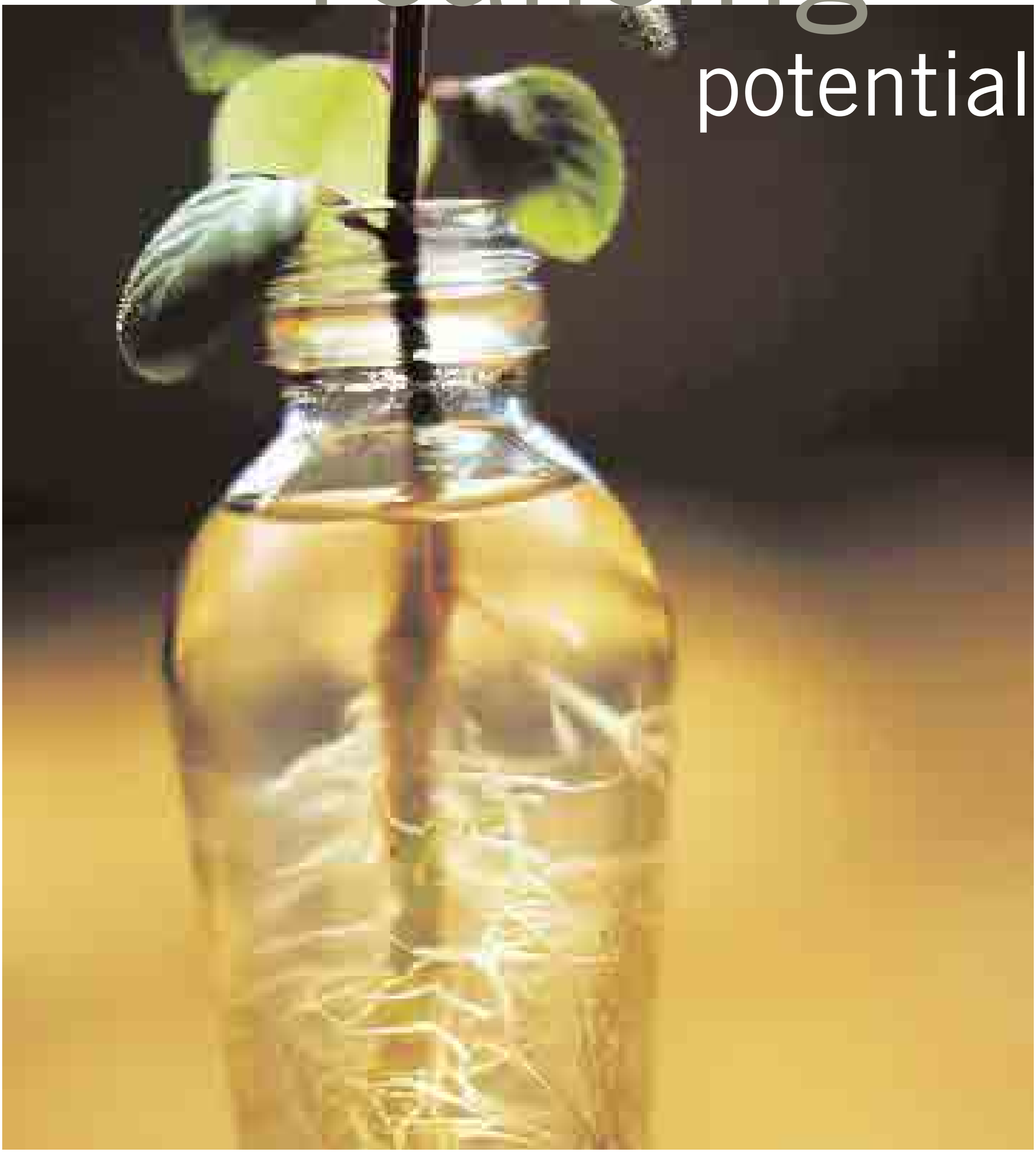
Company	Nature of business	Current % interest
Boshard Construction (Pty) Ltd	Industrial and commercial building; power-floated floor construction	30
Empowa Grinaker-LTA (Pty) Ltd	Manufacture and supply of concrete railway sleepers	30
Ensimbini Reinforcing (Pty) Ltd	Cut, bend and supply reinforcing steel	20
Jehamo Electrical Contractors (Pty) Ltd	Electrical contractors	45
KZN Reinforcing and Fixing Services (Pty) Ltd	Fixing and positioning of reinforcing steel	33
Lefike Readymix Concrete	Readymix concrete	50
Lesedi Tracks (Pty) Ltd	Underground railtrack construction	30
Misa Scaffolding (Pty) Ltd	Scaffolding erection	40
Nare Construction (Pty) Ltd	General contractor	30
Sivukile Contractors (Pty) Ltd	Industrial and commercial building	29
Steeledale Fixing Systems (Pty) Ltd	Steel fixing	32
Tshipi S.A. (Pty) Ltd	Steel merchant	30

Some of the black economic empowerment joint ventures

Project	BEE contractor
Aspen pharmacare	Boshard Construction
Atlas Interchange	Thamane Building Construction, Yikusasa Building Contractors
Coega Constuction Village	Boshard Construction
Effingham interchange and bridges	Sivukile Contractors
Hemingway casino	Sisonke
Pretoria Academic Hospital	Thamane Building Construction, Yikusasa Building Contractors
Nelspruit Emnotweni Sun Hotel	Izinyoni Trading 55
Johannesburg International Airport runway	Black Top Surface
Mondi various contracts	Sivukile Contractors
Mount Fletcher road rehabilitation	Toba Civils and Plant
MTN Building phase 1	Nare Construction
MTN Switch Centre	Sivukile
N3 toll road construction and maintenance	Black Top Holdings
CW Malan building Bloemfontein	High Pitched Investments
Rail maintenance contracts various	Plyzomba, G4 Civils, Bonang, Joe Shibambo
Suncoast casino	Sivukile Contractors
UCT Chemical Engineering building	Boshard Construction
U Shaka island earthworks	Infra projects
Uitenhage hospital	Boshard Construction
V&A Marina	Boshard Construction

Human capital

realising potential



Remuneration policy

Aveng is a people intensive business with its longer term sustainability being less dependent on the performance of its hard assets and relatively more reliant on the capabilities, commitment and input of its 22 875 employees.

Remuneration philosophy

The group remuneration philosophy is to competitively reward and appropriately incentivise its executives by:

- setting 'cost to company' salary packages at a level approximately equal to the 50th percentile of the market for equivalently sized companies as determined by recognised remuneration research organisations
- paying generous bonuses for excellent performance. Generally, excellent performance will result in a bonus payment that elevates the total salary package (including bonus) to the 75th percentile of the market for equivalently sized companies. Poor performance will result in a zero bonus. While weighted heavily towards financial performance, non-financial objectives are also reviewed. There is no mathematical formula linking performance and the bonus paid
- long-term incentivisation for key executives is achieved through the executive share incentive scheme where share options are issued irregularly at the market price and vest over a period of five years

Remuneration committee

The Aveng remuneration committee is responsible to the board for reviewing all aspects of executive remuneration in the Aveng group.

The committee's principal duties are to:

- familiarise itself with remuneration practice and norms within the South African market
- set an appropriate remuneration policy for the group
- approve all aspects of remuneration linking the basic package, bonuses, share options and all other benefits for executive directors and the annual fees for non-executive directors
- formally review the performance of the chief executive
- approve all issues of Aveng shares and Aveng share options within the group
- advise on the remuneration policy appropriate for principal subsidiary directors and note the broad details of remuneration paid to them
- review the minutes of the remuneration committee of principal subsidiaries
- the remuneration committee makes its recommendations to the board and exercises all authority through the board. Details of the current membership of this board committee can be found on page 58 of the annual report

Remuneration cycle

The remuneration committee meets at least three times each year:

- in June to consider salary package adjustments for executive directors and to give guidance on salary and bonus levels for other senior executives
- in September, after the approval of the annual financial statements, to consider performance bonus recommendations for executive directors, the allocation (if appropriate) of share options to executives and to review non-executive director fee levels
- in December to formally review group remuneration policy

Service contracts

Executive directors do not have fixed-term contracts and are subject to one calendar month's notice. Executive directors retire from the board at age 60 or earlier, if they retire from their executive positions before retirement.

Training

For the group to continue growing a sustained investment in the skill levels of its employees is essential. To this end a broad based approach to training has been followed. Programmes range from health and safety training to multiple level skills training, through to a series of management and leadership training, courses starting at first level management and progressing to senior management.

There is also a strong focus on formal training with 142 full time students receiving bursaries to study at tertiary institutions. A further 116 are enrolled in apprenticeship programmes. The needs of the group dictate that the majority of these bursaries are in the field of engineering with 60% being awarded to candidates from previously disadvantaged backgrounds.

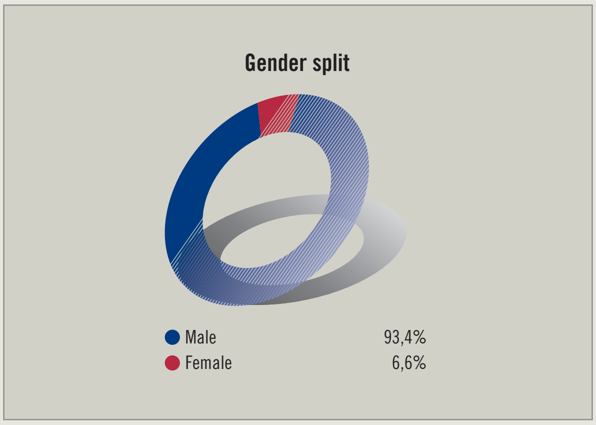
During the year over 6 000 employees received some form of training at a total cost of over R25 million.

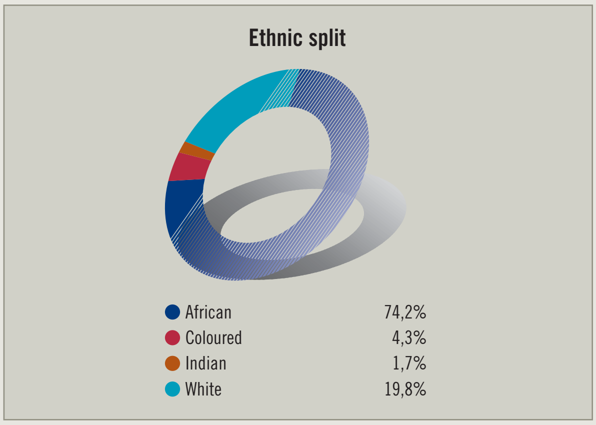
Employment equity

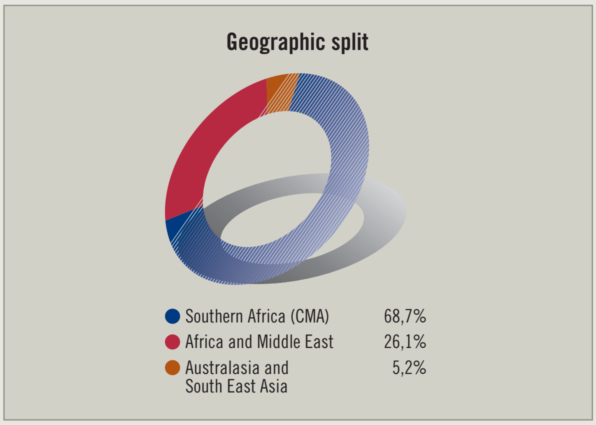
A non-negotiable for Aveng companies is an economically viable employment equity programme, which in the longer term builds a labour force the composition of which reflects that of society.

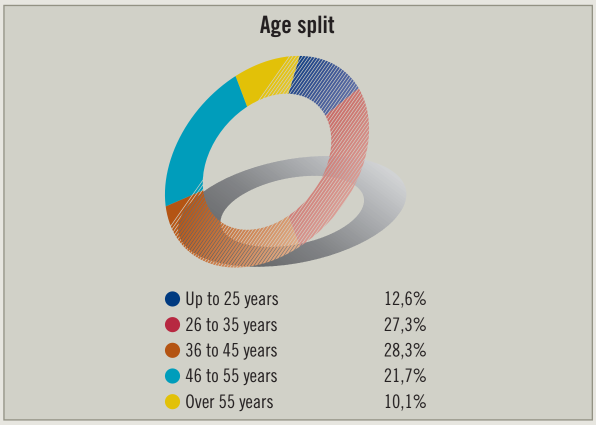
Employment equity plans have been submitted to the Department of Labour. Performance against these plans is regularly reviewed by management and good progress is being made in achieving them, despite the shortage of technical skills.

The demographics of the workforce shown demonstrate a predominance of male employees. This is to be expected in a construction orientated group and is unlikely to change significantly in the future. However, no obstacles inhibit female employment opportunities.









The majority of the labour force is employed in southern Africa.

Health and Safety

The health of our people is critical to the group's ongoing success. The challenge presented by HIV/Aids cannot be ignored by Government or by business. Because this pandemic affects whole families, not just the breadwinners, a long-term sustainable solution can only be found by Government, business, trade unions, and civil society acting in unison and declaring war on the scourge. To date we have all been guilty of a greater or lesser degree of procrastination. The Aveng 'Wellness programme' is probably inadequate in the longer term but is an important first step in the right direction.

Safety has, and will continue to have, a high profile in our group both because we owe it to our people and because a good safety record is crucial to securing certain types of work. Last year over 4 000 employees attended safety related courses. The disabling injury frequency rate (DIFR) for the year was a very pleasing 0,77 in Grinaker-LTA compared to the disappointing 1,77 in the prior year. The group continues to streamline safety systems and do everything possible to provide a safe working environment.

During the year Aveng group companies earned some prestigious safety awards including the NOSCAR platinum award. The holy grail of a million disabling injury free manhours was achieved by a number of our operations during the year.

To succeed, safety has to be worked on all the time. It is a key operational imperative with accountability through the line, backed up in Grinaker-LTA by functional accountability vested in the deputy managing director.

HIV/Aids

The high prevalence of HIV/Aids in Africa has made it essential for every organisation to develop a relevant and meaningful response to the challenges posed by this pandemic.

Together with Lifeline Southern Africa, the group piloted a wellness programme in one of the business units to measure its appropriateness and success, before rolling it out to the rest of its operations. The objectives of the Wellness programme are to:

- educate employees and management on basic HIV/Aids issues
- facilitate change in sexual behaviour
- assist employees and management to access appropriate health services
- create an environment in the workplace conducive to dealing with the epidemic constructively
- ensure the rights of employees living with HIV/Aids are protected

An HIV/Aids committee has been appointed in Grinaker-LTA to oversee the process and report progress.

Industrial relations

All employees have the right to join a trade union and be represented by it for bargaining purposes. During the year under review no significant industrial action was experienced. Membership of recognised South African unions is as set below:

Unions	**Membership**
National Union of Mineworkers	3 595
National Union of Metalworkers of SA	1 523
Others	1 283

Quality

Quality assurance has been part of the group's operating philosophy for many years and has now become an integral part of its day to day operations.

Over 90% of group businesses have formal quality assurance accreditation programmes (up from 80% in the prior year) with most operations following the ISO 9000 and VDA 6.1 accreditation routes.

A quality forum meets regularly to review quality related information across the construction group. The Steel and Allied division as well as Cement have similar forums.

Corporate social responsibility

Corporate social investment

The sustainable performance of a large South African group such as Aveng is inextricably linked to the substantiality of the society within which it operates. The Aveng board recognised this reality when it recently approved the principle that 1% of the prior year's headline earnings would each year be spent on corporate social involvement (CSI) projects. To this end it established a corporate social investment committee consisting of two non-executive directors, one of whom is appointed to chair the committee, and the chief executive. Details of the current membership of this board committee can be found on page 57 of the annual report.

The committee is accountable to the Aveng board for the effective allocation and administration of these monies (R4,6 million in 2004). It makes recommendations to the board and exercises its authority through the board.

The committee's principal duties are to:

- familiarise itself with CSI practice and norms in the South African corporate environment
- set appropriate CSI policy for the group
- review CSI expenditure annually at both the group and principal subsidiary levels
- approve the Aveng CSI budget and review the CSI budgets of the principal subsidiaries
- give the chief executive guidance in evaluating the merits of relatively large or potentially controversial CSI projects

The CSI committee meets three times a year:

- in June – to approve the next year's CSI budget
- in August – to review actual CSI expenditure for the past year
- in November – to formally review CSI policy and set strategic objectives for the planning period to be approved by the board in its December strategic review

The CSI committee ensures that adequate communication accompanies group CSI expenditure – both inside and outside the group. This includes the group's annual report, public recognition where appropriate and detailed communication with employees potentially impacted by the CSI initiatives.

Corporate social investment – Expenditure

The group has a well developed social investment programme. During the current financial period monetary contributions of R3,6 million were made to a large number of worthy causes. In addition to monetary aid the group has also made donations of building materials and time.

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 recipients of building material and time:

- Kwa Newlands Hope Foundation – a community crisis centre used for the protection of women and children from violence
- Kranskloof Primary School in KwaDebeka
- Inkanyiso Crèche and Primary School

Selection of projects that have received monetary support:

- University of Cape Town – assistance in the purchase of computers and software as part of upgrading the civil engineering teaching facilities
- Technikon Free State – funding to purchase equipment and consumables for the laboratory, for carrying out research on 'action of shallow foundations in clayey sub-soils'
- The Valley Trust – provision of two more schools with science kits and teacher support
- Qinempini Women's Association – completion of a building for their work creation programme
- Tokologo – provides specialised accommodation and nursing facilities for quadriplegics. The most recent grant will assist the organisation to acquire equipment to run a bakery for profit, to sustain itself and be in a position to provide more services to quadriplegics in the township and beyond
- Dudfield Factory School – conversion of a former hostel into a school, continued grants to improve the infrastructure and upgrade equipment as well as sponsoring awards to achieving students
- Kutlwanong Home-craft Development Trust – a centre that offers training in sewing, home crafts and catering. Students have easy access as the facility is on the main bus and taxi routes and easily accessible for those who have no means to afford the cost of transport

Environment

The group's clearly defined and non-negotiable environmental policy is set out below. Where appropriate, operating units have or are working towards an accreditation with the internationally respected 'International Standards Organisation ISO 14001:1996 Environmental Management Systems'. To date three business units have been certified with another seven applications being processed.

As the environmental management process is dynamic, the group will regularly review and audit environmental management performance to ensure continued improvement and responsible development.

During the period under review the group was awarded a number of prestigious awards for environmental management.

An important component of the R315 million upgrade to the Alpha No 3 kiln at the Dudfield factory is the installation of state-of-the-art precipitators that will ensure that emissions are reduced to far below legal requirements, meeting world-class standards of at least 50 mg/Nm^2.

Good progress is also being made by Alpha in the usage of alternative fuels to 'fire' the cement kilns, resulting in less pollution of the environment.

The disposal of waste is conducted in a responsible manner which ensures the preservation of the environment.

Environment policy

Aveng is a construction-related group with construction, steel and cement interests principally in the developing world. As operations impact on the environment, the group will ensure that its subsidiary and associate companies:

- 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

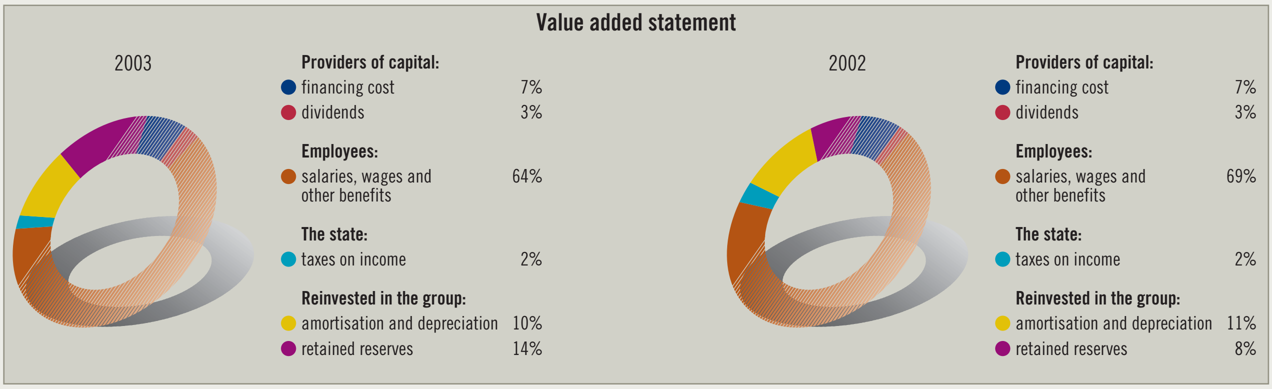
Five year review

	Years ended 30 June				
	2003	2002	2001	2000	1999
	Rm	Rm	Rm	Rm	Rm
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment	**1 922,9**	1 770,0	1 464,4	505,1	527,5
Goodwill	**959,2**	1 075,7	1 050,5		
Investments	**526,1**	507,9	618,5	440,3	438,7
Deferred tax	**29,8**	22,4			
Inventories and receivables	**4 243,9**	4 270,1	2 647,6	1 575,4	1 430,0
Cash and cash equivalents	**673,8**	678,6	368,0	755,6	693,6
Total assets	**8 355,7**	8 324,7	6 149,0	3 276,4	3 089,8
Deferred tax	**53,2**	89,3	76,5	64,1	61,7
Payables	**3 317,1**	3 563,5	2 323,3	1 209,4	957,8
Interest bearing borrowings	**1 988,3**	1 868,2	1 562,6	125,1	193,0
Total liabilities	**5 358,6**	5 521,0	3 962,4	1 398,6	1 212,5
Net assets	**2 997,1**	2 803,7	2 186,6	1 877,8	1 877,3
Total ordinary shareholders' funds	**2 823,2**	2 555,0	1 841,7	1 616,3	1 468,2
Convertible debentures			171,2	171,2	177,7
Total ordinary shareholders' funds	**2 823,2**	2 555,0	2 012,9	1 787,5	1 645,9
Minority interests	**173,9**	248,7	173,7	90,3	231,4
Total shareholders' funds	**2 997,1**	2 803,7	2 186,6	1 877,8	1 877,3
CONSOLIDATED INCOME STATEMENT					
Revenue	**13 244,2**	13 185,2	10 317,1	4 926,1	4 392,8
Operating income before depreciation	**1 047,1**	1 008,3	722,9	332,5	298,7
Depreciation	**375,4**	364,2	292,1	81,4	77,5
Operating income	**671,7**	644,1	430,8	251,1	221,2
Net financing costs	**(261,5)**	(194,0)	(111,3)	54,3	39,6
Income from associates	**155,1**	113,8	99,9	74,9	79,5
Amortisation of goodwill	**(59,9)**	(53,8)	(65,9)	(10,0)	(38,9)
Non-trading items	**192,4**	(4,6)	7,3	(11,4)	(4,5)
Income before taxation	**697,8**	505,5	360,8	358,9	296,9
Taxation	**(100,6)**	(119,7)	(78,6)	(78,8)	(52,4)
Minorities	**(9,9)**	(23,3)	(14,3)	(16,4)	(33,8)
Earnings	**587,3**	362,5	267,9	263,7	210,7
Headline earnings adjustment	**(125,6)**	58,4	58,6	13,9	59,6
Headline earnings	**461,7**	420,9	326,5	277,6	270,3
CONSOLIDATED CASH FLOW STATEMENT					
Cash available from operating activities	**301,9**	296,1	378,9	406,3	358,9
Dividends paid	**(111,0)**	(79,3)	(63,3)	(4,8)	(91,8)
Net cash from operating activities	**190,9**	216,8	315,6	401,5	267,1
Net cash (used in)/from investing activities	**(313,2)**	(211,4)	(2 024,7)	(83,8)	(395,8)
Net cash from/(used in) financing activities	**152,9**	48,9	529,0	23,6	(64,0)
Net increase/(decrease) in cash and cash equivalents	**30,6**	54,3	(1 180,1)	341,3	(192,7)

	Years ended 30 June				
	2003	2002	2001	2000	1999
SHARE PERFORMANCE (cents per share)					
Headline earnings	**118,6**	111,2	99,4	79,3	80,2
Diluted headline earnings	**118,6**	107,3	86,8	72,4	70,1
Earnings	**150,9**	95,7	70,8	75,4	62,5
Diluted earnings	**150,9**	92,4	71,5	67,3	53,4
Cash flow	**185,7**	173,6	206,7	88,5	154,1
Net asset value	**712,7**	645,0	464,9	453,9	435,7
Dividend	**30,0**	27,0	22,5	18,5	
Closing share price	**880**	800	765	595	
Returns and productivity					
Borrowings – increase/(decrease) in net borrowings	**(124,9)**	5	(1 825,1)	130	182
Borrowings – net debt to equity (%)	**43,9**	42,4	54,6	(33,6)	(26,7)
Dividend cover	**3,9**	3,9	4,1	4,2	
Effective tax rate (%)	**24,5**	26,6	24,6	27,3	20,1
Margin – gross (%)	**17,0**	15,7	16,1	16,4	16,8
– ebit (%)	**5,1**	4,9	4,2	5,1	5,0
– ebitda (%)	**7,9**	7,6	7,0	6,7	6,8
Net interest cover	**3,2**	3,6	4,9	(6,0)	(7,6)
Property, plant and equipment – expansion	**403,8**	315,6	324,8	87,2	72,9
– replacement	**423,8**	387,5	211,3	45,4	92,9
Return on average capital employed (%)	**18,2**	19,1	20,8	20,1	18,7
Return on average equity (%)	**17,2**	18,4	17,2	16,2	16,0
Revenue per employee R'000	**612,2**	550,8	462,8	399,2	335,8
Total liabilities as a % of total shareholders' equity (%)	**178,8**	196,9	181,2	74,5	64,6
Total shareholders' funds to total assets (%)	**35,9**	33,8	35,6	57,3	60,8
Number of employees	**22 875**	23 939	22 291	12 340	13 080
Number of shares (million)					
In issue	**396,1**	396,1	396,1	356,1	337,0
Weighted average	**389,3**	378,6	328,5	349,9	337,0
Diluted weighted average	**389,3**	392,3	383,4	392,0	394,6
STOCK EXCHANGE PERFORMANCE (cents per share)					
Market value per share					
– at year end	**880**	800	765	595	
– highest	**1 068**	880	869	890	
– lowest	**740**	615	570	420	
– volume weighted average price	**886**	779	685	649	
Earnings yield (%)	**13,2**	11,4	11,2	13,7	
Dividend yield (%)	**3,4**	3,4	2,9	3,1	
Market capitalisation at closing prices (Rm)	**3 486,1**	3 169,2	2 724,4	2 118,9	
Price earnings ratio at year end	**7,6**	8,7	8,9	7,3	
Value of shares traded (Rm)	**1 394,3**	1 465,9	879,5	1 464,3	
Number of shares traded (million)	**157,4**	189,9	135,5	207,5	
Average price per share traded (cents)	**886**	772	649	706	
Percentage of market capitalisation traded (%)	**40,0**	46,3	32,3	69,1	
Liquidity (%)	**39,7**	47,9	34,2	58,3	
Weekly rand volume (Rm)	**27**	28	18	28	

Value added statement for the group

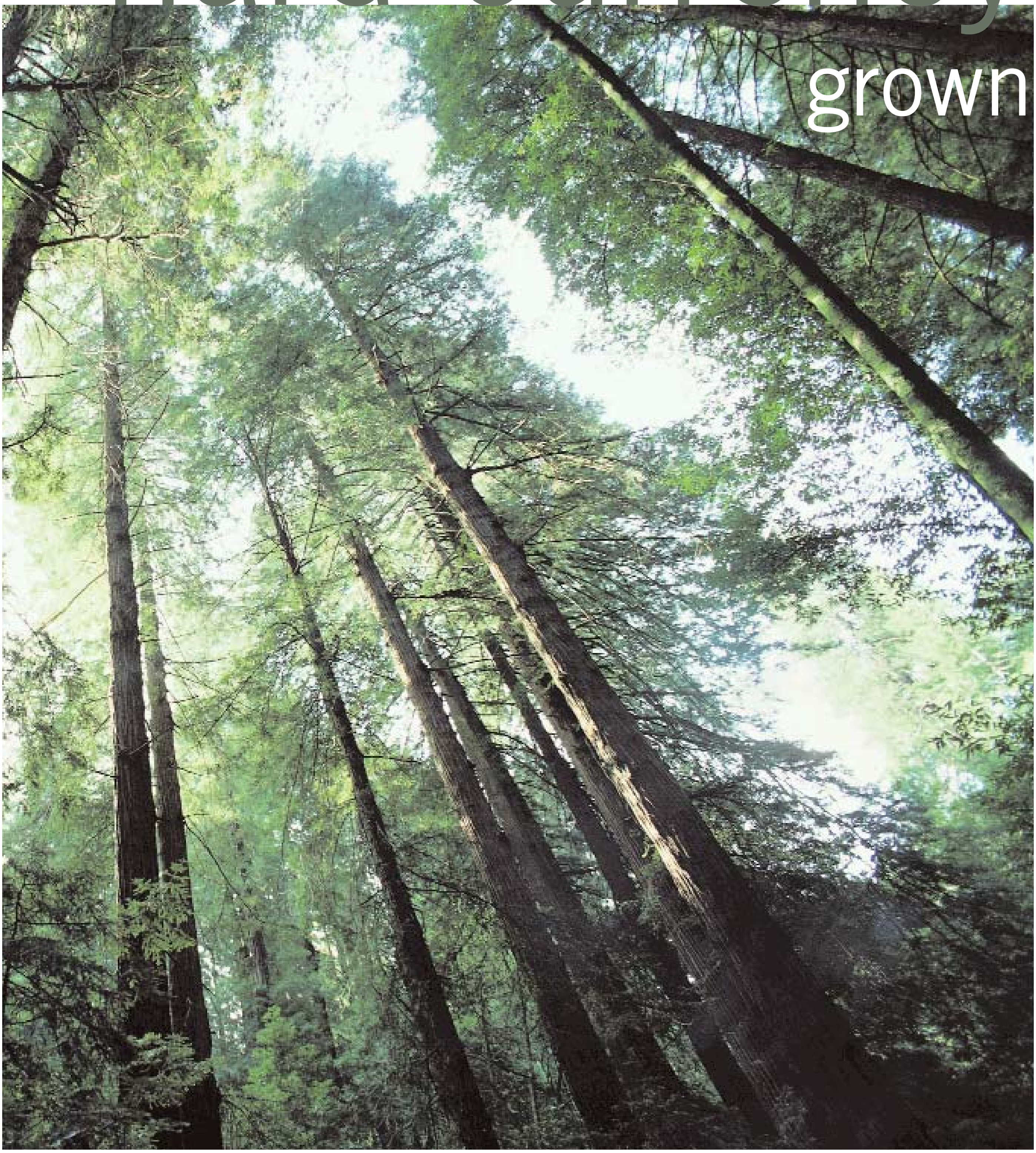
	2003 Rm	2002 Rm
Revenue	**13 244,2**	13 185,2
Net cost of products and services	**9 086,1**	9 535,2
Value added by operations	**4 158,1**	3 650,0
Income from investments and interest	**53,9**	48,6
Total value added	**4 212,0**	3 698,6
Applied as follows to:		
Employees: salaries, wages and other benefits	**2 662,4**	2 555,8
Providers of capital: financing costs	**315,4**	242,6
The state: taxes on income	**100,6**	119,7
Providers of capital: dividends	**111,0**	74,3
Total value distributed	**3 189,4**	2 992,4
Reinvested in the group: amortisation and depreciation	**435,3**	418,0
retained reserves	**587,3**	288,2
Total value added	**4 212,0**	3 698,6



Definitions

Average capital employed	Average of total shareholders' funds, minority interests and all interest bearing debt
Average ordinary shareholders' funds	Average of total ordinary shareholders' funds as reflected on the balance sheet including the equity component of subordinated debentures
Cash earnings per share	Cash generated by 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 bearing debt	Interest bearing borrowings including the short-term portion of long-term borrowings
Interest cover	Operating income including associated and joint venture earnings divided by net interest paid
Net asset value per ordinary share	Total ordinary shareholders' funds 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 capital employed	Income before interest paid, taxation, goodwill and non-trading items including income from investments and share of associate companies' retained earnings as a percentage of average capital employed
Return on equity	Headline earnings as a percentage of average ordinary shareholders' funds
Revenue per employee	Revenue divided by the number of employees

hard currency grown



Annual financial statements

for the year ended 30 June 2003

CONTENTS

The annual financial statements and group annual financial statements which appear on pages 77 to 117 were approved by the directors on 12 September 2003 and are signed on their behalf.

RB Savage
Chairman

12 September 2003

C Grim
Chief executive

12 September 2003

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 77 to 117 for the year ended 30 June 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to report on these financial statements based on our audit.

SCOPE

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

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

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

AUDIT OPINION

In our opinion these financial statement fairly present, in all material respects, the financial position of the company and the group at 30 June 2003, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Ernst & Young

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

Johannesburg
12 September 2003

Certificate of the company secretary

I, the undersigned, PH 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.

PH Hansen

PH Hansen
Company secretary

Chislehurston
Sandton
12 September 2003

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 2003 are given in note 30 to the annual financial statements on page 107.

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 the annual 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 52.

FINANCIAL

The results of the group's operations for the year are set out in the income statement on page 85.
Details of the movements in issued share capital and reserves are given in the statement of changes in equity on page 87.
The segmental analysis is set out on page 88.
The annual financial statements of the company are set out on pages 77 to 117.

ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumptions of going concern and accrual basis of accounting 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, except if required by an accounting statement.

The company's accounting policies are subjected to an annual review to ensure continuing compliance with good accounting practice. The accounting policies have changed to adopt AC 133 (Financial instruments: Recognition and measurement). There is no material effect on the group's results on adoption of this statement.

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.

SHARE CAPITAL

Acquisition of shares by the Aveng Limited Share Purchase Trust

The trust acquired a net 233 430 shares from participants in terms of the rules of the share incentive scheme. The cost has been debited in the group's consolidated annual financial statements to the share premium account.

ACQUISITIONS AND DISPOSALS

There were no material acquisitions or disposals during the year.

POST BALANCE SHEET EVENTS

The group acquired in terms of a scheme of arrangement the balance of the shares that it did not already own in McConnell Dowell Corporation Limited ("MacDow"), a company registered in Australia. The effective date of the acquisition was 18 August 2003. The price paid for the 15 739 723 shares was Aus$1,54 a share plus a dividend of Aus$0,10 a share which was declared and paid to shareholders registered on 15 August 2003. In terms of an ancillary scheme of arrangement, optionholders, under MacDow's share incentive scheme holding 1 269 000 options, were paid Aus$0,20 for each option held. Comment on the acquisition is made in the chief executive's report on page 41.

DIRECTORATE

Changes

The following changes took place during the year:
Mr MM Doyle retired at the annual general meeting held on 23 October 2002
Mr PJ Owen retired at the annual general meeting held on 23 October 2002
Mr BP Steele was appointed on 15 January 2003

Subsequent to the year end:
Mr BPJ Fourie was appointed on 1 July 2003
Mr KW Meissner-Roloff was appointed on 1 July 2003
Ms L Gcabashe was appointed on 1 August 2003

Increase in directors' fees

An ordinary resolution is being proposed to increase the fees by 9% with effect from 1 July 2003. The board is of the view that annual increases linked to those granted to employees are preferable to large increases granted every few years. Directors' fees were benchmarked to the market last year, an exercise that will be repeated every few years. The effect of the resolution will be to increase by 9% the fees currently payable to each director.

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

Retirement by rotation

In terms of the company's articles of association, Messrs PF Crowley, DR Gammie, BPJ Fourie, Ms L Gcabashe, and Messrs KW Meissner-Roloff, VZ Mntambo, RB Savage and BP Steele retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The background and experience of each of the directors seeking re-election can be found on pages 9 to 13.

MATERIAL SHAREHOLDERS

The beneficial holders of 5% or more of the issued ordinary shares in the company at 30 June 2003 were:

	Number of shares	%
Public Investment Commissioner	69 974 899	17,7
Old Mutual Life Assurance Company South Africa Limited	57 210 969	14,4
Liberty Life Association of South Africa Limited	32 342 736	8,2

The shares in the company held by the Aveng Limited Share Purchase Trust at 30 June 2003 were 6 906 555 (2002: 6 673 125) comprising 1,7% (2002: 1,7%) of the issued share capital of the company.

The non-public shareholding at 30 June 2003 was 16,6% (2001: 21,0%). The analysis is shown on page 118.

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 an 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 statement with effect from 1 July 2002:

Financial Instruments: Recognition and measurement (AC 133).

The group's measurement currency is South African Rand. The supplementary information provided in US$ is translated at the closing rate for the balance sheet and at the average annual 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 inter group transactions and balances are eliminated on consolidation. Unrealised profits and losses are also eliminated.

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 common accounting dates. In cases where the associated company is listed the most recent published financial information is used and in cases where the associated company is not listed, 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.

BORROWING COSTS

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

CASH FLOWS

For the purposes of the cash flow statement, cash includes cash on hand, deposits held on call with banks, investments in money market instruments, and bank overdrafts.

CONTINGENT LIABILITIES

Contract performance guarantees issued by the parent company on behalf of a group company are calculated either on the basis of all or part of the contract sum of each respective assignment, depending on the terms of the agreement, without being offset against still unreceived compensation from the client.

In connection with contracting assignments, security is often provided in the form of a performance guarantee from a bank or insurance institution. The issuer of the guarantee, in turn, normally receives an indemnity from the contracting company or other group company. In compliance with industry custom, such indemnities related to the group's own contracting assignments are not reported as contingent liabilities, since they do not involve any increased liability compared to the contracting commitment.

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.

DEFERRED TAX

Deferred tax is provided on all temporary differences except where exempted in terms of GAAP. 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. A deferred tax asset is not recognised on secondary tax on companies debits in the group.

DIVIDENDS PAYABLE

Dividends payable and any secondary tax on companies pertaining thereto are recognised in the period in which such dividends are declared.

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 10 years.

The group accounts for the cost of the difference between the option price and the market value of the share. This cost is expensed as an operating expense in the income statement, whether it has vested or not.

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

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 when they arise.

Defined benefit plans are not consolidated.

FINANCIAL INSTRUMENTS

Financial instruments are recognised when the group becomes party to the contractual arrangement of the instrument.

All financial instruments are initially measured at cost, which includes direct transaction costs. Subsequent measurement of these instruments is set out below.

Financial assets are derecognised when, and only when, the group loses control of the contractual rights that comprise the financial asset, through realisation, expiration or surrender. Financial liabilities are derecognised when, and only when, they are extinguished through settlement, cancellation or expiry.

Subsequent measurement of financial instruments:

- ***Financial assets and liabilities held for trading***
  Financial assets and liabilities held for trading are carried at fair value. Gains and losses on mark-to-market adjustments are recognised in the income statement. The following items in the balance sheet have been classified as held for trading financial instruments:
  - Derivatives consisting of forward exchange contracts and interest rate swaps.

- ***Held to maturity financial assets***
  All held to maturity financial assets are carried at amortised cost.

- ***Loans and receivables***
  Loans and receivables originated by the enterprise are carried at amortised cost. Amortised cost is calculated using the effective interest rate method which equates the present value of future expected cash flows to the current net carrying value. Short-term receivables are however carried at cost as the effect of imputing interest would be insignificant. Financial assets classified as loans and receivables originated by the enterprise consist of:
  - Loans receivable; and
  - Trade receivables.

- ***Available for sale financial assets***
  All other financial assets are classified as available for sale financial assets. These financial assets are carried at fair value. Gains and losses on mark-to-market adjustments are recognised directly to equity. Financial assets classified as available for sale financial assets consist of:
  - Equity investments.

- ***Other financial liabilities***
  All other financial liabilities are carried at amortised cost (as described above). Financial liabilities carried on this basis are:
  - Interest-bearing borrowings (long and short term); and
  - Trade payables and accruals.

Where fair values cannot be reasonably measured, such financial instruments are carried at amortised cost where they have a fixed maturity date; or cost where there is no fixed maturity date.

- ***Hedges***
  The group uses foreign exchange contracts to economically hedge their risks associated with foreign currency fluctuations. It is the group's policy not to speculate in foreign exchange contracts.

  For the purposes of hedge accounting, hedges are classified into two categories: (a) the hedges which hedge the exposure to changes in the fair value of a recognised asset or liability; (b) cash flow hedges, which hedge exposure to variability in cash flow that is either attributable to a particular risk associated with a recognised asset or liability or to a forecast of that transaction.

  For economic hedges that do not qualify for special hedge accounting, the gains or losses arising from changes in the fair value of the hedging instruments are taken directly to the net profit or loss for the period.

Fair value of derivatives and forward exchange contracts are calculated by reference to current forward exchange rates for contracts.

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 and liabilities are translated at the closing rate. Non-monetary assets and liabilities are translated at the ruling rate on 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 equity. The results of their operations are translated at appropriate weighted average rates of exchange for the year.

Accounting policies (continued)

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.

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.

INTEGRATED FOREIGN OPERATIONS

The monetary assets and liabilities of 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 ruling rate 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.

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.

INVESTMENTS IN GROUP COMPANIES

Investments in group companies, which consist of subsidiaries, joint ventures and associates in the financial statements of the holding company, are stated at cost, less amounts written off where there has been an impairment.

JOINT VENTURES

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

The group accounts for its share of jointly controlled assets and operations. Jointly controlled entities are equity accounted in the group financial statements.

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.

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 on a systematic basis.

Leased assets, which are subject to finance leases, are depreciated at the same rates as property, plant and equipment.

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 properties are written down to realisable value.

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.

RESEARCH AND DEVELOPMENT COSTS

Research costs are written off as incurred. Development costs are written off as incurred unless there is evidence of the requirements of AC 129.46, where costs are considered recoverable from probable future cost savings and sales revenues. Where development costs are deferred, they are written off on the straight-line basis over the life of the product or process, subject to a maximum of five years. The amortisation begins from the commencement of the commercial production of the product to which they relate.

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.

Income from **investments** is brought to account only to the extent of dividends received.

Dividends are recognised when the right to receive payment is established.

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

SEGMENTAL REPORTING

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, and consist principally of property, plant and equipment, as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables. These assets and liabilities are all directly attributable to the segments.

The primary reporting format is determined in accordance with the nature of business and its secondary format is determined with reference to the geographical location of the operations.

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.

Consolidated balance sheet

as at 30 June 2003

2002* US$m	2003* US$m		Note	2003 Rm	2002 Rm
		ASSETS			
		Non-current assets			
170,7	**257,4**	Property, plant and equipment	1	**1 922,9**	1 770,0
103,7	**128,4**	Goodwill	2	**959,2**	1 075,7
48,1	**64,4**	Investment in associates and joint ventures	3	**480,7**	498,8
0,9	**6,1**	Other investments	4	**45,4**	9,1
2,2	**4,0**	Deferred tax	5	**29,8**	22,4
325,6	**460,3**			**3 438,0**	3 376,0
		Current assets			
120,5	**150,1**	Inventories	6	**1 121,4**	1 249,5
291,3	**418,0**	Trade and other receivables	7	**3 122,5**	3 020,6
65,4	**90,2**	Cash and cash equivalents	11	**673,8**	678,6
477,2	**658,3**			**4 917,7**	4 948,7
802,8	**1 118,6**	***TOTAL ASSETS***		**8 355,7**	8 324,7
		EQUITY AND LIABILITIES			
		Capital and reserves			
1,9	**2,6**	Share capital	8	**19,5**	19,5
89,9	**124,5**	Share premium	9	**929,9**	932,0
10,8	**(13,4)**	Non-distributable reserves	10	**(100,1)**	111,7
143,9	**264,2**	Distributable reserves		**1 973,9**	1 491,8
246,5	**379,9**	***Total ordinary shareholders' funds***		**2 823,2**	2 555,0
24,0	**23,3**	Minority interests		**173,9**	248,7
270,5	**401,2**	***Total shareholders' funds***		**2 997,1**	2 803,7
		Non-current liabilities			
59,3	**98,0**	Interest-bearing borrowings	11	**732,1**	614,9
8,6	**7,1**	Deferred tax	12	**53,2**	89,3
67,9	**105,1**			**785,3**	704,2
		Current liabilities			
338,1	**434,1**	Trade and other payables	13	**3 242,7**	3 507,5
120,9	**168,2**	Short-term interest-bearing borrowings	11.1	**1 256,2**	1 253,3
5,4	**10,0**	Taxation		**74,4**	56,0
464,4	**612,3**			**4 573,3**	4 816,8
802,8	**1 118,6**	***TOTAL EQUITY AND LIABILITIES***		**8 355,7**	8 324,7

** Provided for information purposes only. The 2003 and 2002 US dollar figures do not form part of the statutory financial statements*

Consolidated income statement

for the year ended 30 June 2003

2002* US$m	2003* US$m		Note	2003 Rm	2002 Rm
1 313,3	**1 471,6**	***Revenue***	14	**13 244,2**	13 185,2
1 106,8	**1 221,4**	Cost of sales		**10 992,7**	11 113,8
206,5	**250,2**	***Gross profit***		**2 251,5**	2 071,4
105,9	**133,8**	Operating expenses		**1 204,4**	1 063,1
100,6	**116,4**	***Operating income before depreciation***		**1 047,1**	1 008,3
36,3	**41,7**	Depreciation	1	**375,4**	364,2
64,3	**74,7**	***Operating income***	15	**671,7**	644,1
11,3	**17,2**	Income from associates and joint ventures	3	**155,1**	113,8
4,8	**6,0**	Income from investments	16	**53,9**	48,6
80,4	**97,9**	***Income before interest paid***		**880,7**	806,5
24,2	**35,0**	Interest paid	17	**315,4**	242,6
56,2	**62,9**	***Income before goodwill and non-trading items***		**565,3**	563,9
(5,4)	**(6,7)**	Amortisation of goodwill	18	**(59,9)**	(53,8)
(0,5)	**21,4**	Non-trading items	19	**192,4**	(4,6)
50,3	**77,6**	***Income before taxation***		**697,8**	505,5
11,9	**11,2**	Taxation	20	**100,6**	119,7
38,4	**66,4**	***Income after taxation***		**597,2**	385,8
2,3	**1,1**	Minority interests		**9,9**	23,3
36,1	**65,3**	***Earnings***		**587,3**	362,5
5,8	**(14,0)**	Net adjustment for amortisation of goodwill and non-trading items	21	**(125,6)**	58,4
41,9	**51,3**	***Headline earnings***	21	**461,7**	420,9
		Earnings per share (cents)			
10,7	**13,2**	Diluted headline	21	**118,6**	107,3
9,2	**16,8**	Diluted earnings	21	**150,9**	92,4
11,1	**13,2**	Headline	21	**118,6**	111,2
9,5	**16,8**	Earnings	21	**150,9**	95,7
2,6	**3,3**	***Dividend per share (cents)***		**30,0**	27,0
		Number of shares (millions)			
396,1	**396,1**	In issue	8	**396,1**	396,1
378,6	**389,3**	Weighted average	21	**389,3**	378,6
392,3	**389,3**	Diluted weighted average	21	**389,3**	392,3

** Provided for information purposes only. The 2003 and 2002 US dollar figures do not form part of the statutory financial statements*

Cash flow statement

for the year ended 30 June 2003

	Note	2003 Rm	2002 Rm
Cash retained from operating activities			
Cash retained from operations	22.1	**804,2**	585,7
Depreciation		**375,4**	364,2
Non-cash items	22.2	**(163,6)**	(31,7)
Cash generated by operations		**1 016,0**	918,2
Income from investments		**53,9**	48,6
(Increase)/decrease in working capital	22.3	**(334,1)**	(279,3)
Cash generated by operating activities		**735,8**	687,5
Interest paid	22.4	**(315,4)**	(242,6)
Taxation paid	22.5	**(118,5)**	(148,8)
Cash available from operating activities		**301,9**	296,1
Dividend paid	22.6	**(111,0)**	(79,3)
		190,9	216,8
Investing activities			
Fixed assets purchased – expansion		**(403,8)**	(315,6)
– replacement		**(423,8)**	(387,5)
Minorities acquired		**(2,4)**	
Investments in associate companies	22.8	**221,9**	238,9
Other investments	22.9	**19,0**	4,8
Proceeds disposal of – fixed assets		**275,9**	78,7
– treasury shares			169,0
– subsidiaries and businesses	22.7		0,3
		(313,2)	(211,4)
Financing activities			
Long-term borrowings – raised		**673,3**	80,0
– repaid		**(520,4)**	(30,7)
Share issue expenses for debenture conversion			(0,4)
		152,9	48,9
Cash and cash equivalents at end of year			
Net increase/(decrease) in cash and cash equivalents		**30,6**	54,3
Cash and cash equivalents at beginning of year		**(430,9)**	(485,2)
	22.10	**(400,3)**	(430,9)

Statement of changes in equity

for the year ended 30 June 2003

	Share capital Rm	Share premium Rm	Attributable reserves of equity accounted invest-ments Rm	Foreign currency translation Rm	Other non-distrib-utable reserves Rm	Automa-tically convertible subor-dinated debentures Rm	Retained income Rm	Total Rm
Balance at 1 July 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)
Disposal of treasury shares	1,1	169,0						170,1
Dividends paid							(74,3)	(74,3)
Earnings for the year							362,5	362,5
Equity accounted reserve movements			14,3					14,3
Foreign currency translation				63,4				63,4
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
Dividends paid							**(105,2)**	**(105,2)**
Earnings for the year							**587,3**	**587,3**
Equity accounted reserve movements			**(42,6)**					**(42,6)**
Foreign currency translation				**(169,2)**				**(169,2)**
Repurchase of shares by share trust		**(2,1)**						**(2,1)**
Balance at 30 June 2003	**19,5**	**929,9**	**(6,1)**	**(94,2)**	**0,2**		**1 973,9**	**2 823,2**

Segmental report

for the year ended 30 June 2003

		2003 Rm	%	2002 Rm	%
BUSINESS SEGMENTATION					
Revenue	Construction	**9 832,4**	**74,2**	9 559,2	72,5
	Steel & Allied	**3 411,8**	**25,8**	3 626,0	27,5
		13 244,2	**100,0**	13 185,2	100,0
Operating income	Construction	**342,9**	**51,0**	345,0	53,6
	Steel & Allied	**328,8**	**49,0**	299,1	46,4
		671,7	**100,0**	644,1	100,0
Assets	Construction	**4 961,8**	**69,6**	4 573,0	64,3
	Steel & Allied	**2 164,2**	**30,4**	2 542,8	35,7
		7 126,0	**100,0**	7 115,8	100,0
Liabilities	Construction	**2 624,5**	**80,9**	2 919,0	83,2
	Steel & Allied	**618,2**	**19,1**	588,5	16,8
		3 242,7	**100,0**	3 507,5	100,0
Capital expenditure	Construction	**664,2**	**80,3**	609,6	86,7
	Steel & Allied	**163,4**	**19,7**	93,5	13,3
		827,6	**100,0**	703,1	100,0
Depreciation	Construction	**329,5**	**87,8**	341,4	93,7
	Steel & Allied	**45,9**	**12,2**	22,8	6,3
		375,4	**100,0**	364,2	100,0
GEOGRAPHICAL SEGMENTATION					
Revenue	Republic of South Africa (CMA)	**7 871,5**	**59,4**	7 286,5	55,3
	Africa and Middle East	**3 398,3**	**25,7**	3 499,6	26,5
	Australasia and South East Asia	**1 974,4**	**14,9**	2 399,1	18,2
		13 244,2	**100,0**	13 185,2	100,0
Assets	Republic of South Africa (CMA)	**3 105,1**	**43,6**	3 701,3	52,0
	Africa and Middle East	**3 233,9**	**45,4**	2 537,8	35,7
	Australasia and South East Asia	**787,0**	**11,0**	876,7	12,3
		7 126,0	**100,0**	7 115,8	100,0
Capital expenditure	Republic of South Africa (CMA)	**374,1**	**45,2**	339,7	48,3
	Africa and Middle East	**415,4**	**50,2**	300,5	42,7
	Australasia and South East Asia	**38,1**	**4,6**	62,9	8,9
		827,6	**100,0**	703,1	100,0

Notes to the financial statements

for the year ended 30 June 2003

		Land and buildings Rm	Owned plant, equipment and vehicles Rm	Leased plant, equipment and vehicles Rm	**Total 2003 Rm**	Total 2002 Rm
1	***PROPERTY, PLANT AND EQUIPMENT***					
	Cost					
	At beginning of year					
	– historical cost	255,8	3 054,6	110,8	**3 421,2**	2 802,0
	Foreign exchange movements	(2,2)	(82,5)	(17,7)	**(102,4)**	115,9
	Additions	40,6	613,3	173,8	**827,7**	703,1
	Disposals	(1,1)	(356,7)	(1,1)	**(358,9)**	(168,8)
	Applicable to subsidiaries and businesses acquired or sold					(31,0)
	At end of year	293,1	3 228,7	265,8	**3 787,6**	3 421,2
	Accumulated depreciation					
	At beginning of year					
	– historical cost	48,9	1 566,9	35,4	**1 651,2**	1 337,6
	Foreign exchange movements	(0,5)	(47,9)	(9,7)	**(58,1)**	73,1
	Current year change	10,9	345,0	19,5	**375,4**	364,2
	Disposals	(0,5)	(102,6)	(0,7)	**(103,8)**	(108,1)
	Applicable to subsidiaries and businesses acquired or sold					(15,6)
	At end of year	58,8	1 761,4	44,5	**1 864,7**	1 651,2
	Net book value at end of year	234,3	1 467,3	221,3	**1 922,9**	1 770,0
	Land and buildings comprise:					
	Freehold				**272,1**	237,8
	Long leasehold				**21,0**	18,0
					293,1	255,8
	The replacement value of assets for insurance purposes amounts to				**4 673,3**	3 942,2

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 2003

			2003 Rm	2002 Rm
1	***PROPERTY, PLANT AND EQUIPMENT** (continued)*			
	Included in plant, equipment and vehicles are fixed assets with a net book value of R221,2 million (2002: R75,2 million) which are subject to finance lease agreements.			
	The cost of fully depreciated plant and equipment that was still in use at 30 June 2003 was R231,2 million (2002: R188,5 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 PP&E which is temporarily idle is			4,6
	There are no assets with impaired values.			
2	***GOODWILL***			
	Gross carrying amount			
	At beginning of year		**1 230,2**	1 161,2
	Disposal of business		**(11,1)**	
	Foreign exchange movements		**(73,8)**	96,1
	Reduction of gross carrying amount fully written off			(27,1)
	At end of year		**1 145,3**	1 230,2
	Accumulated amortisation			
	At beginning of year		**154,5**	110,7
	Current year charge	Note 18, 21	**59,9**	53,8
	Disposal of business		**(6,3)**	
	Foreign exchange movements		**(22,0)**	17,1
	Reduction of accumulated amortisation fully written off			(27,1)
	At end of year		**186,1**	154,5
	Net carrying amount at end of year		**959,2**	1 075,7

	2003 Rm	2002 Rm
3 *INVESTMENT IN ASSOCIATES AND JOINT VENTURES*		
Unlisted	**480,7**	498,8
Investment		
At beginning of year	**498,8**	604,6
Disposals	**(22,5)**	
Dividends received	**(182,9)**	(5,0)
Exchange difference adjustments	**(23,5)**	
Loans advanced	**50,3**	28,5
Loans and capital repaid	**(89,3)**	(262,4)
Impairment	**(8,6)**	5,0
Share of non-trading items after taxation	**145,9**	
Share of reserve movements in the year	**(42,6)**	14,3
Share of results before taxation	**263,5**	170,6
Share of taxation	**(108,4)**	(56,8)
At end of year	**480,7**	498,8
The aggregate assets, liabilities and results of operations and cash flow of associate and joint venture companies are summarised hereunder:		
Non-current assets	**587,2**	1 167,0
Current assets	**750,2**	678,1
	1 337,4	1 845,1
Current liabilities	**546,5**	590,5
Interest-bearing debt	**201,8**	641,9
Non-interest-bearing debt	**108,4**	113,9
Equity	**480,7**	498,8
	1 337,4	1 845,1
Revenue	**2 130,2**	1 439,2
Expenses	**1 841,0**	1 237,8
Net surplus after tax on non-trading items	**145,9**	
Net finance costs	**16,6**	30,2
Income before taxation	**418,5**	171,2
Taxation	**117,4**	57,4
Income after taxation	**301,1**	113,8
Net cash inflow/(outflow) from operating activities	**(57,2)**	263,4
Net cash inflow/(outflow) from investing activities	**84,4**	(254,0)
Net cash inflow/(outflow) from financing activities	**14,0**	59,1
Net increase/(decrease) in cash and cash equivalents	**41,2**	68,5
Cash and cash equivalents at beginning of period	**18,1**	(50,4)
Cash and cash equivalents at end of period	**59,3**	18,1

Notes to the financial statements (continued)

for the year ended 30 June 2003

		2003 Rm	2002 Rm
4	***OTHER EQUITY INVESTMENTS***		
	At beginning of year	**9,1**	13,9
	Additional interest acquired	**36,3**	
	Disposals		(4,8)
	At end of year	**45,4**	9,1
	The directors value these unlisted investments at not less than their carrying value.		
5	***DEFERRED TAX ASSET***		
	At beginning of year	**22,4**	
	Transfer from/(to) income statement – current year	**(0,1)**	22,3
	– prior years		0,1
	Permanent differences arising on consolidation	**10,6**	
	Arising on the acquisition and disposal of subsidiaries	**(3,1)**	
	At end of year	**29,8**	22,4
	Balance at end of year comprises:		
	Capital allowances	**2,4**	7,0
	Other timing differences	**27,4**	15,4
		29,8	22,4
6	***INVENTORIES***		
	Raw materials	**303,0**	276,4
	Consumable stores	**266,1**	289,2
	Work in progress	**54,5**	77,4
	Finished goods	**427,4**	495,6
	Properties held for development and resale	**70,4**	110,9
		1 121,4	1 249,5
	No inventories are valued at net realisable value.		
7	***TRADE AND OTHER RECEIVABLES***		
	Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year-end, less progress payments	**557,8**	(104,7)
	Amounts receivable in excess of amounts billed	**493,9**	839,0
		1 051,7	734,3
	Advances receivable in excess of work performed	**(812,6)**	(817,4)
	Net amounts due on contracts	**239,1**	(83,1)
	Retentions receivable	**240,9**	268,2
	Contracts in progress less progress payments	**480,0**	185,1
	Trade	**770,1**	803,3
	Contract debtors	**1 412,0**	1 558,4
	Pre-payments and other	**460,4**	473,8
		3 122,5	3 020,6

			2003 Rm	2002 Rm
8	**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 396 145 908 (2002: 356 127 518) ordinary shares of 5 cents each at beginning of year		**19,5**	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		**19,5**	19,5
	The 485 888 355 unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.			
9	**SHARE PREMIUM**			
	At beginning of year		**932,0**	587,7
	Repurchase of shares by the share trust		**(2,1)**	
	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
	At end of year		**929,9**	932,0
10	**NON-DISTRIBUTABLE RESERVES**			
	Balance at end of year comprises:			
	Associated companies' and joint ventures' retained reserves		**(6,1)**	36,5
	Capital redemption reserve fund		**0,2**	0,2
	Foreign currency translation reserve		**(94,2)**	75,0
			(100,1)	111,7
11	**INTEREST-BEARING BORROWINGS**			
11.1	***Non-current borrowings***			
	Summary of loans by financial year of redemption			
	2003			143,8
	2004		**182,1**	127,0
	2005		**175,1**	153,7
	2006		**272,9**	103,8
	2007		**82,8**	46,0
	2008		**66,1**	184,4
	2009 onwards		**135,2**	
	Total borrowings	Note 11.2	**914,2**	758,7
	Current portion included in short-term borrowings		**(182,1)**	(143,8)
			732,1	614,9
	Short-term interest-bearing borrowings			
	Overdrafts	Note 22.10	**205,4**	490,0
	Short-term call accounts	Note 22.10	**868,7**	619,5
	Current portion of non-current borrowings		**182,1**	143,8
			1 256,2	1 253,3
	Total interest-bearing borrowings		**1 988,3**	1 868,2

Notes to the financial statements (continued)

for the year ended 30 June 2003

		Final repayment date	Rate of interest per year (payable half-yearly) 2003 %	2002 %	2003 Rm	2002 Rm
11	***INTEREST-BEARING BORROWINGS (continued)***					
11.2	***Analysis of total non-current borrowings***					
	Unsecured loans					
	Local					
		2003		11 – 17,2		117,7
		2004	**11 – 17,2**	11 – 17,2	**133,9**	116,6
		2005	**11 – 17,2**	11 – 17,2	**137,9**	139,4
		2006	**11 – 17,2**	11 – 17,2	**233,8**	103,8
		2007	**11 – 17,2**	11 – 17,2	**48,0**	46,0
		2008	**11 – 17,2**	11 – 17,2	**47,2**	184,4
		2009 onwards	**11 – 17,2**		**135,2**	
					736,0	707,9
	Secured loans					
	Local					
		2003		8 – 15		26,1
		2004	**8 – 15**	8 – 15	**48,2**	10,4
		2005	**8 – 15**	8 – 15	**37,2**	14,3
		2006	**8 – 15**	8 – 15	**39,0**	
		2007	**8 – 15**	8 – 15	**34,9**	
		2008	**8 – 15**	8 – 15	**18,9**	
					178,2	50,8
	Finance lease liabilities are secured against the appropriate asset					
	Total non-current interest-bearing borrowings			Note 11.1	**914,2**	758,7

The company and its subsidiaries have entered into cross-suretyships in respect of current and future financial obligations to FirstRand Bank Limited amounting to R501,9 million (2002: R621,6 million). These amounts are included above. The following covenants are applicable: net debt to equity, interest cover and Ebitda less replacement capex divided by net finance costs

	2003 Rm	%	2002 Rm	%
11 INTEREST-BEARING BORROWINGS *(continued)*				
11.3 Borrowings and cash analysis				
Gross borrowings – Geographic				
South Africa	1 732,0	87,1	1 556,6	83,3
Foreign	256,3	12,9	311,6	16,7
	1 988,3	100,0	1 868,2	100,0
Cash – Geographic				
South Africa	358,3	53,2	99,5	14,7
Foreign	315,5	46,8	579,1	85,3
	673,8	100,0	678,6	100,0

	2003 Gross Rm	2003 Cash Rm	2003 Net Rm	%	2002 Net Rm	%
Fixed and variable						
Fixed – long term	732,2		732,2	55,7	707,9	59,5
– short term	182,1		182,1	13,9	402,0	33,8
Variable	1 074,0	673,8	400,2	30,4	79,7	6,7
	1 988,3	673,8	1 314,5	100,0	1 189,6	100,0

	2003 Rm	2002 Rm
12 DEFERRED TAX LIABILITY		
At beginning of year	89,3	77,5
Transfer from/(to) income statement – current year	(0,2)	14,0
– prior years	(1,9)	(2,2)
Prior year adjustment	(23,7)	
Exchange difference	(10,3)	
At end of year	53,2	89,3
Balance at end of year comprises:		
Accelerated capital allowances	76,8	66,9
Other timing differences	(12,3)	22,4
Difference due to foreign tax rates	(11,3)	
	53,2	89,3
13 TRADE AND OTHER PAYABLES		
Trade	1 441,3	1 893,5
Accrued expenses	1 801,4	1 614,0
	3 242,7	3 507,5

Notes to the financial statements (continued)

for the year ended 30 June 2003

			2003 Rm	2002 Rm
14	***REVENUE***			
	Goods		**4 169,3**	3 406,9
	Construction contract revenue		**9 019,5**	9 738,8
	Services		**55,4**	39,5
	Revenue		**13 244,2**	13 185,2

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

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.

			2003 Rm	2002 Rm
15	***OPERATING INCOME DISCLOSURES***			
	In arriving at operating income the following items have been taken into account:			
	Foreign exchange gains/(losses)		**(90,1)**	86,0
	Surplus on disposal of property, plant, machinery, equipment and vehicles		**(20,8)**	(18,0)
	Auditor's remuneration	– fees for audit	**16,5**	14,2
		– fees for other services	**4,4**	1,8
		– expenses	**0,1**	1,0
	Depreciation of property, plant, and equipment	– land and buildings and investment properties	**10,9**	13,0
		– plant, equipment and vehicles	**364,5**	394,9
	Operating lease expenses	– buildings	**25,8**	40,2
		– plant, machinery, equipment and vehicles	**56,3**	15,2
	Remuneration services	– managerial, secretarial, financial, technical	**3,0**	2,4
	Staff costs	– salaries and wages	**2 402,8**	2 298,0
		– bonuses	**107,7**	104,4
		– contributions to retirement funds	**74,8**	89,6
		– contributions to medical funds	**77,1**	63,8

			2003 Rm	2002 Rm
16	***INCOME FROM INVESTMENTS***			
	Dividends – unlisted			14,0
	Interest – external		**53,9**	34,6
			53,9	48,6
	Dividends were received from			
	– associated companies			5,0
	– other investments			9,0
				14,0
17	***INTEREST PAID***			
	Interest expense		**315,4**	242,6
	No borrowing costs have been capitalised during the year (2002: nil)			
18	***AMORTISATION OF GOODWILL***			
	Goodwill is amortised through the income statement over its estimated useful life, with a maximum of 20 years	Note 2, 21	**59,9**	53,8
19	***NON-TRADING ITEMS***			
	Net (surplus)/loss on disposal of properties	Note 21	**(0,7)**	(1,3)
	Net (surplus)/loss on disposal of investments	Note 21	**(191,7)**	5,9
			(192,4)	4,6
20	***TAXATION***			
	South African normal taxation – current		**71,8**	52,0
	– prior year		**(5,0)**	3,1
	Deferred tax		**(12,6)**	(9,6)
	Foreign taxation – current		**44,9**	74,1
	Secondary tax on companies		**1,0**	0,1
	Capital gains tax		**0,5**	
			100,6	119,7

Notes to the financial statements (continued)

for the year ended 30 June 2003

			2003 Rm	2002 Rm
20	***TAXATION (continued)***			
	Reconciliation of rate of taxation (%)			
	Standard rate of company taxation		**30,0**	30,0
	Adjusted for:			
	Assessed loss utilised		**(1,1)**	(2,5)
	Current year's tax losses not utilised		**3,0**	6,3
	Disallowable expenditure		**3,2**	4,6
	Exempt income		**(3,5)**	(5,6)
	Foreign tax adjustment		**(1,5)**	(5,1)
	Income from associates		**(14,4)**	(7,4)
	Other		**0,3**	2,8
	Prior years		**(1,6)**	0,6
	Effective taxation rate		**14,4**	23,7
	Effective rate of taxation for the year before amortisation of goodwill, other non-trading items and associated companies		**24,5**	26,7

The estimated losses which are available for the reduction of future taxable income are R174,2 million (2002: R105,5 million) of which R7,0 million (2002: nil) has been taken into account into account in calculating deferred taxation.

The group has estimated unused credits in respect of secondary tax on companies amounting to R314,6 million (2002: R230,3 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.

			2003 Rm	2002 Rm
21	***EARNINGS AND HEADLINE EARNINGS PER SHARE***			
	Weighted average number of shares:			
	For calculation of earnings per share		**389 319 175**	378 594 481
	Potential dilution of the exercise of share options			10 724 694
	For calculation of diluted earnings per share		**389 319 175**	389 319 175
	Determination of headline and diluted headline earnings:			
	Adjustment for amortisation of goodwill	Note 2, 18	**59,9**	53,8
	(Loss)/surplus on disposal of properties	Note 19	**(0,7)**	(1,3)
	(Loss)/surplus on disposal of investments	Note 19	**(191,7)**	5,9
	Taxation		**6,9**	
	Headline earnings adjustment		**(125,6)**	58,4
	Earnings		**587,3**	362,5
	Headline earnings		**461,7**	420,9

		2003 Rm	2002 Rm
22	***NOTES TO THE CASH FLOW STATEMENT***		
22.1	***Cash retained from operations***		
	Net income before tax	**697,8**	505,5
	Adjusted for:		
	Interest paid	**315,4**	242,6
	Income from investments	**(53,9)**	(48,6)
	Income from associates	**(155,1)**	(113,8)
		804,2	585,7
22.2	***Non-cash movements***		
	Write off of goodwill	**59,9**	53,8
	Forex gains on translation of working capital	**95,5**	(63,0)
	Surplus on disposal of property, plant and equipment	**(20,9)**	(18,0)
	Impairment adjustment on investments	**(8,6)**	(5,0)
	Surplus on disposals of investments	**(259,6)**	
	Foreign exchange adjustments on cash balances	**(29,9)**	0,5
		(163,6)	(31,7)
22.3	***Working capital movements***		
	– Decrease/(increase) in inventories	**128,1**	(329,1)
	– Increase in trade and other receivables	**(101,9)**	(1 282,5)
	– (Decrease)/increase in trade and other payables	**(264,8)**	1 269,3
		(238,6)	(342,3)
	– Foreign exchange (losses)/gains	**(95,5)**	63,0
		(334,1)	(279,3)
22.4	***Net financing costs***		
	Net financing costs per income statement	**315,4**	242,6
22.5	***Normal taxation paid***		
	Amounts unpaid at beginning of year	**56,0**	75,6
	Reallocated from deferred tax	**23,7**	
	Amounts charged to the income statement	**113,2**	129,2
	Amounts unpaid at end of year	**(74,4)**	(56,0)
		118,5	148,8
22.6	***Dividends paid***		
	Amounts charged to equity	**105,2**	74,3
	Amounts paid to minorities of subsidiaries	**5,8**	5,0
		111,0	79,3

Notes to the financial statements (continued)

for the year ended 30 June 2003

			2003 Rm	2002 Rm
22	***NOTES TO THE CASH FLOW STATEMENT (continued)***			
22.7	***Investments in subsidiaries and businesses***			
	Net assets of subsidiaries and businesses disposed of			
	Property, plant and equipment			15,5
	Working capital			(11,9)
	Goodwill on acquisition			(3,3)
	Cash flow on disposals			0,3
22.8	***Associated companies***			
	Return of capital		**89,3**	262,4
	Dividends received		**182,9**	5,0
	Net loans advanced		**(50,3)**	(28,5)
			221,9	238,9
22.9	***Other investments***			
	Net return of capital		**19,0**	4,8
22.10	***Cash and cash equivalents***			
	Deposits and cash		**673,8**	678,6
	Overdrafts	Note 11.1	**(205,4)**	(1 109,5)
	Short-term call accounts	Note 11.1	**(868,7)**	
			(400,3)	(430,9)

		2003 Rm	2002 Rm
23	***COMMITMENTS***		
	Capital commitments		
	Capital commitments		
	Capital expenditure authorised – contracted for	**120,1**	183,7
	– not contracted for	**38,6**	152,0
		158,7	335,7
	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 one year	**107,4**	35,1
	– more than one year but less than five years	**333,5**	88,0
	– more than five years	**150,9**	45,5
		591,8	168,6
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:		
	– forward exchange contracts	**104,4**	
	– guarantees	**42,4**	55,4
	– other, including claims	**7,8**	36,6
		154,6	92,0

Foreign currency payables and receivables	Foreign amount 2003	Foreign amount 2002	Rand amount 2003 Rm	Rand amount 2002 Rm
25 *FOREIGN EXCHANGE EXPOSURE*				
Forward exchange contracts for purchases				
Deutsche mark				
Euro	**8,6**	7,7	**83,4**	78,0
UK pounds	**0,1**	0,1	**0,8**	0,9
US dollars	**5,1**	8,4	**43,7**	96,2
			127,9	175,1
The group does not enter into forward exchange contracts which do not relate to specific items.				
Foreign currency payables and receivables				
Payables				
Australian dollars	**89,8**	138,3	**447,7**	808,2
Euro	**4,0**	4,9	**40,5**	51,1
Metical	**207,8**		**66,8**	
Pula	**28,4**	34,9	**43,1**	59,2
UK pounds	**2,2**	2,6	**26,6**	41,5
US dollars	**46,0**	56,4	**344,5**	586,4
			969,2	1 546,4
Receivables				
Australian dollars	**83,2**	113,4	**414,5**	662,9
Euro	**1,5**		**13,0**	
Metical	**184,7**		**36,8**	
Pula	**45,1**	61,0	**68,3**	103,6
UK pounds	**3,0**	4,9	**36,8**	78,2
US dollars	**52,9**	61,4	**395,0**	636,0
			964,4	1 480,6

		Assets	Liabilities	Net asset/ (liability) exposure
25	***FOREIGN EXCHANGE EXPOSURE** (continued)*			
	Exposure to uncovered foreign exchange			
	Australian dollars		0,4	(0,4)
	Cedi and meticals			
	Euro	0,5	0,3	0,2
	Pula			
	Swiss franc		0,7	(0,7)
	UK pounds			
	US dollars	23,1	12,8	10,3
		23,6	14,2	9,4

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

	2003		2002	
	Closing	**Average**	Closing	Average
Foreign exchange rate table – material currencies				
Australian dollars	**4,98**	**5,24**	5,85	5,26
Euro	**8,53**	**9,37**	10,24	8,97
UK pounds	**12,33**	**14,26**	15,90	14,54
US dollars	**7,47**	**9,00**	10,37	10,04

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 22,1% (2002: 21,7%) 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.

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.

	2003	2002
The principal group funds are:		
Number of members		
Grinaker-LTA Limited Retirement Plan	**3 293**	3 272
Grinaker Limited "Closed" Benefit Plan	**70**	70
McConnell Dowell Corporation Limited Plan	**467**	391
Trident Steel Retirement Fund	**472**	446

The group's retirement benefit expense was R74,8 million (2002: R89,6 million).

		2003 Rm	2002 Rm
26	***EMPLOYEE BENEFITS** (continued)*		
26.2	***Defined benefit plan***		
	Valuation method:		
	Projected unit credit method	**Yes**	Yes
	Principal assumptions:		
	Discount rate (%)	**9,75**	10,50
	Expected return on assets (%)	**10,25**	10,25
	General inflation (%)	**6,25**	7,00
	Salary inflation (%)	**7,25**	8,00
		+promotional	+promotional
	Present value of obligation:		
	Opening balance at 1 July	**144,3**	139,8
	Interest cost on opening balance	**14,5**	14,1
	Current service cost	**0,8**	0,9
	Change in obligation due to past service costs	**53,1**	
	Actuarial gain/(loss)	**0,5**	
	Benefits paid	**(12,8)**	(10,5)
	Closing balance at 30 June 2003	**200,4**	144,3
	Past service costs charges:		
	Amount already vested*	**53,1**	
	Amount still to vest		
	Total	**53,1**	–
	*Period until vesting	**–**	–
	Fair value of plan assets:		
	Opening balance at 1 July	**228,4**	216,6
	Expected return on fund assets	**22,8**	21,7
	Contributions received	**0,5**	0,7
	Actuarial gain/(loss)	**(7,3)**	
	Benefits paid	**(12,8)**	(10,6)
	Closing balance at 30 June 2003	**231,6**	228,4
	Net assets not recognised	**31,2**	84,1

26.3 *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.

26 EMPLOYEE BENEFITS (continued)

26.3 Executive share incentive scheme (continued)

	Number of shares **2003**	Number of shares 2002
The movements during the year under review were as follows:		
Balance at beginning of year	**14 389 825**	15 902 875
Options granted or scheme shares allocated	**3 386 500**	505 000
Options exercised or allocation shares delivered	**(1 701 183)**	(1 269 200)
Options or scheme shares forfeited	**(422 029)**	(748 850)
Balance at end of the year	**15 653 113**	14 389 825

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

	2003 R	2002 R
Average subscription or purchase price	**6,49**	5,32
Range of market price at dates of exercising option or taking delivery	**7,70 – 10,68**	7,10 – 8,65

	Subscription price R	Number of shares **2003**	Number of shares 2002
The options outstanding at 30 June 2003 become unconditional between the following dates:			
1 September 2000 and 1 September 2008	3,60	**799 500**	1 244 375
17 April 2002 and 17 April 2010	6,90	**900 000**	1 325 000
25 May 2002 and 25 May 2010	6,10	**2 296 250**	2 758 750
1 September 2002 and 1 September 2010	6,20	**443 750**	548 750
29 November 2002 and 29 November 2010	5,80	**7 322 113**	8 007 950
1 October 2003 and 1 October 2011	7,55	**505 000**	505 000
23 October 2004 and 23 October 2012	9,11	**567 500**	
23 March 2005 and 23 March 2013	8,61	**2 819 000**	
		15 653 113	14 389 825

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 10 years of the allocation date.

Should the option holder resign from a group company prior to the vesting dates as indicated above, the right to the shares or options will be 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) of the Act. The trust held 6 906 555 ordinary shares at 30 June 2003 (2002: 6 673 125 ordinary shares).

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 2003, the carrying amounts of all financial instruments approximated their fair values.

Credit risk

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

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

Interest rate risk

Deposits and cash balances all carry interest at rates that vary in response to prime.

In order to limit the exposure to interest rate risk the company enters into interest rate swaps as approved by the board. An interest rate swap was entered into during January 2002 for the amount of R100 million at a fixed rate of 10,25% nacq, closing out during January 2005. A fair value adjustment of R0,5 million has been debited to the income statement at 30 June 2003.

All other interest rate information is 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.

	2003 Rm	2002 Rm
The value of the transactions is as follows:		
Included in sales	**35,3**	40,2
Included in cost of sales	**29,6**	32,6
There were no related party transactions with directors or entities in which the directors have a material interest other than		0,1

For the year ended 30 June 2003	Salary R'000	Retirement fund contributions R'000	Other benefits R'000	Guaranteed remuneration R'000	Bonus R'000	**Total 2003 R'000**
30 DIRECTORS' REMUNERATION AND INTERESTS						
Directors' remuneration						
Executive directors						
PF Crowley	1 507	255	222	1 984	500	**2 484**
DR Gammie	823	170	157	1 150	500	**1 650**
C Grim	1 405	282	286	1 973	900	**2 873**
HDK Jones	1 289	188	199	1 676	425	**2 101**
W Wassermeier	1 010	179	226	1 415	350	**1 765**
	6 034	1 074	1 090	8 198	2 675	**10 873**

	Fees as director R'000	Chairman fees R'000	Attendance at internal boards R'000	Sub committee fees R'000	Other group fees R'000	**Total 2003 R'000**
Non-executive directors						
CV Campbell	90			70		**160**
MM Doyle	23					**23**
PL Erasmus	90			80		**170**
JR Hersov	90			30		**120**
VZ Mntambo	90			35		**125**
AR Mpungwe	90				162	**252**
PJ Owen	30			11		**41**
RB Savage	90	50	135	25		**300**
BP Steele	45			20		**65**
M Taback	90					**90**
	728	50	135	271	162	**1 346**

For the year ended 30 June 2002	Salary R'000	Retirement fund contributions R'000	Other benefits R'000	Guaranteed remuneration R'000	Bonus R'000	Total 2002 R'000
Executive directors						
PF Crowley	1 225	177	175	1 577	1 000	2 577
DR Gammie	705	189	156	1 050	580	1 630
C Grim	1 209	311	283	1 803	1 100	2 903
HDK 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

Notes to the financial statements (continued)

for the year ended 30 June 2003

30 DIRECTORS' REMUNERATION AND INTERESTS (continued)

Directors' remuneration (continued)

	Fees as director R'000	Chairman fees R'000	Attendance at internal boards R'000	Sub committee fees R'000	Other group fees R'000	Total 2002 R'000
Non-executive directors						
CV Campbell	50			30		80
MM Doyle	50					50
PL Erasmus	50			5		55
JR Hersov	50					50
VZ Mntambo	50					50
AR Mpungwe	38				135	173
PJ Owen	50			10		60
RB Savage	50	50	135	40		275
M Taback	50					50
	438	50	135	85	135	843

Executive directors' fees are waived in favour of Aveng.

	2003 Ordinary shares	2002 Ordinary shares
Interest of directors of the company in share capital		
Executive directors		
DR Gammie	**143 128**	71 301
C Grim	**391 267**	203 149
HDK Jones	**25 000**	100 000
	559 395	374 450
Non-executive directors		
CV Campbell	**10 300**	10 300
PL Erasmus	**150 000**	250 000
JR Hersov	**50 000**	500 000
BP Steele	**4 166**	
	214 466	760 300
Total	**773 861**	1 134 750
% of issued securities	**0,2**	0,3

All securities are beneficially held other than the shares in which Mr JR Hersov has a shared beneficial interest which are held through a family trust; and Mr BP Steele's interest which is non-beneficial. The company has not been advised of any changes in the above interests during the period 1 July 2003 to the date of this report.

30 DIRECTORS' REMUNERATION *(continued)*

Executive share incentive scheme

	Date from which exercisable	Date on which expires	Price	Number entitled to at 30 June 2002	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2003**
PF Crowley	Nov-02	Nov-10	5,80	300 000			**300 000**
	Oct-04	Oct-12	9,11		75 000		**75 000**
DR Gammie	Sep-00	Sep-08	3,60	210 000		105 000	**105 000**
	Sep-02	Sep-10	6,20	105 000		26 250	**78 750**
	Oct-03	Oct-11	7,55	105 000			**105 000**
	Oct-04	Oct-12	9,11		105 000		**105 000**
C Grim	Sep-00	Sep-08	3,60	550 000		275 000	**275 000**
	Sep-02	Sep-10	6,20	275 000		68 750	**206 250**
	Oct-03	Oct-11	7,55	275 000			**275 000**
	Oct-04	Oct-12	9,11		275 000		**275 000**
HDK Jones	Sep-00	Sep-08	3,60	125 000			**125 000**
	Apr-02	Apr-10	6,90	250 000			**250 000**
	Sep-02	Sep-10	6,20	62 500			**62 500**
	Nov-02	Nov-10	5,80	150 000			**150 000**
	Oct-03	Oct-11	7,55	62 500			**62 500**
	Oct-04	Oct-12	9,11		62 500		**62 500**
W Wassermeier	Nov-02	Nov-10	5,80	200 000			**200 000**
	Oct-04	Oct-12	9,11		50 000		**50 000**
				2 670 000	567 500	475 000	**2 762 500**

	Selling or take-up price R	Number redeemed or taken up	Sold	Redeemed to purchase	Held
Executive shares redeemed or taken up					
DR Gammie	9,10	131 250		59 423	71 827
C Grim	9,10	343 750		155 632	188 118
		475 000		215 055	259 945

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 2003

	Note	2003 Rm	2002 Rm
ASSETS			
Non-current assets			
Investment in joint ventures	A	**101,7**	191,1
Investment in subsidiary companies	B	**1 726,6**	1 801,8
Other investments			
		1 828,3	1 992,9
Current assets			
Trade, other receivables and prepayments		**1,7**	
Subsidiaries – current accounts		**442,4**	285,7
Subsidiaries – short-term loans	C	**534,3**	223,0
		978,4	508,7
TOTAL ASSETS		**2 806,7**	2 501,6
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	D	**19,8**	19,8
Share premium	D	**940,1**	940,1
Non-distributable reserves		**0,2**	0,2
Distributable reserves		**392,0**	146,2
Total shareholders' funds		**1 352,1**	1 106,3
Non-current liabilities			
Loans from subsidiaries			
– Non-interest-bearing borrowings		**914,0**	1 163,0
		914,0	1 163,0
Current liabilities			
Trade and other payables	E	**12,3**	5,3
Subsidiaries – current accounts			4,0
Short-term borrowings		**528,3**	223,0
		540,6	232,3
TOTAL EQUITY AND LIABILITIES		**2 806,7**	2 501,6

Company income statement

for the year ended 30 June 2003

	Note	2003 Rm	2002 Rm
Expenses		2,0	3,6
Loss		(2,0)	(3,6)
Income from investments	F	422,4	14,9
Income before interest paid		420,4	11,3
Interest paid		67,3	6,0
Income before taxation		353,1	5,3
Taxation	G	0,3	0,1
Income after taxation		352,8	5,2

** Figures refer to notes to the consolidated account. Letters refer to the specific notes below for the holding company*

Company cash flow statement

for the year ended 30 June 2003

	Note	2003 Rm	2002 Rm
Cash retained from operating activities	H1	**90,4**	(123,5)
Cash generated by operations		**(2,0)**	(3,6)
Income from investments	F	**422,4**	14,9
Decrease/(increase) in net current assets	H2	**(155,4)**	(48,1)
Cash generated by operating activities		**265,0**	(36,8)
Interest paid		**(67,3)**	(6,0)
Taxation paid		**(0,3)**	(0,6)
Cash available from operating activities		**197,4**	(43,4)
Dividend paid		**(107,0)**	(80,1)
Investing activities			
Investments – acquisitions net of disposals			
– subsidiaries and businesses	H3	**(173,8)**	(138,5)
– associate companies and other investments	H4	**89,4**	262,4
– repayment of investment			
		(84,4)	123,9
Financing activities			
Net increase/(decrease) in shareholder funding			
Proceeds of debenture issue			177,3
Repurchase of shares and debentures			(177,7)
			(0,4)
Net increase/(decrease) in cash and cash equivalents	H5	**6,0**	
Cash and cash equivalents at beginning of year	H5		
Cash and cash equivalents at end of year		**6,0**	

Company statement of changes in equity

for the year ended 30 June 2003

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Distributable reserves	Automatically convertible subordinated debentures Rm	Total Rm
Balance at 1 July 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
Earnings for the year				352,8		352,8
Dividends paid				(107,0)		(107,0)
Balance at 30 June 2003	**19,8**	**940,1**	**0,2**	**392,0**		**1 352,1**

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

Notes to the company financial statements

for the year ended 30 June 2003

		2003 Rm	2002 Rm
A	***INVESTMENT IN JOINT VENTURES***		
	Balance at beginning of year	191,1	453,5
	Repayment of loan		(143,7)
	Repayment of capital	(89,4)	(118,7)
	Balance at end of year	101,7	191,1
	Comprising:		
	Unlisted shares at cost	101,7	191,0
	The directors' valuation of unlisted shares is not less than their carrying value.		
B	***INVESTMENT IN SUBSIDIARIES***		
	Balance at beginning of year	1 801,8	1 663,3
	Transfer of investment in a subsidiary to a fellow subsidiary	(217,8)	
	Other movements: loan to subsidiary	142,6	138,5
	Balance at end of year	1 726,6	1 801,8
	Comprising:		
	– amount owing by the Aveng Limited Share Purchase Trust	8,8	8,8
	– unlisted shares	1 430,2	1 648,0
	– loans	287,6	145,0
		1 726,6	1 801,8
	COMPANY'S AGGREGATE INTEREST IN THE PROFITS AND LOSSES AFTER TAXATION OF SUBSIDIARIES		
	– profits	385,4	310,9
	– losses	5,9	4,5

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.

C ***INTEREST***

Interest is charged on the short-term loans at normal commercial rates. These loans are repayable on demand.

Long-term loans from subsidiaries are not interest bearing. No repayment terms have been fixed.

		2003 Rm	2002 Rm
D	***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		
	396 145 908 (2002: 356 127 518) ordinary shares of 5 cents each	19,8	17,8
	Movements during the year		
	Issue of 40 018 390 ordinary shares on redemption		
	of the convertible debentures		2,0
	Balance at end of year		
	396 145 908 ordinary shares of 5 cents each	19,8	19,8
	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.		
	SHARE PREMIUM		
	Balance at beginning of year	940,1	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	940,1
	Total issued share capital and premium	959,9	959,9
E	***PAYABLES***		
	Trade and other	2,6	2,7
	Accrued expenses	9,7	2,6
		12,3	5,3
F	***INCOME FROM INVESTMENTS***		
	Dividends – unlisted	354,1	8,8
	Interest – subsidiary companies	68,3	6,1
	Total – income from investments	422,4	14,9
	Dividends were received from		
	– subsidiaries	178,0	
	– joint ventures	176,1	8,8
		354,1	8,8

Notes to the company financial statements (continued)

for the year ended 30 June 2003

		2003 Rm	2002 Rm
G	***TAXATION***		
	South African normal taxation	–	
	Reconciliation of rate of taxation (%)		
	Standard rate	**30,0**	30,0
	Exempt income	**(30,1)**	(50,0)
	Disallowable expenditure	**0,2**	20,1
	Prior year's adjustments		1,8
	Effective rate of taxation for the year	**0,1**	1,9
	The company has estimated unused credits in respect of secondary tax on companies amounting to R313,2 million (2002: R116,0 million)		
H	***NOTES TO THE CASH FLOW STATEMENT***		
H1	***Cash generated from operations***		
	Income before interest paid and taxation	**420,4**	11,3
	Adjusted for:		
	– income from investments	**(422,4)**	(14,9)
		(2,0)	(3,6)
H2	***Decrease/(increase) in net current assets***		
	Decrease/(increase) in receivables	**(158,4)**	(48,2)
	Increase in payables	**3,0**	0,1
		(155,4)	(48,1)
H3	***Investment in subsidiaries and businesses***		
	Loans (repaid to)/advanced or repaid by subsidiaries	**(173,8)**	(138,5)
H4	***Associated companies and other investments***		
	Proceeds on disposals		143,7
	Proceeds on reduction of share capital	**89,4**	118,7
		89,4	262,4
H5	***Cash and cash equivalents***		
	Deposits and cash	**534,3**	223,0
	Short-term interest bearing borrowings	**(528,3)**	(223,0)
		6,0	

Schedule of investments

at 30 June 2003

	Issued share capital 2003 Rm	Issued share capital 2002 Rm	% held 2003	% held 2002	Investment value 2003 Rm	Investment value 2002 Rm	Net indebtedness due by/(to) companies 2003 Rm	Net indebtedness due by/(to) companies 2002 Rm
DIRECT SUBSIDIARIES AND INVESTMENTS IN JOINT VENTURES								
Aveng Australia Pty Limited *								
Altur Investments (Pty) Limited	**2,6**	2,6	**45,6**	45,6	**101,7**	191,0		
Aveng Management Company (Pty) Limited			**100,0**	100,0			**976,6**	508,7
Grinaker-LTA Properties (Pty) Limited			**100,0**	100,0				
Grinaker-LTA Construction and Development Limited		0,4		100,0		217,8		(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	**217,8**	45,0
Steelmetals (Pty) Limited (dormant)	**1,6**	1,6	**100,0**	100,0	**4,0**	4,0	**65,9**	(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**	8,8		
					1 540,8	1 847,9	**350,3**	(513,3)

** Aveng Australia Pty Limited was formed on 13 May 2003 with an issued share capital of Aus$2.*

THE GROUP'S MAJOR INVESTMENTS ARE

	% held 2003	% held 2002
McConnell Dowell Corporation Limited	**62,7**	62,7
McConnell Dowell was listed on the Australian and New Zealand Stock Exchanges at 30 June 2003. The balance of the shares were acquired in terms of a scheme of arrangement in August 2003 as set out in the directors' report (page 78).		
Alpha (Pty) Limited (100% held through Altur Investments (Pty) Limited) Its principal business is the production of cement and related materials.	**45,6**	45,6

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

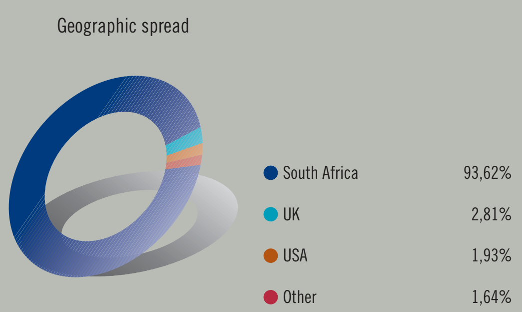
FINANCIAL YEAR END	30 June 2003	
ANNUAL GENERAL MEETING	Friday, 31 October 2003	
REPORTS AND PROFIT STATEMENTS	**Published**	
Half-yearly interim report	Monday, 8 March 2004	
Results announcement	Monday, 13 September 2004	
Annual financial statements	end September	
DIVIDEND	**Declared**	**Paid**
Ordinary shares	Friday, 12 September 2003	Monday, 27 October 2003

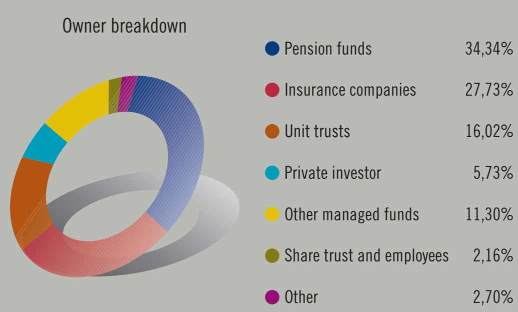
Shareholders' analysis*

Ordinary shares at 30 June 2003

	Number of shareholders in SA			Non-resident shareholders			Total shareholders		
Shareholder type	Number	Number of shares	Percentage	Number	Number of shares	Percentage	Number	Number of shares	Percentage
Public	5 601	305 115 924	77,02	421	25 255 884	6,38	6 022	330 371 808	83,40
Directors and officers of the company and its subsidiaries	14	844 701	0,21				14	844 701	0,21
Other (anything that falls outside the scope of description of these mentioned above)	2	64 929 399	16,39				2	64 929 399	16,39
Total	5 617	370 890 024	93,62	421	25 255 884	6,38	6 038	396 145 908	100,00

** Based on information provided by STRATE and by the company's registrars.*





Notice of annual general meeting

Notice is hereby given that the fifty-ninth annual general meeting of members of Aveng Limited will be held at 19 Impala Road, Chislehurston, Sandton on Friday, 31 October 2003 at 12:00 for the following purposes:

1. To receive and consider the company's annual financial statements for the year ended 30 June 2003.

2. To elect directors in place of Ms L Gcabashe, Messrs BPJ Fourie, KW Meissner-Roloff, BP Steele, PF Crowley, DR Gammie, VZ Mntambo and RB Savage, who retire in accordance with the company's articles of association. The retiring directors, being eligible, offer themselves for re-election.

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

Ordinary resolution No. 1

"Resolved that the annual fees payable to the directors be increased by 9%, rounded to the nearest one thousand rand, with effect from 1 July 2003; so that the directors' fees will be increased from R90 000 per annum to R98 000 per annum; and the additional fees payable for chairing the board, acting as deputy chairman of the board, chairing and serving on sub-committees of the board, serving on the board and audit committees of subsidiaries and attending meetings of such committees, will be increased by a similar percentage."

The motivation for the increase is set out in the directors' report on page 78.

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 condition 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."

Special resolution

"Resolved as a special resolution that the articles of association in the form of the draft which has been tabled at the meeting at which this resolution is proposed and which has been initialled by the chairman of the meeting for the purposes of identification, be and are hereby adopted as the new articles of association of the company in substitution for the existing articles of the company."

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

The reason for and effect of the special resolution is to provide the company with an up to date set of articles of association. The changes incorporate provisions providing for electronic communication between the company and its members. Obsolete articles have been deleted. Mandatory retirement ages have been set for directors with non-executive directors retiring on attaining age 65, and executive directors on attaining age 60.

A draft of the proposed new articles may be inspected at the registered office of the company during normal business hours on business days from 29 September 2003 until the date of the 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 Depositary Participant ("CSDP") or broker and has selected "own name" registration, may attend, speak and vote or abstain from voting 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 or abstain from voting at the annual general meeting in such member's stead.

Notice of annual general meeting (continued)

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 registrars of the company by not later than 12:00 on Wednesday, 29 October 2003.

By order of the board

PH Hansen
Company secretary

Chislehurston, Sandton
12 September 2003

Change of address
Members are requested to notify any change of address to:
Computershare Limited
Investor Services Division
PO Box 61051
Marshalltown, 2107
South Africa

Form of proxy

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

for the fifty-ninth annual general meeting of the company to be held on Friday, 31 October 2003 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 Depositary Participant ("CSDP") or broker who have 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 Friday, 31 October 2003 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 PF Crowley as a director			
2. To re-elect Mr DR Gammie as a director			
3. To re-elect Mr BPJ Fourie as a director			
4. To re-elect Ms L Gcabashe as a director			
5. To re-elect Mr KW Meissner-Roloff as a director			
6. To re-elect Mr VZ Mntambo as a director			
7. To re-elect Mr RB Savage as a director			
8. To re-elect Mr BP Steele as a director			
9. Ordinary resolution No. 1 – Increase in directors fees			
10. Ordinary resolution No. 2 – Unissued shares placed under the control of the directors			
11. Special resolution – adoption of new articles of association			

Signed at on 2003

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 registrars, Computershare Limited, Investor Services Division, 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown, 2107, South Africa), to be received by not later than 12:00 on Wednesday, 29 October 2003.

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 a subregister.**

Corporate information

SECRETARY
PH Hansen

BUSINESS ADDRESS AND REGISTERED OFFICE UNTIL 30 NOVEMBER 2003
19 Impala Road
Chislehurston
Sandton, 2196
PO Box 846, Saxonwold, 2132
South Africa
Telephone +27 11 779 2800
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Telefax +27 11 884 2315

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PO Box 2322, Johannesburg, 2000
South Africa
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Telefax +27 11 772 4000

PRINCIPAL BANKERS
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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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ISIN: ZAE 000018081

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Telefax +27 11 688 7717

COMPANY REGISTRATION NUMBER
1944/018119/06

WEBSITE
www.aveng.co.za

GRAPHICOR
29270

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