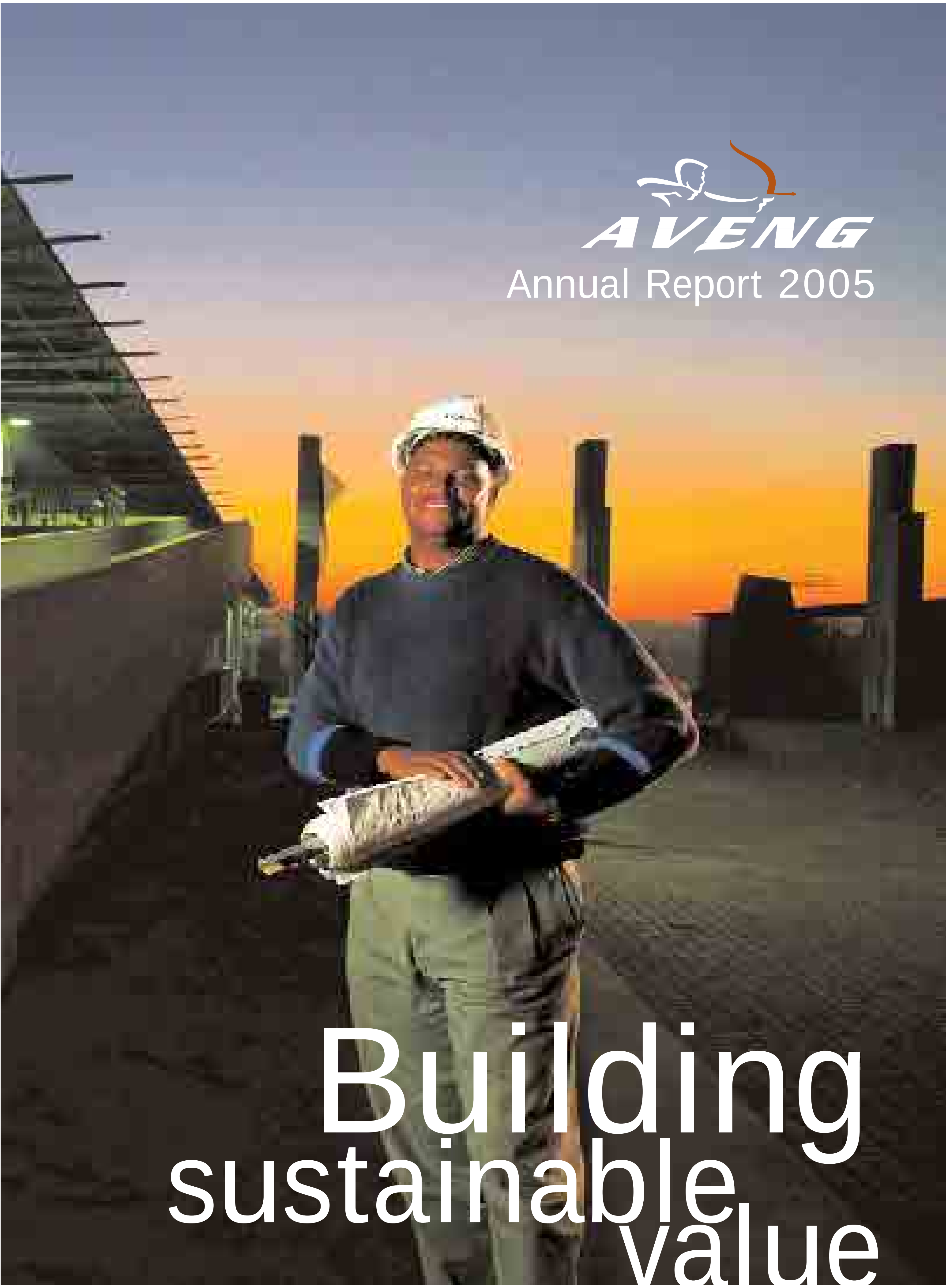

AVENG
Annual Report 2005
Building
sustainable
value

Back to basics

Walter Sisulu Square

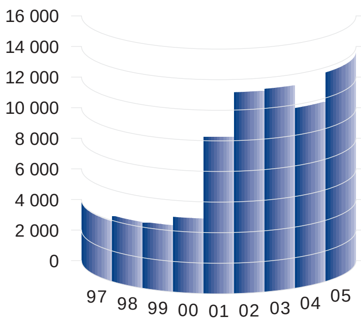
The life of an informal trader is arduous, challenging and often thankless anywhere in the world – a struggle against the odds. But conditions have improved for some 500 traders in and around Walter Sisulu Square in South Africa's iconic Soweto – landmark of the struggle against apartheid – with basic amenities, shelter and security provided – enabling them to earn an income with dignity.

Contents

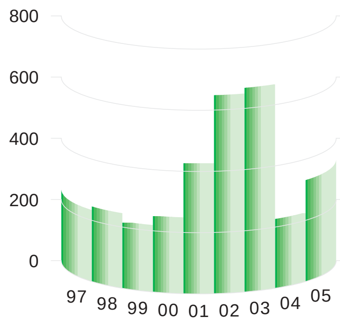
Financial highlights

2004 USDm	**2005 USDm**		**2005 Rm**	2004 Rm	% change
		FINANCIAL RESULTS			
1 712	**2 173**	Revenue	**13 535**	11 740	15
33	**52**	Operating income	**327**	227	44
31	**58**	Headline earnings	**364**	215	69
		ORDINARY SHARE PERFORMANCE (cents per share)			
8,1	**15,0**	Headline earnings	**93,5**	55,3	69
7,1	**15,9**	Earnings	**99,3**	48,5	105
2,0	**3,7**	Dividend	**23,0**	14,0	64
		CASH FLOW			
110	**93**	Net cash generated by operations	**577**	757	(24)
		EXCHANGE RATE			
		Rand to USD – Closing rate	**6,68**	6,28	6
		– Average rate	**6,23**	6,86	(9)
		Rand to AUD – Closing rate	**5,09**	4,33	18
		– Average rate	**4,67**	4,86	(4)

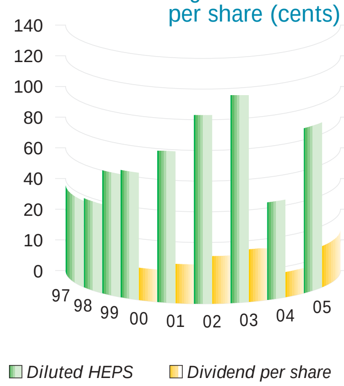
Revenue (Rm)

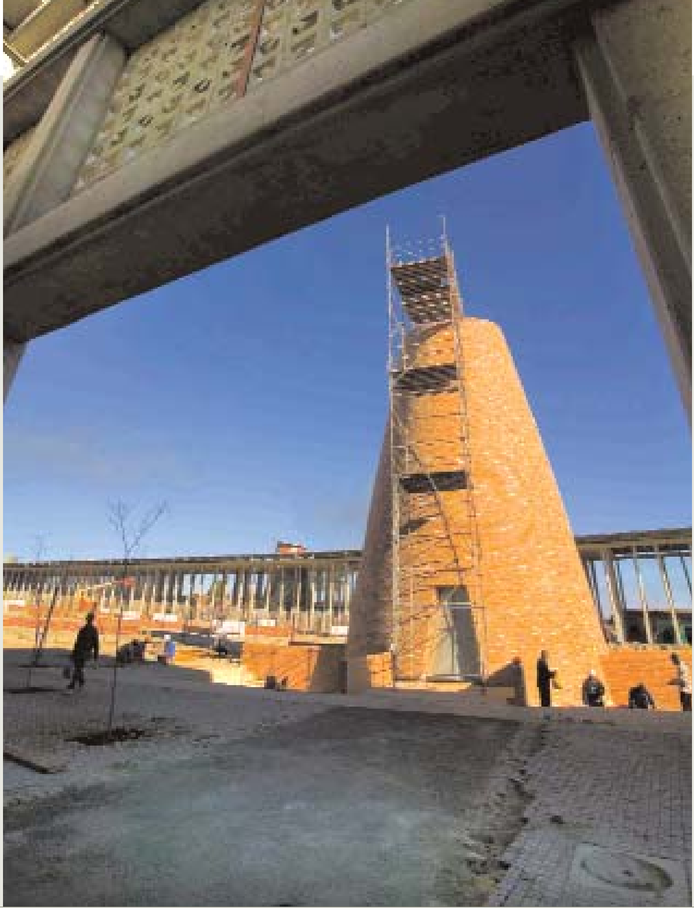


Operating income (Rm)



Diluted headline earnings and dividend per share (cents)





Walter Sisulu Square, Kliptown Soweto

An introduction to Aveng

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".

Pronounced Av-eng (previously Anglovaal Engineering), the group was separately listed on the JSE Limited in July 1999. Aveng does not have a controlling shareholder, being broadly held by the public and institutional shareholders with 24%* held indirectly by previously disadvantaged individuals. The group's free float exceeds 95% and its liquidity is good with 73% of the company's shares having traded in 2005.

Aveng boasts a proud South African heritage going back 116 years to a small construction company owned by James Thompson on the corner of Main and Rissik Streets, Johannesburg. Today the group provides jobs to 29 168 people, 23 629 being employees of the group, including the Holcim (South Africa) employees, and 5 539 labour-only subcontractors. It has expanded internationally to pursue its vision to be a "globally-competitive construction-related group focused principally on the developing world". Last year Aveng worked in 39 countries, and is rated by the authoritative 2005 Engineering News Review report as one of the world's top 100 international contractors.

Because of the cyclical and country-specific risks associated with construction, Aveng has sought to balance its construction interests geographically

**Per EmpowerDex*
(June 2004/Financial Mail Top 200 Companies)

and through an increased exposure to the stabler earnings profiles of its South African-based steel beneficiation and cement manufacturing businesses.

The group's **construction** cluster is made up of **Grinaker-LTA Construction**, focused on southern and central Africa, and **McConnell Dowell Corporation**, an Australian-based construction company, active in Australia, Oceania and South-east Asia. Grinaker-LTA Process Engineering enables the project management cluster to offer a comprehensive range of engineering and project management services to mining and energy sector clients. Successful construction projects include power stations, pipelines, mines, casinos, shopping malls, roads, dams, harbours and a wide range of other commercial and industrial installations. While the group continues to execute a broad range of projects, strategic construction capability is increasingly being focused around serving the mining, energy and heavy infrastructure markets.

The **steel and allied** strategic cluster is made up of **Trident Steel** and **Grinaker-LTA Manufacturing** and the Aveng corporate office. It has a presence in the major cities across South Africa, offering services that include supplying shaped blanks (eg steel cut to the shape of a car door) to the motor industry, a variety of steel and concrete products to the mining industry, specialised steels to the manufacturing sector and a broad range of structural and concrete reinforcing steel products to the construction industry. It also supplies Spoornet with rail sleepers and a range of maintenance services for rail infrastructure.

Aveng's **cement** interests comprise a 46% stake in **Holcim (South Africa) (Pty) Limited** with the remaining 54% being held by Holcim Limited – the world's second-largest cement manufacturer which operates in over 70 countries. Holcim (South Africa) owns three cement factories and the associated production facilities, a number of large aggregate operations and a broad network of ready-mixed concrete plants.

The Aveng board is headed by an independent non-executive chairman with a predominance of independent non-executive directors. The company complies with King II recommendations on corporate governance and senior executives commit annually to a rigorous 10-point code of business conduct.

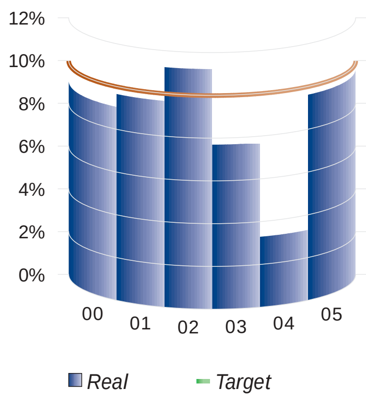
Aveng was one of 51 founding constituents of the Social Responsibility Investment (SRI) index launched by the JSE Limited and has maintained its membership since then. Aveng also led the way in the construction and steel industries by being the first significant group to conclude a high-level black economic empowerment transaction. A broadly-based consortium led by TisoGroup holds a 25% interest in Grinaker-LTA Limited and Trident Steel Holdings (Pty) Limited.

At its core, Aveng is a group of dedicated people working together. It has a history, a corporate character, a soul. The hunter in Aveng's corporate emblem harks back to its South African roots and personifies the entrepreneurship and passion of its people. As a marksman, the hunter portrays an ongoing quest for excellence and a 'straight-shooting' integrity. We are Aveng and these are the values on which we seek to build our future.

Ernst & Young headquarters, Durban

Financial objectives

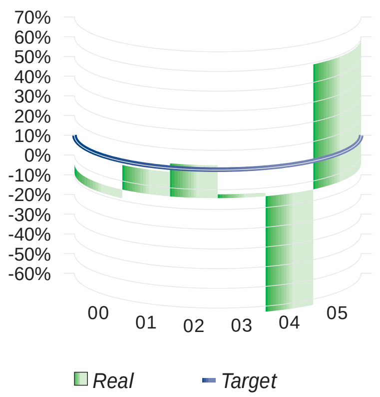
		Average	2000	2001	2002	2003	2004	**2005**
1. RETURN ON AVERAGE EQUITY								
	Actual	15,1%	16,2%	17,2%	18,4%	17,2%	8,1%	**13,4%**
	CPIX	6,7%	7,1%	7,5%	7,1%	9,5%	4,8%	**3,9%**
	Real	8,4%	9,1%	9,7%	11,3%	7,7%	3,3%	**9,5%**



TARGET

To achieve a long-term return on average equity of CPIX + 10%

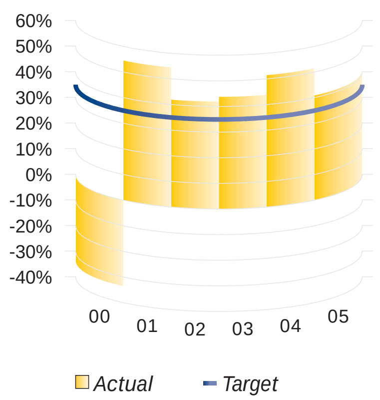
		Average	2000	2001	2002	2003	2004	**2005**
2.	*GROWTH IN DILUTED HEADLINE EARNINGS PER SHARE*							
	Actual	12,2%	3,3%	19,9%	23,7%	10,5%	(53,3%)	**69,1%**
	CPIX	6,7%	7,1%	7,5%	7,1%	9,5%	4,8%	**3,9%**
	Real	5,5%	(3,8%)	12,4%	16,6%	1,0%	(58,1%)	**65,2%**



TARGET

To achieve a long-term average annual growth in diluted headline earnings per share of CPIX +10%

		Average	2000	2001	2002	2003	2004	**2005**
3.	*NET DEBT-TO-EQUITY RATIO*							
	Actual	33,5%	(33,6%)	54,6%	42,4%	43,8%	54,0%	**39,8%**



TARGET

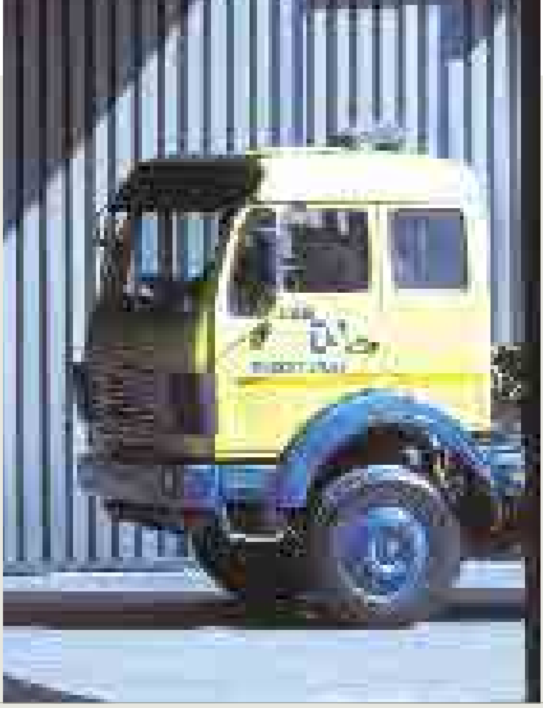
To achieve a net debt-to-equity ratio of 35% in the longer term

Holcim Jukskei quarry

Five-year financial review

	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm
		Years ended 30 June			
CONSOLIDATED BALANCE SHEET					
Property, plant and equipment	**1 858**	1 891	1 923	1 770	1 464
Goodwill and other intangibles	**762**	718	959	1 076	1 051
Investments	**691**	555	526	508	619
Deferred tax	**143**	66	30	22	
Inventories and receivables	**4 638**	3 905	4 244	4 270	2 648
Cash and cash equivalents	**858**	746	674	679	368
Total assets	**8 950**	7 881	8 356	8 325	6 150
Deferred tax	**28**	28	53	89	77
Payables	**3 969**	3 256	3 317	3 564	2 323
Interest-bearing borrowings	**2 023**	2 097	1 988	1 868	1 563
Total liabilities	**6 020**	5 381	5 358	5 521	3 963
Net assets	**2 930**	2 500	2 998	2 804	2 187
Total ordinary shareholders’ funds	**2 921**	2 495	2 823	2 555	1 842
Convertible debentures					171
Total ordinary shareholders’ funds	**2 921**	2 495	2 823	2 555	2 013
Minority interests	**9**	5	174	249	174
Total shareholders’ funds	**2 930**	2 500	2 997	2 804	2 187
CONSOLIDATED INCOME STATEMENT					
Revenue	**13 535**	11 740	13 244	13 185	10 317
Operating income before depreciation	**711**	620	1 047	1 008	723
Depreciation	**384**	393	375	364	292
Operating income	**327**	227	672	644	431
Net financing costs	**(159)**	(215)	(262)	(194)	(111)
Income from associates	**271**	184	155	114	100
Amortisation of goodwill	**(2)**	(46)	(60)	(53)	(66)
Non-trading items	**23**	19	193	(5)	7
Income before taxation	**460**	169	698	506	361
Taxation	**(71)**	19	(101)	(120)	(79)
Minorities	**(2)**	1	(10)	(23)	(14)
Earnings	**387**	189	587	363	268
Headline earnings adjustment	**(23)**	26	(125)	58	59
Headline earnings	**364**	215	462	421	327
CONSOLIDATED CASH FLOW STATEMENT					
Cash available from operating activities	**342**	435	302	296	379
Dividends paid	**(54)**	(124)	(112)	(79)	(63)
Net cash from operating activities	**288**	311	191	217	316
Net cash (used in)/from investing activities	**(151)**	(299)	(313)	(212)	(2 025)
Net cash from/(used in) financing activities	**861**	(55)	153	49	529
Net increase/(decrease) in cash and cash equivalents	**998**	(43)	31	54	(1 180)
SHARE PERFORMANCE (cents per share)					
Headline earnings	**93,5**	55,3	118,6	111,2	99,4
Diluted headline earnings	**93,5**	55,2	118,6	107,3	86,8
Earnings	**99,3**	48,5	150,9	95,7	81,6
Diluted earnings	**99,3**	48,5	150,9	92,4	71,5
Cash flow	**166,3**	207,6	185,7	173,6	206,7
Net asset value	**737,4**	629,8	712,6	645,0	517,2
Dividend	**23,0**	14,0	30,0	27,0	22,5
Closing share price	**1 235**	740	880	800	765

	Years ended 30 June				
	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm
Returns and productivity					
Borrowings – decrease (increase)					
in net borrowings (Rm)	**(185)**	37	125	(5)	1 825
– net debt to equity (%)	**39,8**	54,0	43,8	42,4	54,6
CPIX (%)	**3,9**	4,8	9,5	7,1	7,5
Current ratio (times)	**1,2**	1,0	1,1	1,0	0,9
Dividend cover (times)	**3,9**	3,9	3,9	3,9	4,1
Effective tax rate (%)	**42,4**	N/a	24,5	26,6	24,6
Margin – gross (%)	**14,0**	14,4	17,0	15,7	16,1
– ebit (%)	**2,4**	1,9	5,1	4,9	4,2
– ebitda (%)	**5,3**	5,3	7,9	7,6	7,0
Net interest cover (times)	**3,6**	2,0	3,2	3,9	3,9
Property, plant and equipment					
– expansion (Rm)	**261,8**	244,6	403,8	315,6	324,8
– replacement (Rm)	**206,5**	168,5	423,8	387,5	211,3
Return on average capital employed (%)	**14,2**	9,9	18,2	19,2	20,8
Return on average equity (%)	**13,4**	8,1	17,2	18,4	17,2
Revenue per employee R000 (Rm)	**627,1**	600,9	612,2	550,8	462,8
Total liabilities as a % of total shareholders' equity (%)	**205,5**	215,2	178,8	196,9	181,2
Total shareholders' funds to total assets (%)	**32,7**	31,7	35,9	33,7	35,6
Number of employees	**21 582**	19 538	22 875	23 939	22 291
Number of shares (million)					
In issue	**396,1**	396,1	396,1	396,1	356,1
Weighted average	**389,2**	389,2	389,3	378,6	328,5
Diluted weighted average	**389,2**	389,2	389,3	392,3	383,4
STOCK EXCHANGE PERFORMANCE (cents per share)					
Market value per share					
– at year-end	**1 235**	740	880	800	765
– highest	**1 344**	995	1068	880	869
– lowest	**700**	703	740	615	570
– volume weighted average price	**1 080**	821	886	779	685
Earnings yield (%)	**5,6**	12,4	13,2	11,4	11,2
Dividend yield (%)	**1,1**	4,1	3,1	3,4	2,9
Market capitalisation at closing prices (Rm)	**4 892,4**	2 931,5	3 486,1	3 169,2	2 724,4
Price earnings ratio at year-end	**18,0**	8,1	7,6	8,7	8,9
Value of shares traded (Rm)	**3 114,0**	2 002,9	1 394,3	1 465,9	879,5
Number of shares traded (million)	**288,4**	244,0	157,4	189,9	135,5
Average price per share traded (cents)	**1 080**	821	886	772	649
Percentage of market capitalisation traded (%)	**63,6**	68,3	40,0	46,3	32,3
Liquidity (%)	**72,8**	61,6	39,7	47,9	34,2
Weekly rand volume (Rm)	**60**	38	27	28	18
Rand to AUD					
Closing	**5,09**	4,33	4,98	5,85	4,11
Average	**4,67**	4,86	5,24	5,26	4,11
Rand to USD					
Closing	**6,68**	6,28	7,47	10,37	8,05
Average	**6,23**	6,86	9,00	10,04	7,44



Large jacket for oil industry fabricated on Grinaker-LTA site in Port Harcourt, Nigeria

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 will perform their duties conscientiously, honestly and in accordance with the best interests of the group and its shareholders.

- Employees will not derive **personal advantage** from their position in the group, nor will they acquire any business interest which could divert their energy from group responsibilities. They will not participate in any activity that is potentially in conflict with group interests or which could be perceived to impair their independence. Employees will not accept gifts, hospitality, or other favours from suppliers or potential suppliers of goods or services which, in the view of their immediate line superior or colleagues, would be unwise, potentially sending the wrong message to subordinates and/or placing the recipient or the group under perceived obligation.

- Group funds, property and assets will be used only for legitimate business purposes. **Strict internal controls** and governance procedures of the highest order will be introduced and 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 International Financial Reporting Standards, 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, right to freedom of association and absolute privacy in this regard will be respected. Harassment of any form, including sexual harassment, will be viewed in a very serious light and appropriate disciplinary action taken.

- Aveng's **people** are unquestionably its most important asset. Safety is paramount, never compromised in the pursuit of any other objective. Through careful selection, ongoing development, performance-based management and fair reward, every person in our group will be encouraged to realise their full potential. Exceptional commitment to the group's core values of integrity, quality, and entrepreneurship will be appropriately rewarded.

- Aveng will strive to be a leading **corporate citizen**, working with 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 will promote 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 build an atmosphere of openness and trust through regular, timeous and courteous **communication** with all stakeholders.

La Marie Water Treatment Project

Organisational chart

AVENG

CEO: Carl Grim
FD: Dennis Gammie

McConnell Dowell Corporation	Construction	Opencast mining	Process Engineering	Manufacturing	Trident Steel	Holcim (South AFrica)
100%	75%	75%	75%	75%	75%	46%
David Robinson	Howard Jones	Brian Wilmot	Nick Bell	Doug Keet	Ben Fourie	Karl Meissner-Roloff
Civil and Marine	Building and Property Development	South African Operations	Metallurgical Operations	Steeledale	Merchanting	Dudfield Factory
Mechanical and Pipelines	Mechanical and Electrical	West African Operations	Engineering Services	Infaset	Automotive	Ulco Factory
Electrical Maintenance	Civils, Roads and Earthworks and Underground Contracting	East African Operations	Project Management	Duraset	Cutting	Bending Depots
		Marikana Mine	MegChem (50%)	Lennings Rail	Coastal Branches	Stone and Sand Quarries
					Trident Sterling Tube	Ready Mix Concrete
					Trident Specialty Steels	Slagment
						Tanga Cement (62,5%)

Engineering, Construction and Mining Contracting Cluster (McConnell Dowell Corporation, Construction, Opencast mining, Process Engineering)

Steel and Allied Cluster (Manufacturing, Trident Steel)

Cement (Holcim (South AFrica))

Countries of operation

Specific countries specified on page 70.

Telfer gas pipeline, Port Hedland, Western Australia

Behavioural values

A company's behavioural values link talk and action. Talk defines policies and commitments. The way in which this talk is translated into action defines the company and its values.

Some years ago, Aveng conducted an exercise to identify those behavioural values, expressed through common practice, that had become entrenched in the group's subsidiaries. After extensive discussion, three words emerged that in broadest terms define Aveng's understanding of desirable corporate behaviour – or more colloquially "the way we believe things should be done around here".

The first of these, 'integrity' came up repeatedly as the value of primary importance to our people. Integrity does of course fundamentally impact on the reputation of the group and therefore on its very existence. Without it we would not have a business because the best people, be they employees, customers, suppliers or shareholders, will not want to be associated with Aveng. Any action by an employee that could potentially undermine the group's integrity is therefore viewed in a very serious light and could result in dismissal. The two remaining values of 'quality' and 'entrepreneurship' emerged as less fundamental, being more aspirational in nature as they drive business decisions, and set the standards for desirable behaviour across the group.

INTEGRITY: "WALKING THE TALK"

With integrity increasingly becoming a platitude in business parlance, we have sought to carefully define our own brand of integrity in a very specific 10-point code of business conduct, published in the early pages of this report.

These 10 directives are the group's 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 deliver value for our customers, provide a challenging work environment for our people and make money for shareholders.

At the beginning of each year this code is formally committed to by the directors of Aveng and its principal subsidiaries and by members of the executive committees of its operating groups and business units. Integral to this process is a commitment to communicate the contents of the code and its broader implications widely within the group's operating divisions.

Management practitioners will understand that commitment at the top is relatively easy to achieve, while actual day-to-day practice deep down in the organisation is very much more difficult to control. As a relatively decentralised group, with over 24 000 people spread across hundreds of sites in dozens of countries, value-driven leadership at all levels is imperative. A clearly defined corporate conscience enables employees to intuitively know what actions are acceptable and which are not. Furthermore, the clear code of business conduct protects employees from the possible unscrupulous behaviour of superiors.

Simply stated, we understand integrity to mean being honest with ourselves and with others, caring for the company, respecting fellow human beings and delivering on our undertakings.

QUALITY: "BEING THE BEST AT WHAT WE DO"

Quality as a behavioural value is about acting professionally, winning work and then doing the finest job possible. It is about a passion to be the "best at what we do". Since no one can be the best at everything, it requires each business entity to continually seek and develop commercially-viable 'best in class' capabilities that have the potential of adding real value for customers and thereby making money for shareholders. Underpinning 'quality' as a value is the need for disciplined, systematic and compliant behaviour. This includes complying with the onerous requirements of group quality, safety and environmental codes of practice, a host of corporate governance standards and specific job-related customer requirements.

In addition, quality is about continuous improvement. Without a passion to constantly improve our game, we will not be able to stay at the top.

ENTREPRENEURSHIP: "MAKING MONEY"

In our language entrepreneurship means "treating this business as if it is my own, being diligent and cost conscious in the way I manage it and being creative in finding ways to grow it further and make more money." Succinctly, it's about 'getting out there, making profit and collecting the cash' – something drilled into our business entities by their entrepreneurial forebears.

Large businesses have the important advantages that come with scale. Highly debilitating, however, is the bureaucracy that often accompanies size. Sense of ownership and destiny is lost and a 'cog in a big machine' mentality develops.

Aveng continually strives to avoid this trap by structuring relatively small and autonomous business units, and even smaller teams within these units, each with clearly-defined authority levels and accountability criteria. Innovative thinking is encouraged and a sense of ownership is promoted through performance-based incentives in the form of annual bonuses and longer-term phantom share schemes linked directly to business entity profitability.

Decentralised decision making brings enormous competitive advantage but does need to be underpinned by strong centralised support services, standardised processes and stringent reporting disciplines.

The entrepreneur's making money mindset that we seek to promote is the antithesis of bureaucratically-oriented thinking that attempts to protect 'status' in the organisation. Reward structures need to be delinked from traditional job grading, giving the flexibility to reward the best people appropriately and utilise their skills optimally.

Each year, over 11 000 people, predominantly young black South Africans, benefit from a comprehensive range of employee training initiatives, in addition to the formal development offered by company-supported tertiary training and apprenticeships. For Aveng, this is a crucial investment in human talent and a resource that will be the cornerstone of our continued growth.

Human capital investment

Market review

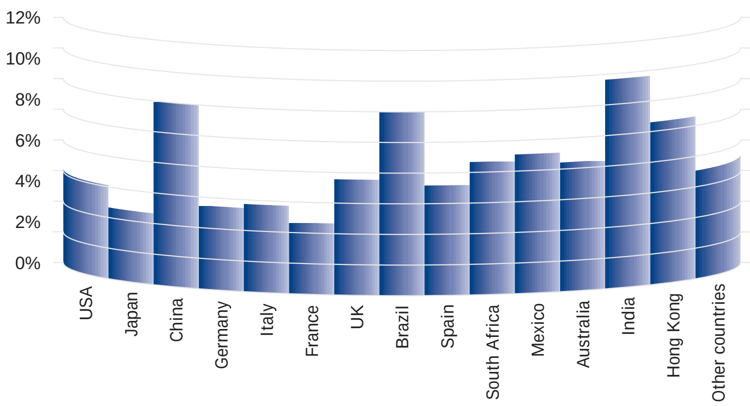
INTERNATIONAL (DEVELOPING WORLD) CONSTRUCTION

The construction sector accounts for around one-tenth of the world's gross domestic product, 7% of employment, half of all resource usage and up to 40% of energy consumption. It has a profound impact on our daily lives as it produces the buildings we live and work in, the roads and bridges we drive on, the utility distributions systems we use, and the railways, airports and harbours we travel and trade from.

The construction industry is a key indicator and driver of economic activity and wealth creation. Global construction spending reached nearly USD4,2 trillion in 2004, a 4,6% increase over 2003, with future growth rates expected to exceed 5% annually over the next four years. Increased spending on infrastructure and non-residential development is largely driving this growth. The US market still dominates the global scene as the largest national construction market, but China will soon replace Japan as the second largest. Australia is currently the 12th-largest construction market globally, and together with China, India and Brazil is expected to show above 6% growth in construction activity up to 2008.

Internationally, construction companies continue to diversify into services and concession activities, looking towards a volume of recurrent activity with higher gross margins. This results in a handful of very large firms that are slowly evolving. As an example, Vinci of France is nearly 10 times the size of the 50th largest and 20 times the size of South Africa's largest. Medium-sized players, like Grinaker-LTA's, are better positioned to serving niche markets in specific industries and geographic locations and working, where appropriate, in alliances with international partners. The latest ranking list of the (ENR) confirms Grinaker-LTA's status as an international contractor of repute, albeit at a lower ranking as a result of a greater local focus. Interesting emerging trends that are important to us as we usually lag global trends by two to three years, are the continuing and developing use of private financing for infrastructure projects, an attempt to be involved earlier in the definition of projects to improve their added value, and alliancing and risk sharing between contractor and client.

Average annual growth of construction spending 2004 to 2008



Source: DSLI

Top international contractors

(Based on work done outside the home country)

Rank 2005	Rank 2004	Company
1	2	Hochtief AG, Germany
2	1	Skanska AB, Sweden
3	6	KBR, USA
4	3	Vinci, France
5	4	Bechtel, USA
6	5	Bouygues, France
7	7	Technip, France
12	13	Fluor Corp, USA
15	20	Grupo ACS, Spain
18	19	Consolidated Contractors, Greece
21	25	Construtora Norberto Odebrecht, Brazil
23	14	Foster Wheeler Limited, Clinton, NJ, USA
24	26	Balfour Beatty plc, UK
44	39	FCC, Spain
46	44	Leighton Holdings Limited, Australia
62	45	Grinaker-LTA Limited, South Africa
95	**	Clough Limited, Australia
115	78	McConnell Dowell Corp, Australia

Source: ENR

Our review of world construction concentrates on four main developing regions namely Africa, the Middle East, Asia Pacific and Australasia.

The **African** construction market picked up during 2004. Bright prospects are to be found in parts of North Africa, in particular the countries on the Mediterranean coast (including Libya and Algeria) which are experiencing relatively rapid growth in construction spending. Investment of USD35 billion is expected in Libya over the medium term, targeted at development in the residential, tourism and infrastructure sectors. In sub-Saharan Africa, excluding South Africa, construction markets continue to be problematic as a result of capital flight, the HIV/Aids epidemic and political instability, and complaints about inequitable competition from particularly Chinese contractors. The ability to be highly country- and project-selective and understanding the risk is key in operating in these markets. In the southern part of the continent, Zimbabwe is expected to continue to suffer from turmoil, but in South Africa, with high economic growth and expected increased state spending on infrastructure, prospects are encouraging.

In the **Middle Eastern** region-population growth, the ageing of oil boom-financed infrastructure, the information technology revolution and energy requirements of expanding heavy industry all drive massive infrastructure requirements. Key areas of need include electricity, water, telecommunications and transport, including roads, rail and ports. By 2006, Gulf economies will require USD40 billion for new electricity-generation infrastructure. The public sector in this region has budget allocations worth millions of dollars for this development. The private sector is even more ambitious, with the focus throughout the region firmly on hotels, leisure and commercial developments, shopping malls, apartment blocks, residential developments and office towers, as the growth and significance of the tourism trade continue at a rapid pace. While some countries experience problems and conflict, the UAE and Qatar continue to buck the trend with strong growth predicted up to 2008.

The **Asian** market is again experiencing rapid growth after several years of economic difficulty. China, India, Korea and Thailand are expected to achieve the fastest growth rate in the region, but competition is strong. Reconstruction following extensive tsunami damage is likely to stimulate construction spending in other areas where countries are replacing damaged infrastructure and repairing tourist facilities. China is currently spending 20% of its GDP on construction and accounts for 30% of global steel consumption.

Construction spending in both **Australia** and **New Zealand** continues to increase, with Australia expecting growth in excess of 6% per annum up to 2008. Infrastructure continues to account for the major share of total industry activity with 35% of all industry turnover derived from infrastructure projects, up from less than 25% a decade ago.

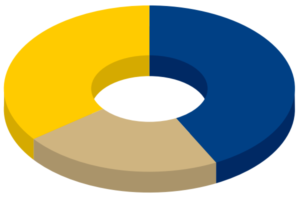
CONSTRUCTION

Twin jetty project, Jurong Island, Singapore

AUSTRALIA

Australia's construction industry is a significant driver of domestic economic activity and, according to figures of the Australian Contractors Association, the industry turns over AUD80 billion per year and contributes 7% of the country's GDP. By comparison, this is around four to five times the size of the South African construction sector.

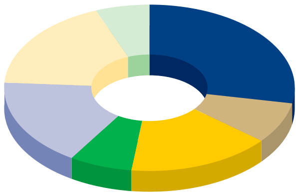
Total construction
(Value: AUD80 billion, 2004)



- *Residential building 42%*
- *Non-residential 22%*
- *Engineering and construction 35%*

Source: ABS

Engineering and construction
(Value: AUD28 billion, 2004)



- *Roads and highways 28%*
- *Bridges, harbours and railways 8%*
- *Electricity 16%*
- *Water and sewerage works 7%*
- *Telecomms 17%*
- *Resources 18%*
- *Recreation and others 6%*

Source: ABS

Consistent with strong project pipelines, the nation's leading construction companies are forecasting that growth in engineering construction and non-residential building activity will continue at solid levels over the next two years. Engineering and infrastructure construction will remain a key driver of growth, reflecting continued high levels of work on road and rail projects. Equally, solid growth is also expected in power infrastructure, and sewerage and water-supply projects. The transmission and telecommunication sectors are expected to pick up in 2005 and continue to do well over the following years, driven by data and broadband markets.

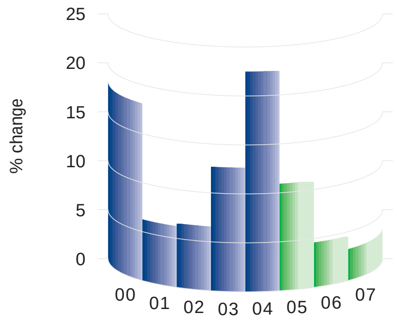
Consistent with buoyant resources investment, mining sector work is set to expand strongly over the next two years, underpinned by key mining projects in gold, coal, nickel and iron ore. Robust heavy industrial resource construction, particularly in large-scale oil and gas projects and heavy manufacturing plants (eg alumina) is also predicted, consistent with strong global (notably Chinese) demand and high commodity prices.

The major impediment to growth in this market is the supply shortage of skilled labour, exacerbated by a strong union movement that makes the importation of skills difficult.

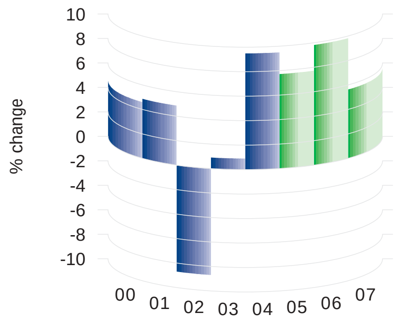
SOUTH AFRICA

The South African construction industry accounts for about 0,3% of the global industry. However, it remains significant in Africa and important due to its substantial home-grown capability in firms such as Grinaker-LTA. It is an industry very dependent on trends in fixed investment (capital formation), which for a long period have declined, but have recently started to edge up to better levels.

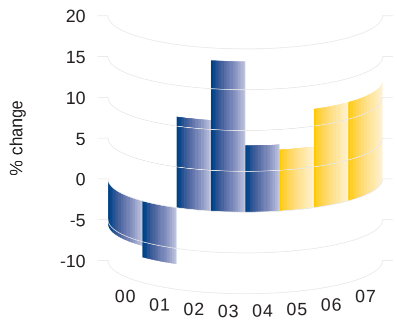
Residential buildings investment



Non-residential buildings investment



Construction works investment



Source: SARB, Aveng

The South African economy is enjoying a period of low interest rates, low inflation, higher disposable income and a stronger currency. Expectations are that GDP will show average growth in the region of 4% over the next three years.

Total construction activity increased annually by over 10% since 2002, fuelled largely by sustained high growth in residential building activity, on the back of low interest rates. This sector seems to be cooling, with non-residential activity picking up as capacity constraints arise. Equally, civil construction has been erratic, and as a result total construction fixed capital formation as a percentage of GDP has remained at previous levels of around 17%.

Government and state-owned enterprises have recently committed to projects that will increase fixed investment spending, lifting the public sector contribution to total fixed investment. The government's 2005 medium-term expenditure framework plan which excludes parastatals seems to indicate that the industry will benefit from a R165-billion investment programme over the next three years.

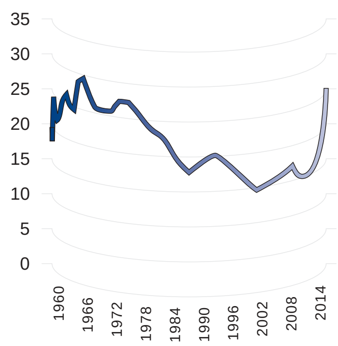
Government infrastructure spending focus

- R20 billion for housing
- R13 billion for provincial infrastructure backlogs
- R21 billion for municipal infrastructure
- R3 billion for prison upgrades
- R3 billion for community infrastructure
- R4 billion for public sector office accommodation
- R2 billion for dams and water services
- R3 billion for public transport infrastructure
- R4 billion for a hospital revitalisation programme
- The balance on normal infrastructure development, upgrades and maintenance, mainly by provinces and municipalities.

In addition, the 2005 budget review mentions significant infrastructure spending by state-owned enterprises, particularly Eskom and Transnet. The former plans investment of R56 billion over the next three years, with recommissioning of previously-mothballed plants and new greenfields power plants high on the agenda, as well as concomitant transmission and distribution lines. Transnet, in turn, is finalising its investment plan for the next few years, but corridor-linked rail infrastructure, port and container terminal expansions and a Durban-Gauteng petroleum products pipeline are examples of anticipated new infrastructure projects that could total R30 billion over the next three years.

The combined public sector spending could result in a real growth rate of higher than 8% per annum in civil engineering and other construction, and, if maintained at this level, will double the size of the industry in 10 years, and increase capital formation to more acceptable levels of total GDP. This higher level of activity is eagerly anticipated by the total construction industry and while specific high-profile projects such as Gautrain, facilities for the World Cup 2010, airport upgrades and the like are significant, it is the total volume of work and money invested across the whole spectrum of assets that bodes well for construction firms of all sizes.

Gross fixed capital formation as a percentage of GDP



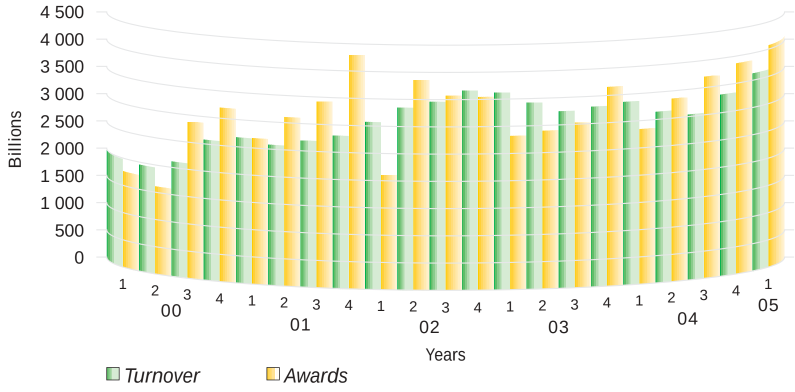
Source: SARB, Aveng

Two Rivers Platinum Mine, Mpumalanga

Given this positive outlook for public spending and assuming that private sector fixed investment continues as a result of solid economic growth and fiscal stability, South Africa should see boom times in the construction industry over the next 10 years.

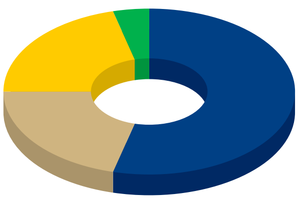
This is illustrated by, for example, the value of civil engineering contract awards increasing by 20% during the 12 months leading to the first quarter of 2005 compared to the same period of 2004.

Civil engineering



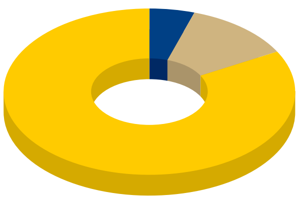
Source: Safcec

Aveng construction – divisional revenue
(Total revenue – R8,5 billion)



GLTA construction 54%
MDC 21%
GLTA mining contracting 21%
GLTA engineering and project management 4%

Domestic market share
(Market – R85 billion)



Aveng 5%
Other listed groups 12%
Other companies 83%

STEEL

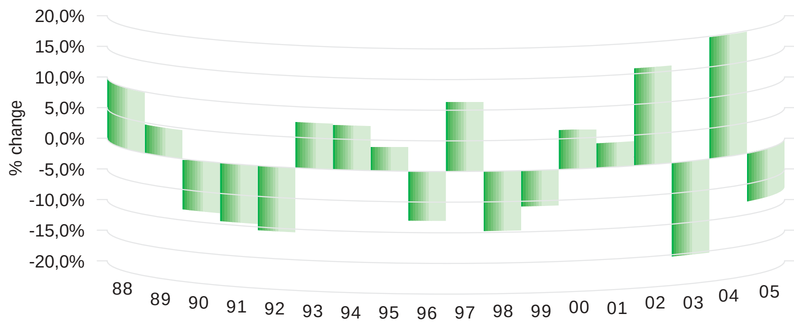
Emperor's Palace Phase 9 and 10, Johannesburg
South Africa

SOUTH AFRICA

South Africa is ranked the 20th-largest crude steel-producing country in the world by the International Iron and Steel Institute (IISI) and ranks in the top 10 in the world as a net exporting country (exports imports) of primary steel. South Africa is also the largest steel producer in Africa, producing 57% of the total crude steel production of the continent during 2004. Total South African crude steel production amounted to 9,4 million tons in 2004, with local sales amounting to 4,5 million tons. Of this, around 45% is distributed by the South African steel merchanting industry.

Poor performance in manufacturing, the largest end-user segment of the local steel industry, and relatively low growth in other key markets (other than automotive) during the first half of 2005, resulted in a decline in overall local steel sales over the period. Expected growth over the whole 2005 period is likely to be negative, thus perpetuating the steel cycle in the local economy. The very pronounced highs and lows in steel sales in recent years continue to make planning and budgeting processes difficult for local distributors and merchants, but they are not unlike similar situations in the period 1996 to 1998.

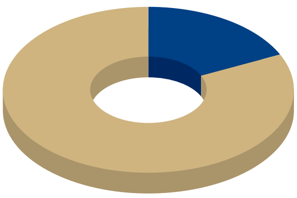
South African steel cycle (apparent consumption)



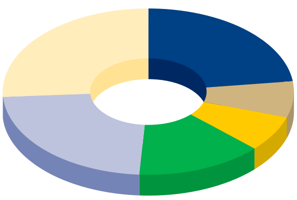
Source: SAISI

After a subdued performance in the first quarter of 2005, the manufacturing sector made a spectacular turnaround in the second quarter to show its largest growth rate since 2000. This will provide a new impetus for steel sales as stock levels are wiped out and a new resilience in the manufacturing economy is experienced. Added to this, Mittal Steel SA announced that domestic prices of its flat steel products would decline by an average of 6,6% from August 2005, following an earlier decision not to increase prices in May 2005. This is in line with the drop in benchmark international steel prices in comparable markets.

Domestic steel market share (2004/5)
(Market – 4,3 million tons)



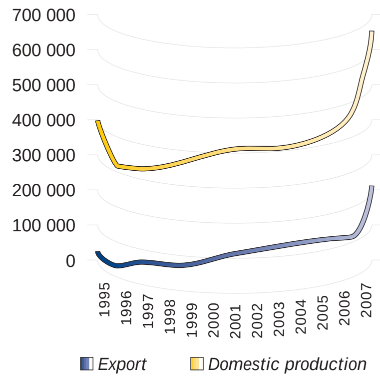
Steel market segments (2004/05)



Source: SAISI

Domestic production of motor vehicles will exceed 500 000 during 2005 and is expected to increase to 650 000 by 2007, giving further impetus to the local vehicle manufacturing sector's prominence in world terms. Exports of vehicles are expected to double from recent levels to over 200 000 units by 2007 – a growth of 25% per annum over the last decade. This forecast situation will be positive for Trident Steel, a prominent supplier to the sector.

Vehicles – domestic production
and export (number of vehicles)



Source: Naamsa

CEMENT

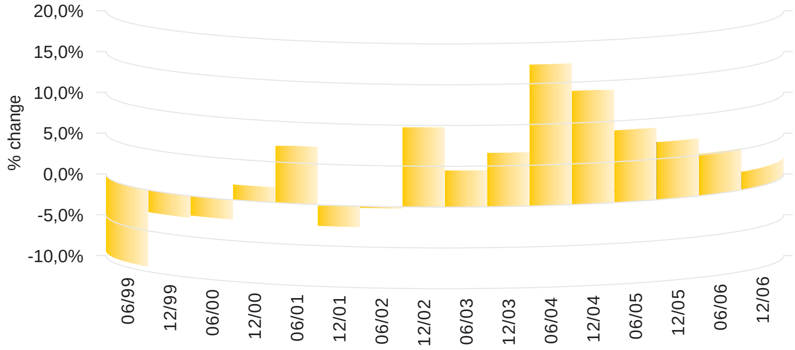
Dudfield Cement Plant, Lichtenburg

SOUTH AFRICA

Over the past 50 years, the South African economy has experienced periods of high (5% per annum) and low (1,5% per annum) growth, under varying scenarios of investment spending, interest and inflation rates. The cement industry has grown, over this period, from a 2,0-million ton industry in the 1950s to an industry expected to produce nearly 12,5 million tons of cementitious product in 2005. On average, this is a 3% growth trend line over five decades. While periods of high cement sales growth have occurred in the past, the upward trend in the most recent past up to 2005 has been exceptional.

This has largely been driven by the positive alignment of a number of well-known and often-reported factors that have boosted consumer demand for cement resulting in residential building and domestic alterations and improvements. It is estimated that currently some 50% of all cement demand is accounted for by consumer-driven home building and improvement activities.

Cement sales – Six-monthly change year on year



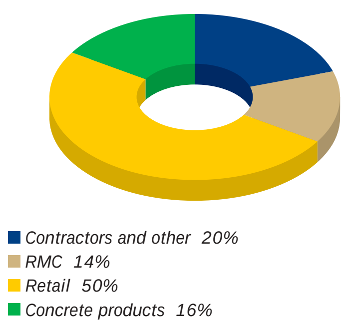
Source: Aveng

Within this market environment, it is not surprising that sales to retailers serving smaller contractors and the DIY sector, and to readymix producers, operating mainly in metropolitan areas, have shown good growth trends.

The latest statistics on buildings completed continue to show high growth in all areas. At the lower end of the market, government's housing programme has delivered 1,8 million houses over the last decade, and this performance is expected to be repeated in the next decade. Current growth is fuelled by the middle-income housing market, and a slow upsurge in non-residential building. Most observers believe this market is likely to taper off, but disagree on timing and extent. While higher growth in civil construction is materialising, it must be noted that this sector is considerably less cement-intensive (the multi-billion Gautrain project is estimated to use less than 1% of current cement consumption).

Up to 2006, average cement sales growth of between 4% and 5% per annum is forecast, when supply constraints are likely to materialise.

Cement end users



Board of directors

Phil Erasmus (64)

Independent non-executive director
Deputy chairman of the board
Member of the remuneration and nomination committees

Phil Erasmus is the retired chief executive officer 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.

Richard Savage (62)

MCom
Independent non-executive director
Chairman of the board and remuneration committee
Member of the audit and risk, nomination and tender risk evaluation committees

Richard Savage was previously managing director of Haggie Limited. He joined Anglovaal in 1991 and was appointed managing director of Anglovaal Industries Limited 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 Holcim (South Africa) (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.

Carl Grim (54)

Pr Eng, BSc Eng (Civil), BA, MBA, MSAICE, FSAAE
Chief executive
Member of the tender risk evaluation and executive committees
7 years' service

Carl Grim acquired varied on-site experience in the construction industry before joining Darling & Hodgson Limited as marketing manager of its materials division in 1982. Following a five-year appointment as general manager of the Cape Ready Mixed 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.

Concurrent with the unbundling of Anglovaal in 1998, Carl resigned from Murray & Roberts to take responsibility for Aveng Limited, which was listed on the JSE in July 1999. He is a director of Holcim (South Africa) (Pty) Limited and chairman of Grinaker-LTA Limited, Trident Steel Holdings (Pty) Limited and the Australian-based McConnell Dowell Corporation Limited. Carl is a past president of the Steel and Engineering Industries Federation of South Africa (SEIFSA) and the South African branch of the Institute of Quarrying. He serves on the board of the National Business Initiative, the advisory board of the UCT Department of Construction Economics and Management and has been appointed a fellow of the South African Academy of Engineering.

David Robinson (50)

BE (Civil), MIE Aust, CP Eng, FAICD
Chief executive officer of McConnell Dowell Corporation Limited
Member of the tender risk evaluation and executive committee
27 years' service

David Robinson joined McConnell Dowell as a site engineer in 1978, working on various projects throughout Australia and South-east Asia. In 1985 he was appointed state manager for New South Wales and in 1987 general manager for the civil division operations. He was appointed chief executive officer for McConnell Dowell Corporation Limited in October 2000. He is a member of the Institution of Engineers, Australia, Certified Practicing Engineer and a member of Australian Institute of Company Directors. David is a director of McConnell Dowell Corporation Limited and all group operating and holding subsidiary companies in Australia, New Zealand, South-east Asia, Middle East and the United Kingdom. He was appointed to the board of Aveng Limited in January 2005.

Ben Fourie (58)

Managing director of Trident Steel Holdings (Pty) Limited
Member of the executive committee
29 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 acquired a controlling interest in the company. In 1989, he was promoted to managing director of Trident Steel (Pty) Limited and in July 2003 managing director of Trident Steel Holdings (Pty) Limited.

Howard Jones (57)

Pr Eng, BSc Eng (Civil), MSAICE, FCIOB
Managing director of Grinaker-LTA Construction
Member of the tender risk evaluation and executive committees
33 years' service

Howard Jones joined Grinaker Construction 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 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, he was appointed group managing director of Grinaker-LTA Limited in July 2003.

Vincent Mntambo (47)

BJuris, LLB, LLM (Yale)
Independent non-executive director
Chairman of the nomination committee and member of the remuneration committee

Vincent Mntambo is the founder and director of Sediba Consulting. He was previously senior lecturer at University of Natal, executive director of the Independent Mediation Services of South Africa and director general of the Gauteng Provincial Government. He is chairman of Eyesizwe Mining (Pty) Limited; chairman of the Commission of Conciliation, Mediation and Arbitration and non-executive director of Eyesizwe Coal (Pty) Limited. Vincent was appointed to the Aveng board in July 2001.

Leah Gcabashe (48)

BA Admin (NUL), BA Law (Cantab) LLB (Natal), LLM (University of Pretoria)
Independent non-executive director
Member of the nomination committee

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

She currently serves as a trustee of Penryn Trust and is a non-executive director at Electronic Communications Security (Pty) Limited.

Leah was appointed to the Aveng board in August 2003.

Dennis Gammie (51)

CA(SA)
Director finance
Member of the tender risk evaluation and executive committees
7 years' service

Dennis Gammie spent eight years at Tiger Brands, followed by 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 Holdings (Pty) Limited, Grinaker-LTA Limited, McConnell Dowell Corporation Limited, Trident Steel Holdings (Pty) Limited and Holcim (South Africa) (Pty) Limited.

Brian Steele (62)

BCom, CA(SA), MBA (Stanford)
Independent non-executive director
Chairman of the audit and risk committee and member of the tender risk evaluation committee

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. He was appointed to the Aveng board in January 2003.

Brian is also a director of African Bank Investments Limited.

Wendy Lucas-Bull (51)
BSc (University of the Witwatersrand)
Independent non-executive director
Member of the audit and risk and remuneration committees

Wendy is a member of the boards of Eskom and Dimension Data plc. Previously, she was a member of both the Telkom and South African Financial Markets Advisory boards. She is a member of the council of the University of South Africa.

Wendy was, until October 2004, CEO of the retail businesses of FirstRand. The FirstRand retail businesses included First National Bank, WesBank, eBucks, OUTsurance and FirstLink. Prior to that, she was an executive director of Rand Merchant Bank for five years and an international partner of Andersen Consulting (now Accenture) for 14 years.

She was founding chairman and is currently a director of Business Against Crime (BAC).

Karl Meissner-Roloff (52)
BSc CivEng (Hons)
Non-executive director
Managing director of Holcim (South Africa) (Pty) Limited

Karl Meissner-Roloff joined Anglo-Alpha in 1979 and held various general management positions in the Anglo-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 now Holcim (South Africa) (Pty) Limited. He is currently also a director of Tanga Cement Company Limited (Tanzania) and the Cement and Concrete Institute.

James Hersov (40)
MA (Cantab)
Independent non-executive director
Member of the audit and risk committee

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.

Richard Savage

"Aveng's ability to execute is based on its depth and breadth of capability, enabling group companies to tailor their services to client needs. Aveng's positioning in steel and cement further enhances this capability."

Chairman's statement

INTRODUCTION

The 69% improvement in headline earnings reported for 2005 is welcomed as a positive step towards our long-term objective to ensure that the group measures up to its full potential. Once again, the steel and allied businesses and our cement associate produced excellent results, while the construction operations showed a reduced loss compared to the previous year.

On 17 March 2005, a convertible bond was issued, which enabled the group to transfer short-term borrowings into the longer term, resulting in more favourable interest rate terms. While the net debt of the group reduced by 14% during the year, it remains a high priority to reduce gearing levels further.

OPERATIONS

The reduced loss in the construction cluster is positive, but we realise that substantial further progress must be made before we produce reasonable returns on our investment. This will include dramatically improving the cash flow from our operations. Grinaker-LTA had a much better year compared to 2004 and was successful in reducing a number of outstanding claims. We are optimistic about prospects for the construction industry and remain confident in the long-term viability of McConnell Dowell, believing that it is a vital component in Aveng's quest to become a competitive, developing world, construction-related group.

The steel and allied as well as the cement businesses delivered a pleasing performance and have successfully capitalised on a plentiful supply of work.

BUSINESS ENVIRONMENT

The government's medium-term commitment to a R165-billion investment programme to upgrade infrastructure includes low-cost housing, transport, and infrastructure maintenance. Project awards have continued to be slow and public sector construction works increased by 8,2% in 2004 compared to 18,6% in 2003. These considerably brighter prospects for the construction industry in South Africa have been enhanced by the government's more flexible policy toward the rand exchange rate. Although there appears to be a substantial amount of work in the pipeline, the final go ahead on a large number of projects is yet to be given. We expect tight deadlines on construction contracts that relate to the Soccer World Cup and these are likely to be aggravated by the shortage of skilled labour.

Over the past few years, we have stressed the importance of an effective railway system, well-maintained roads and a reliable, cost-effective electricity supply to the overall success of our operations and the South African economy as a whole. We are delighted by the efforts being made by Transnet to improve its rail systems, but emphasise that customer service and affordable pricing are vital going forward. Eskom's specific plan to ensure future electricity capacity to meet growing demands is positive and we keenly await news of the new tariff structure. Although deploying sufficient energy supply is critical, South Africa has always been one of the lowest-cost energy producers in the world, and it is important to the ongoing resilience of the economy that this position is maintained.

Market conditions in private sector construction have been supported by favourable interest rate and inflation environment, facilitating 10% industry growth in 2004/2005. Growth was fuelled by continued demand in residential building activity, and while this is expected to ease off, we anticipate that the demand will flow into the non-residential sector. In addition the government's low-income housing initiatives, which are being driven directly and through the financial services charter, present opportunities in the construction sector. Solid conditions in the automotive and construction sectors have translated into good downstream market demand for our steel and allied and cement products.

Delivery of projects on the continent of Africa continues to be fraught with challenges, and our stringent risk management processes have been applied in analysing the inherent risks of new opportunities, supporting the selection of clients and projects. Of particular concern is the seeming inability of the Mozambique government to settle amounts owing to us that it concedes are due and payable. In addition, our companies working there have ongoing problems claiming IVA, the Mozambique equivalent of our VAT.

STRATEGY

Aveng's vision is to be a globally-competitive construction-related group focused principally on the developing world. We believe that we are well positioned to deliver on this strategy, based on our geographical spread, our extensive capacity and the broad base of activities across our operating groups. The group's ability to execute is based on this depth and breadth of capability which allows us to tailor our services to client needs. Aveng's positioning in steel and allied and in cement further enhances this capability.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

During the year under review, we successfully concluded the sale of 25% of our South African subsidiaries to an empowerment consortium led by the TisoGroup, and steps are under way to ensure that we capitalise on this initiative. We realise that ownership is only one aspect of broad-based black economic empowerment. We have set ourselves targets to achieve sustainable transformation through training and skills development, preferential employment and procurement strategies, and the upliftment of local communities through job creation, infrastructural development, educational projects and other social investment initiatives.

SUSTAINABILITY

The board has embraced its role as a good corporate citizen in the belief that social responsibility and respect for the environment enhances commercial success and improves profitability and the long-term sustainability of the group. As a signatory to the engineering and construction charter of the World Economic Forum, Aveng is committed to upholding the principles established by the Engineering and Construction Industry task force, which require the group to adopt a zero-tolerance policy on bribery. Aveng is developing its anti-corruption programme in line with the Engineering and Construction Industry business principles. Aveng is committed to active participation in the government's current endeavours to promote sustainable development in the country. We have the necessary skills and other resources as well as the capital to make a meaningful contribution to building sustainable communities. We will continue to work with all stakeholders to help promote these initiatives.

In support of our commitment to sustainability, Aveng was one of the first companies to obtain registration on the JSE Limited Social Responsibility Index (SRI), which was launched in May 2004, and remained on the index for its second year. The group uses the SRI's qualifying criteria as a benchmark to improve its economic, social and environmental performance and strives to maintain its listing on the JSE SRI.

Aveng makes a concerted effort to communicate in a clear, open, timely and realistic manner with all its stakeholders. In the past two years, the group has placed greater emphasis on non-financial disclosure in its annual report to shareholders, giving relevant information on employment equity, social transformation, social responsibility and environmental issues to address some of the information requirements of its large stakeholder base.

BUSINESS INTEGRITY

Aveng operates on the principles set out in the Aveng code of business conduct. Operating group and business unit managing directors are responsible to ensure that the code is understood and committed to by all employees in the operations under their jurisdiction. No employee may contravene any provisions of the code.

Furthermore, Aveng Limited is a signatory to a document entitled "Business Principles for Countering Bribery in the Engineering and Construction Industry" compiled by the World Economic Forum, Transparency International and the Basel Institute on Governance. Group companies are bound by its provisions.

We are concerned about the recent spate of irregularities relating to the adjudication of tenders, particularly at local government level. Of particular concern are ambiguities relating to black economic empowerment scorecards. These irregularities need to be addressed promptly and firmly by the government, so that the good work achieved to date by the government in conjunction with corporate South Africa to empower historically disadvantaged groups is not jeopardised.

BOARD MATTERS

Frank Crowley recently retired as chairman of McConnell Dowell and Wolf Wassermeier as a deputy managing director of Grinaker-LTA. Both gentlemen were directors of Aveng and had completed many years of service within the LTA group of companies, more recently playing a pivotal role in the merging of Grinaker and LTA. We are grateful to them for their contribution to the group, and have all thoroughly enjoyed working with them. Ami Mpungwe and Mervyn Taback retired as non-executive directors. I'd like to thank them for their considerable wisdom and important contribution to our affairs.

At the annual general meeting in October 2005, Phil Erasmus will retire as deputy chairman. Phil served in this role since the listing of Aveng in 1999 and played an important part in the development of the group. We will miss his cheerful disposition and positive attitude to the many hurdles we have faced.

We are delighted that Wendy Lucas-Bull joined the board of Aveng in January 2005 and that she will succeed Phil Erasmus as deputy chairman in October. David Robinson, who is the managing director of our Australian subsidiary, McConnell Dowell, also joined the board at the beginning of the calendar year and we are confident that he will make a major contribution to our deliberations.

Attendance at board and sub-committee meetings during the year was good and I would especially like to thank the non-executive directors for their contributions.

PROSPECTS

Over the past decade, international prospects for the construction-related industries have been positive. However, the recent terrorist attacks and the ongoing threat of terrorism, along with the rapid increase in the price of oil, are likely to have a severe impact on investment in the world economy. Nevertheless, prospects in South Africa over the next five years look bright, particularly for construction and related industries, and the group is well-positioned and determined to benefit from profitable opportunities that may arise.

Aveng will deliver on its three corporate objectives in 2006:

- growth in headline earnings per share of CPIX + 10%
- return on average equity of CPIX + 10%
- net debt to equity ratio of 35%

APPRECIATION

Carl Grim and his executive team are making every effort to restore the previous levels of profitability within the group and achieved positive progress during the year. Within a large organisation it is not only senior management that make a difference. Each individual has an important role to play. On a personal note, I would like to thank all our employees for their efforts last year.

Gulman and Helenslee apartment blocks, V&A Cape Town

Carl Grim

"Aveng's trail blazing black economic empowerment transaction, together with its enthusiastic commitment to meeting the requirements of the construction industry charter, will ensure that group companies contribute significantly to local construction work in the years ahead."

Chief executive's report

GROUP OVERVIEW

The directors are pleased to report that the first step in Aveng's recovery programme has been successfully completed as demonstrated by the 69% growth in headline earnings. This marginally exceeds the growth indication announced in January this year. Revenue increased by 15% and operating income by 44%.

Aveng has committed itself to delivering a long-term average of 10% real return on average equity. A return on average equity of 13,4% was achieved against a CPIX of 3,9% – leaving the group just short of its target. Most encouraging has been the group's 14% decline in net debt and the associated reduction in the net debt-to-equity ratio to 40%, the lowest in five years and fast approaching Aveng's target of 35%.

In prior years, Aveng has set itself the objective of earning 50% of its revenue in hard/non-rand currencies. An analysis conducted last year indicated that about a third of its revenue was generated in US or Australian dollars, one-third in rands and the remaining third in rands from clients earning dollars. As this last group's investment decisions were closely linked to the rand/dollar exchange rate, the board took the view that Aveng had achieved its currency risk-balancing objective and removed the 'hard currency earnings' corporate objective. The year-on-year move has not been significant, with South African rand revenue now making up 65% (2004: 64%) of group revenue.

Safety is of paramount importance in our business. We are very proud indeed of the many safety awards that subsidiary companies have earned during the past year, including an outstanding five million injury-free hours on a single contract site. Our construction DIFR-lost time injuries per 200 000 man-hours worked, was an outstanding 0,69 (2004: 0,62) compared to the industry average as recorded by the Compensation Commissioner of 8,6.

Grinaker-LTA disposed of its 49% interest in Al Jaber-LTA Engineers & Contractors (ALEC) LLC, the UAE-based building and mechanical engineering company, for a small profit. The reason for the sale was difficult contractual conditions encountered by the mechanical engineering business in serving the local petroleum industry, the most recent example being the Abu Dhabi based Ruwais contract where our share of registered claims (entitlements in our view) exceeds R80 million. While the building division was financially successful, it could not be excluded from the sale. Grinaker-LTA has not been restrained from entering the United Arab Emirates or any other Middle Eastern market as a result of this sale and Aveng continues to be involved in oil and gas pipelines and other related construction work in this market through McConnell Dowell.

CONSTRUCTION

GRINAKER-LTA

Rm	2005	2004	% change
Revenue	**6 765**	5 657	20
Operating profit (consolidated)	**(18)**	(127)	–
Assets	**3 427**	3 038	13

The table above summarises the financial performance of Grinaker-LTA Limited, excluding Grinaker-LTA Manufacturing, showing that it is recovering rapidly from its previously significant loss-making position.

Construction is the largest of the Grinaker-LTA operating groups, generating revenue in 2005 of approximately R5 billion and a small profit before the overhead allocation. It is headed up by Howard Jones as managing director and is a leading South African construction group, with a significant presence elsewhere in Africa.

Building and property development generates approximately 36% of construction's revenue. While the year started slowly, this business unit experienced more buoyant conditions towards the year end. Building is represented in all major centres in South Africa and has a presence in Mauritius and a number of African countries. The R100-million Walter Sisulu Square of Dedication contract was probably its most prestigious project of the past year. It was completed on time, allowing President Thabo Mbeki to open the square on 25 June 2005, commemorating the signing of the Freedom Charter on the same site 50 years previously.

Civils, roads and earthworks and underground contracting contributes approximately 38% of construction revenue. Roads and earthworks were the primary contributor to the large losses in construction during 2004. While it is not yet profitable, roads and earthworks is close to break-even and is set to make a positive contribution in 2006. All road contracts outside the southern African region have been completed, other than one project in Tanzania and another in Zambia, both of which should return a small profit. We have consulted extensively with the World Bank and other international funding agencies which are encouraging us to remain active in the African market. Given the right price and contractual terms, we will consider this. Civils and underground contracting continued to perform well in a reasonably active market. This group of business units was intimately involved in the Gautrain bid and, after two-and-a-half years of dedicated work by a large team of people, was very disappointed not to have been selected as the preferred bidder. Our share of direct costs incurred that were not reimbursed by the client amounted to approximately R40 million – excluding the time and opportunity costs associated with the significant involvement of senior management.

Mechanical and electrical (M&E) is the third business segment in Grinaker-LTA Construction, contributing 26% of its revenue. M&E serves mainly large petrochemical companies both in South Africa and on the west coast of Africa through its waterside fabrication yard in Port Harcourt, Nigeria. The development of this facility and the associated market has been expensive, but now that the company has built up the necessary credibility with large oil companies in the area, it is positioned to benefit from the high levels of primarily offshore construction activity. The past year has been one of consolidation for M&E with the disposal of a number of its smaller non-core businesses, including Churchyard and Umpleby (steel fabrication), Grinaker-LTA Power (powerline construction), Steeledale Cladding (sheet cladding) and RVI (ventilators). Difficult market conditions and a number of contractual problems resulted in poor performance for the year. A particularly difficult contract was the Ruwais refinery contract in Abu Dhabi referred to earlier. Looking forward, management expects a growing market and M&E is particularly well positioned to assist both Sasol and Eskom with their expansion plans.

Opencast mining (Moolmans) generated revenue of around R1,5 billion and is headed up by Brian Wilmot as managing director. It has large mining contracting operations in Mali (Sadiola and Yatela), Guinea (Siguiri and Fayalala), Tanzania (Golden Pride), Botswana (Phoenix) and South Africa (Marikana and a number of coal operations for Ingwe, Anglo Coal, XStrata and Sasol). Moolmans was particularly badly impacted by the strong rand. With its longer contract periods, it has not yet shaken off the effect of large investments in its fleet at significantly weaker rand levels.

The most important issue facing Moolmans is its contract with Aquarius Platinum to provide mining contracting services to its Marikana mine. The facts are as follows:

- On 18 February 2002, the Marikana Platinum Mine contract was awarded for five years on the basis of a specific mining method and suite of equipment, with tender rates calculated at ZAR12,15 to USD1,00.
- A disagreement in the application of the "rise and fall" price adjustment mechanism arose due to the interpretation of the formula and this difference in opinion amounts to approximately R130 million at June 2005.
- An attempt to resolve the dispute through mediation on 27 March 2004 to 1 April 2004 failed.
- An arbitration hearing was set down from 28 April to 29 April 2005 and postponed on 14 April 2005 as the parties agreed to appoint a firm of auditors to conduct an audit of costs incurred to enable the value of the rise and fall dispute to be quantified. This report is expected shortly.

While this relates to the past and will undoubtedly be resolved one way or the other through the arbitration courts, management on both sides are attempting to find a sensible road forward, in particular how best to deal with the second point above.

Process engineering, the smallest of the operating groups, has a revenue of R340 million and is headed by Nick Bell as managing director. Conceptually, its activities are upstream of construction on the project value chain. It seeks to provide engineering solutions to the challenges faced by niche mining and energy and refinery clients, taking proposed solutions through to technical and commercial feasibility. Once a bankable project has been identified, the company has the skills to oversee the project's implementation on behalf of the client. The operating group is also involved in extracting precious and other minerals from both run-of-mine and waste dumps. An example is its dump monitoring operations in the Barberton area, where old mine dumps are reclaimed and the gold extracted. An important associated benefit is the improved environmental conditions created by these operations. Aveng believes this operating group offers attractive risk-adjusted opportunity and will seek to grow the business in future.

MCCONNELL DOWELL CORPORATION

Rm	**2005**	2004	% change
Revenue	**1 796**	1 928	(7%)
Operating income	**(117)**	(51)	–
Assets	**787**	772	2

Revenue of R1,8 billion for the year is approximately 7% down on the prior year and constitutes 14% of Aveng group revenue.

McConnell Dowell (MDC) is focused mainly on civil and marine construction (54% of revenue), mechanical and pipelines (23% of revenue) and electrical maintenance (23% of revenue) with approximately half of total revenue being generated in Australia (AUD) and the balance across New Zealand/Oceania, South East Asia and the Middle East, principally in US dollars. It has successfully identified and developed a number of niche markets, primarily serving large mining, and oil and gas clients.

At the operating level, MDC generated R38 million profit for the year, in addition to an after-tax contribution of R17 million from associates and joint ventures. Unfortunately this excellent operating performance was eroded by a number of once-off adjustments. Walter Bau AG, a large listed German construction group, was placed in liquidation earlier this year, including its Australian subsidiary. MDC does not usually take on the role of subcontractor, but in this case it was subcontractor to Walter Bau on two large construction projects for Sydney Water. The write-off was R41 million, half of which was certified payable at the time of liquidation. The balance was in respect of work completed, but not yet certified.

During the year, a number of 'quarantined contracts' were settled at a cost of R25 million. These are large legacy contracts long since completed, often by a previous management, that remain in dispute, some going back as far as six years. Only five of these quarantined contracts remain, namely Ras Tanura, Minerva, Melbourne cement silos and the Tasmanian and Telfar pipelines.

Following Aveng's acquisition of the MDC minorities some two years ago, we have been uncomfortable about this company's previous aggressive profit-recognition practice on contracts under dispute. The Aveng's profit-take guidelines, currently in place in Grinaker-LTA, have now been applied to McConnell Dowell. This resulted in an additional negative adjustment of R89 million.

STEEL AND ALLIED

Rm	**2005**	2004	% change
Revenue	**4 974**	4 155	20
Operating income	**463**	404	15
Assets	**3 045**	2 705	13

The steel and allied strategic cluster is made up of the group's non-construction businesses that trade and beneficiate steel, as well as those that manufacture steel and concrete products for customers in the construction, mining, manufacturing and automotive industries. These businesses include Trident Sterling Tube, Trident Speciality Steels, Steeledale, Infraset, Duraset and Lennings Rail. The cluster's increasing importance to Aveng is reflected in its 37% contribution to group revenue – up from 26% two years ago.

The Aveng corporate office is also included in this cluster. Before its once-off costs of R35 million for the corporate bond and R31 million for the executive incentive scheme, the steel and allied cluster returned operating income growth of 30%.

Trident Steel beneficiates steel for its automotive, manufacturing and construction customers. This includes, for example, decoiling steel and pressing shaped blanks for motor vehicle body components; shaping and bending steel plates for manufacturing clients and cutting and drilling steel beams and other long products for the construction industry. Trident Sterling Tube manufactures steel tubing up to 200 mm diameter for the construction and manufacturing industries, while Trident Speciality Steels supplies cut-to-size high-carbon steels, spring steel and other specialised steels to the higher-end manufacturing industry.

Trident Steel generated 23% of Aveng's revenue with approximately one-third of its sales going to each of the automotive and manufacturing sectors. Local construction absorbed 22% of sales and exports about 9%. In line with Trident Steel's policy not to take significant risk on the price of steel, it quotes the mill price plus an agreed service rate per ton to large clients. Steel price variations from the mill are generally for the account of the particular customer.

A number of capital investments to enhance the cluster's service capability were completed during the year. The most significant was a large laser cutting bed and extensions to Trident Sterling Tube which supported the consolidation of all its operations into a single facility at Alrode. Elements of the pipe manufacturing equipment were simultaneously modernised and upgraded.

The South African steel market has been extremely volatile in recent years. Tonnage grew by 16% in 2002, declined by 15% in 2003, and again contracted by 20% in 2004 before declining by a further 8% in the first half of 2005. Prices have been similarly volatile during the past three years. The table below sets out price increases and decreases from our major supplier, Mittal Steel, over the past year:

Month	Structural steel	Flat plate	Cold rolled coil	Electro galvanised coil
July 2004			(4,7%)	(4,7%)
August 2004		(4,0%)		
October 2004	6,8%	7,5%		
November 2004		7,5%		
January 2005			19,0%	12,0%
February 2005	(5,0%)	6,5%		

While these movements indirectly track international steel prices, the volume and price volatility experienced has made inventory and margin management extraordinarily difficult.

Grinaker-LTA Manufacturing comprises the manufacturing business in Grinaker-LTA Limited. Steeledale, which cuts, bends and fixes steel reinforcing bars and mesh used in concrete structures, is a leader in the South African market. Infraset manufactures concrete rail sleepers and has a substantial share of the concrete stormwater, sewage pipe and culvert market. It manufactures other precast infrastructural products such as pavers and retaining wall systems. Duraset manufactures roof bolts, concrete stope support systems and other related steel and concrete products for the mining industry. Lennings Rail provides a range of construction and maintenance services for Transnet (South Africa's transport utility) and other rail customers.

The performance of Grinaker-LTA Manufacturing's market has been mixed. Demand for consumer-driven products (Infraset and Steeledale) associated with residential developments was buoyant, while the demand for Duraset's mining products and Lennings Rail services were well below expectations. Grinaker-LTA Manufacturing contributed approximately 14% of Aveng's revenue (from 12% in the prior year) and the operating group is expected to continue growing its contribution to Aveng's revenue in future.

The strategy to capitalise on opportunities in the steel and allied cluster is reflected in the disproportionately high level of capital expenditure committed to these companies, activities in recent years. Most of the capacity expansion initiatives in Trident Steel in recent years, which saw many multiples of depreciation being spent, have been completed. Capital Expenditure was slightly ahead of depreciation in 2005 and is expected to remain at comparable levels in 2006. Emphasis in steel and allied is now moving to Grinaker-LTA Manufacturing where 1,7 times depreciation was invested in 2005. This is expected to continue in 2006. The steel and allied cluster now accounts for 42% of Aveng's managed assets and because of the excellent returns it generates, Aveng will continue to invest in future capital projects in this cluster.

HOLCIM
SOUTH AFRICA

Rm	2005	2004	% change
Revenue	**3 967**	3 062	30
Operating profit	**1 099**	723	52
Assets	**1 881**	1 733	6

Note that Aveng has a 45,65% interest in Holcim (South Africa) (Pty) Limited held through Altar Investment Holdings (Pty) Limited.

Holcim (South Africa) is controlled by Holcim Limited based in Switzerland, the world's second-largest cement company. Our relationship, which dates back to the 1940s, has been mutually profitable with Holcim providing the cement expertise and Aveng the local market understanding. We are confident that this productive relationship will continue to grow.

Holcim (South Africa) enjoys between 30% and 34% local cement market share, with a cementitious capacity of 4,1 million tons per annum supplied out of two cement factories (Dudfield and Ulco) and associated grinding, blending and dispatch facilities. In addition, it occupies a leading position in the production of aggregates (sand and stone) and ready-mixed concrete. Holcim (South Africa) also owns Slagment (Pty) Limited and has a 62,5% interest in the listed Tanzanian cement company, Tanga Cement, with a 600 000 tons per annum cement capacity.

Together with other South African cement companies, Holcim (South Africa) has enjoyed remarkably buoyant market conditions. In spite of adding 500 000 tons of additional cement capacity in January 2004, it is running close to maximum output. The board is currently reviewing the need for additional capacity and will take a decision on its nature and timing early in 2006.

Revenue of R4 billion for the year showed 30% growth on the prior period, while operating income of R1,1 billion showed a 52% increase. This enabled the company to practically eliminate its debt at year-end. Capital expenditure was a relatively low R145 million for the year, as the R165-million upgrade to the precipitators, and related work, on the Dudfield Kiln No 2 kiln to bring emission levels down to international standards, had to be postponed due to high cement demand. This work will now be undertaken in 2006 with the kiln (2 500 tons/day output) expected to be down from the beginning of February to mid-May. Stocks are being accumulated to ensure there is no discontinuity in service to customers over this period.

LOOKING FORWARD

The next few years are going to be important for the South African construction industry. The low interest rate-led consumer boom that benefited the housing, cement and associated industries during the past two years is moving to the upstream supply chain, principally retail, logistics and manufacturing. Our building and property development companies are experiencing clear increases in activity.

Other important macro variables in our market are the rand/dollar exchange rate, commodity prices, Chinese demand and the oil price. While the rand has remained strong and this is expected to persist in the foreseeable future, it has also been relatively stable. Industry is adapting to the stronger rand and we are seeing signs of increased investment from exchange rate-sensitive mining clients. In addition, high oil and commodity prices are stimulating investment across the globe. This augurs well for group companies, all of which are keenly focused on serving the mining and energy industries. Activity in China and its demand for resources is of particular benefit to McConnell Dowell, currently involved in constructing and pricing projects ranging from iron ore-loading terminals to petrochemical tank farms.

Finally, and most importantly, is the definite change in the public sector infrastructure investment climate in South Africa. While implementation capacity remains a challenge, especially at local government level, there is an increasing level of urgency. The tight deadlines associated with projects linked to the Soccer World Cup bid are becoming a reality. Outside of Gautrain, we estimate that projects valued in excess of R10 billion have been committed to. Delivering these on time will be a challenge.

In addition, the state-owned enterprises Eskom (electricity utility) and Transnet (rail utility) announced substantial expansion plans, many of which Aveng group companies are particularly well placed to assist with. For example, we were heavily involved in the construction of most of the country's existing power stations and we are currently involved in the construction of two power stations in Australia.

Given the enormity of the Gautrain project, Grinaker-LTA held back resources that might otherwise have been committed elsewhere. This is reflected in the fact that Grinaker-LTA Construction's two-year order book, excluding opencast mining and process engineering, is a relatively low 79% of the prior year's revenue. It therefore has excess capacity to respond to the growing construction requirements of many important clients and is able to benefit from the increased levels of work currently available.

Grinaker-LTA Process Engineering has an order book of 99%, Grinaker-LTA Opencast Mining's order book is 194% and McConnell Dowell 97%. The latter company is well positioned to benefit from the ongoing infrastructure investment-led boom in China. High oil prices also benefit the company. However, a chronic skills shortage at all levels in Australia is its biggest challenge.

We are confident that the steel and allied business will continue to deliver excellent performance although it would be unrealistic to expect substantial improvements off current levels in the year ahead.

We believe cement demand must peak sooner rather than later. The six-month growth on the comparable six months has been steadily reducing from 17% in the first half of 2004 to 14% in the second half of 2004 and to 9% in the first half of 2005. While the reduction in interest rates earlier this year dampened the rate of decline, levels of demand are now significantly above the long-term 3% average annual growth rate and are expected to decline before growing again. With negligible spare production capacity at current levels of demand, Holcim (South Africa) will continue to perform well in the new year, albeit at reduced levels of growth. Given that the necessary stock levels can be built up before the time, the February to May 2006 refurbishment of the Dudfield Kiln No 2 should have a minimal impact on company profitability.

STRATEGY

Aveng's vision to be a globally-competitive construction-related group focused principally on the developing world remains intact.

Looking back, stage one of the journey since listing five years ago was largely about the strategic realignment of the group. The multi-listed and unfocused fixed investment conglomerate has been systematically aligned with our vision. Companies were bought and sold and four groups were delisted as we sought to organise Aveng around the three strategic clusters of construction, steel and cement. The acquisition of LTA was a bold move and a giant step forward in the realisation of Aveng's vision. While the long-term strategic advantages are undeniable, the short-term cost has been significant – exacerbated by an untimely strengthening of the rand.

We are now entering year two of the second stage of Aveng's strategic programme – that of building sustainable shareholder value as defined by the group's three corporate objectives:
Aveng will deliver on its three corporate objectives in 2006:

- growth in headline earnings per share of CPIX + 10%
- return on average equity of CPIX + 10%
- net debt to equity ratio of 35%

City Lodge, Umhlanga Rocks Durban

Aveng's black economic empowerment (BEE) transaction, together with the group's enthusiastic commitment to meeting the requirements of the construction industry charter, will ensure that group companies benefit from their fair share of local construction work in the years ahead. The Tiso-led BEE consortium is more than just a shareholding deal. There is active involvement on two of the principal subsidiary boards and a different dynamic is developing in our relationship with the market and the community at large.

We believe that Aveng companies have an important role to play in assisting government to build sustainable communities throughout our country. Opportunities include supporting government's imperative to reduce the backlog in the affordable housing sector by 50% and to eradicate informal settlements by 2014. The group's active corporate social investment programmes support these initiatives.

From an operational perspective, group companies will continue with their ongoing quest to identify opportunities, while simultaneously mitigating risk at every level. At an Aveng level, we seek to review and balance risk. The detail of this strategy is dealt with elsewhere in this report.

DIVIDEND

In line with its policy to declare a single annual dividend that is approximately equal to 25% of its headline earnings, the group has declared a dividend of 23 cents per share, payable in October.

ACKNOWLEDGMENTS

Simple thanks can never do justice to the considerable efforts of Aveng's 24 000 people. Without their solid dependability and day-to-day loyalty, often given under typically uncomfortable third-world construction conditions, the results contained in this would not have been possible. I'd like to convey my heartfelt thanks and those of the senior executive team to our people, their partners and families.

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

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

Dennis Gammie

"Where practical, the group will centralise support functions, standardising processes where centralisation is not possible. We will continue sweating the assets, generating more cash, and repaying debt."

Director of finance commentary

INTRODUCTION

New standards of interpretation of IAS17: Leases have been issued by the South African Institute of Chartered Accountants through circular 7/2007 issued in August 2005. The effect of this interpretation is that minimum lease payments that are subject to fixed escalations are to be spread evenly over the life of the lease instead of being expensed as incurred. The effect of this interpretation together with the reclassification from operating to finance leases on the current and prior year has been set out in note 31 to the annual financial statements.

The adoption of IFRS3: Business Combinations has compelled the group to discontinue the amortisation of goodwill with negative goodwill being credited to distributable reserves of R25 million. The effect of the adoption of this standard on the current and prior year has been set out in note 31 to the annual financial statements.

Aveng has over the past number of years expensed the cost of all shares, share options and phantom shares issued to employees of subsidiaries and Holcim (South Africa), irrespective of whether they have vested or not. The cost to the group is calculated by multiplying the current price less the issue price of all outstanding shares issued to members of staff and is expensed through the income statement. The cost attributable to subsidiaries is included in the operating expense line and the cost attributed to Holcim (South Africa) is expensed to the income from associates and joint ventures line in the income statement. Equity accounted earnings decreased by R12 million and operating expenses by R31 million as a result of this accounting treatment.

Contracts in progress due to customers are no longer disclosed as a reduction from trade and other receivables and are allocated to trade and other payables. Notes 7 and 13 to the financial statements reflect the quantum.

The group successfully raised R1 billion in the form of a seven-year 6,125% convertible bond early in 2005. The full cost of issuing the bond, amounting to R35 million, has been included in operating expenses. The semi-annual interest payable on the convertible bond is rand denominated. The bond offering circular and additional information relating to the bond is available on the Aveng website www.aveng.co.za in the "Investor Centre" section. At the group's annual general meeting to be held at 12:00 on Friday, 28 October 2005 at Block B, 204 Rivonia Road, Morningside, Sandton, Johannesburg, shareholders will be requested to vote in favour of the conversion of the bond into Aveng Limited equity.

The company converted its long-term loan of R195 million to McConnell Dowell Corporation into equity during the reporting period.

Within the construction cluster, Grinaker-LTA has sold two loss-making business units and is in the process of running down a further two business units. As at June 2005, were these units made a combined loss after tax of R47 million and absorbed R55 million in cash.

Over the past year, the South African rand has been relatively stable against other major operating currencies, with minimal impact on both earnings and working capital. The average rand to US dollar exchange rate strengthened by 9% compared to 2004 and the closing rate weakened by 7% on 30 June 2005. The rand depreciated by 18% against the Australian dollar at the closing rate, while the average rate appreciated by 4% over the period.

The group informed the market on 18 January 2005, stating that full-year headline earnings were expected to be between 40% and 60% higher than the prior year. A quarterly update on 10 May 2005 confirmed this expectation. We are pleased to report that the results exceeded expectations.

The group sold its 49% interest in Alec (Pty) Limited, incorporated in the United Arab Emirates, for R35 million, resulting in a R2 million book profit.

DIVIDEND

It is Aveng's policy to maintain a dividend payout ratio of approximately 25% of headline earnings, distributed to shareholders as a single payment each year. The board approved a dividend of 23 cents (2004: 14 cents) per share on Friday, 9 September 2005, equating to 25% of headline earnings per share, payable on Monday, 23 October 2005.

OPERATING PERFORMANCE

Revenue of R13,5 billion for the year reflected a 15% increase, largely as a result of improved local trading conditions in both the construction and steel and allied clusters. In spite of the stable rand, the currency's strength resulted in lower revenue being generated in foreign currencies. Operating income increased by 44%, giving an operating margin of 2,4% for the year, well short of our target range of between 4,5% and 6,0%.

Income from associates and joint ventures, net of tax, increased from R184 million to R271 million, as a result of significantly increased earnings from Holcim (South Africa). The construction cluster's associates and joint ventures recorded losses of R15 million which are included in this line item. Holcim (South Africa) is held 100% by Altur Investments (Pty) Limited, the 45,65%-held entity that is equity accounted by Aveng. Altur is the vehicle through which all dividend distributions to the two shareholders, Holcim Limited and Aveng, are made.

The geographical spread of the group and the varying taxation regimes make it difficult to manage the taxation cost, as in certain instances the group pays tax while losses in other jurisdictions result in either a low or high effective tax charge. The group is also impacted by currency fluctuations when reporting foreign earnings in South African rand. Management follows the appropriate accounting guidelines and reports accordingly. The taxation charge for the year amounted to an effective 42%, as a consequence of tax being paid in loss-making subsidiaries within the group.

Despite a substantial increase in the taxation charge, the increased level of contribution from associates together with the reduction in net interest paid enabled the group to deliver headline earnings of R364 million, growth of 69%.

EARNINGS PER SHARE

Earnings per share increased by 105% compared to the prior year. The discontinuation of goodwill amortisation required by IFRS3: Business Combinations, boosted earnings by R45 million. Headline earnings are unaffected. The group posted headline earnings per share of 93,5 cents compared to 55,3 cents in the prior year.

There is no difference between the weighted average and the diluted weighted average number of shares in issue, because the group effectively expenses all Aveng share options that have been issued and consolidates the Aveng Limited Share Incentive Trust which holds 6,9 million Aveng Limited shares (2004: 6,9 million shares).

INTEREST

Net interest paid of R167 million reflects a decrease of R53 million over the prior period, partially as a result of the reduced interest rate of 6,126% associated with the group's convertible bond. The group's fixed long-term borrowings of R386 million at June 2004 increased to R1 418 million at June 2005. Interest cover has improved from a 2,0 times cover to a 3,6 times cover.

SHAREHOLDERS' FUNDS

Total ordinary shareholders' funds increased by R425 million. The foreign currency translation debit included in total ordinary shareholder funds amounts to R410 million. The net effect of IFRS3: Business Combinations and IAS17: Leases on total ordinary shareholders' funds was not material.

NET BORROWINGS

Total interest-bearing borrowings include funds raised from the convertible bond, as shareholder approval to convert into equity has not yet been granted. Net interest-bearing borrowings of R1 166 million were 14% down on last year's R1 351 million.

South African-sourced gross interest-bearing debt at year end comprised 39% of total gross debt and cash resources held in South Africa comprised 50% of total cash balances. For more details, see note 11.3 to the annual financial statements.

The group's expansionary capital expenditure was R262 million (2004: R245 million) and replacement capital expenditure R207 million (2004: R169 million). Total capital expenditure spent was R469 million. Construction accounted for 74% of the gross capital expenditure and steel and allied 26%. The net outflow of cash on capital expenditure after taking into account proceeds from the disposal of property, plant and equipment was R313 million compared to R298 million in the previous year. Gross capital expenditure for the period to June 2006 is planned to be around R450 million in the proportion of 66% by construction and the balance by steel and allied. This does not take into account capital expenditure that may need to be spent on projects not currently anticipated.

The net debt reduction of 14% to R1 166 million, together with the increase in shareholders' funds, contributed to the group's lower net debt to equity ratio of 40%, resulting in the lowest level since the purchase of LTA Limited five years ago when the net debt to equity was 55%. The group's target of 35% remains.

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.

CASH FLOW

Cash retained from operating activities reduced by 7% to R288 million. The reduction arose from an increase in working capital of R73 million compared to a reduction in working capital of R141 million at June 2004, a negative movement of R214 million mainly due to an increase in business activity. However, the number of days net working capital remains at nine days.

Cash flow earnings per share of R1,66 cents retreated by 20% compared to the R2,08 cents at June 2004 based on the same number of shares in issue.

DISPUTE

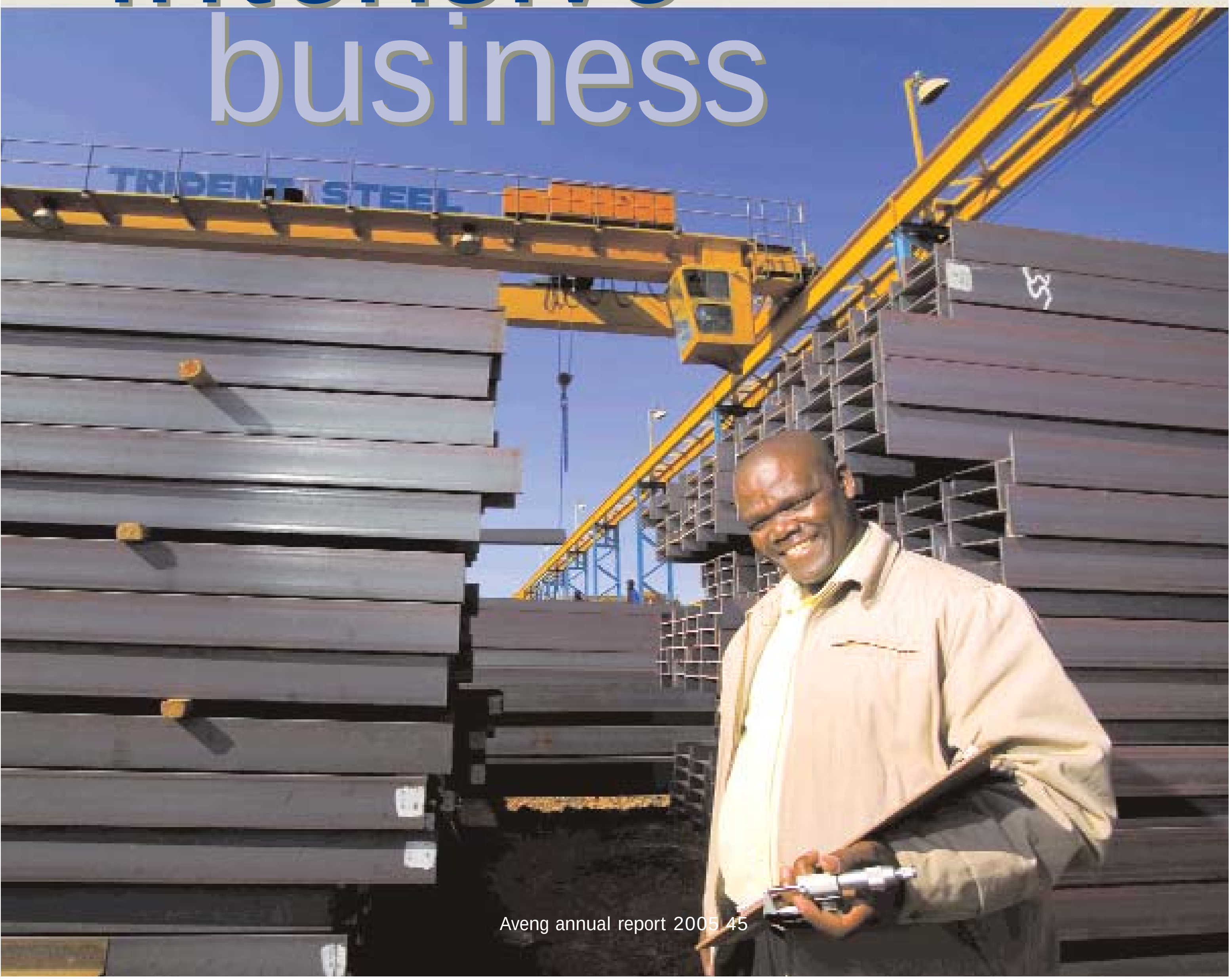
Efforts to resolve the R130-million dispute on "rise and fall" adjustments with Aquarius Platinum Limited on the Marikana opencast project are set out in the chief executive's report.

FUTURE PRIORITIES

Where practical, the group will consider centralising certain functions, or standardising its processes where this is not possible. Another area of focus will be to continue sweating the assets, generating more cash, and repaying debt.

Reuben Nkosi is just one of Aveng's 29 168-strong global workforce. But he is just as important as his 29 167 colleagues. Reuben has spent most of his career with Aveng companies in South Africa and we are repaying that commitment and talent by supporting his tertiary studies towards a bachelor of commerce.

People intensive business



Palm Gate Apartments, LaLucia Mall Durban

Risk review

Managing of risk is an inherent part of doing business. The board ensures that the appropriate risk tolerance levels are set and communicated to line management, that these are integrated into the day-to-day activities of the group's operations and that conformance is regularly and systematically monitored.

The Aveng risk management process provides for both a top-down and bottom-up approach. The top-down focus provides strategic direction and defines the business imperatives. In parallel, a bottom-up analysis is undertaken to evaluate detailed impacts, their accumulative effect and their confirmation or otherwise of the conclusions reached in the macro review. This process provides for a continual validation of the group's risk management procedures to ensure that actions can be reviewed and focused appropriately on an ongoing basis.

Risks are categorised into those within the group's control and external factors outside its control. The latter includes risks such as country, exchange rate and commodity price risks. Aveng generally attempts to mitigate this category of risk by maintaining a strategic balance between business sectors, markets, currencies, countries and products.

In considering risks within the group's control, the board seeks to identify risk areas that could potentially have major negative impacts on the group. It considers the nature and extent of these risks, their likelihood of occurrence, and the group's ability to adequately mitigate their impact at reasonable cost. The process is then further developed at operating level using a more detailed and sector-specific focus.

The processes at both group and operating level utilise risk matrix or mapping techniques generally based on the Turnbull recommendations. The broad risk areas covered include country risk, legal and regulatory compliance, human resources and industrial relations, safety, health and the environment, economic cycle, currency and payment, contracting, manufacturing, weather and commodity prices. Risks are evaluated for each of these broad areas and, where possible, the financial implications are quantified. The probability of the event occurring and its potential impact dictate the mitigation measures required to ensure that the resultant risk falls within the group's risk tolerance levels.

Risks are continuously monitored and mitigation and control measures reviewed and updated. The monitoring process includes regular feedback from subsidiary contracting and manufacturing operations to ensure that processes take cognisance of lessons learned.

This systematic and disciplined approach to risk management ensures that all risks are regularly re-evaluated, actioned and monitored while providing a focus on internal systems, controls and risk management practices. This enables process or other system breakdowns to be timeously defined and corrected. In addition, new risk management trends and current best practice approaches are reviewed to continuously improve the group's risk management processes.

The audit and risk committee submits a regular risk report to the Aveng board.

CONSTRUCTION RISK

Over the past decade, the construction risk profile has changed dramatically, with many large customers successfully passing significant additional risk onto the contractor with no commensurate increase in return. This has been possible because of the construction industry's limited understanding of risk.

Internationally, the industry is responding through comprehensive analysis, as well as mitigation and control of project risk to ensure that the overall project risk is within acceptable tolerance levels. In general, the major risks facing Aveng fall into one or more of the following broad categories:

- Customers, funding and project viability
- Project type and scope
- Commercial and contractual
- Resources
- Market
- Safety, health and environment

Construction projects can be broken down into four phases, each with their own unique challenges and risk focus:

- The 'tender award phase' focuses on the definition, evaluation and mitigation of risk
- The 'project start up phase' focuses on the re-evaluation and impact of risk and definition of the control measures required to mitigate the risk
- The 'project execution phase' focuses on progress and evaluating the impact of changes made to the project
- The process concludes with the 'evaluation phase' on project completion which provides an understanding of all the risks experienced, their impacts and the effectiveness of the controls and mitigation measures used. This provides the necessary feedback loops to enable lessons learned to be incorporated in future risk analysis

The decision to tender as well as tender approval authority levels are specified in the Aveng limits of authority policy. The decision to tender is taken at the defined authority level, based on the project's size, its complexity and degree of fit with existing group experience and technical capability. Large and complex projects are considered by the Aveng tender risk committee comprised of appropriately experienced executive and non-executive directors, with senior group executives and outside assistance called on as required.

MAJOR RISKS

The major risks facing the group are detailed below. Some are common to overall group activities while others are specific to one or more sectors of the business.

ECONOMIC CYCLE

The group is largely dependent on the development cycle of southern Africa. The sector and geographical diversity of Aveng's construction-related interests serve to reduce the impact of economic cycles.

EXCHANGE RATE

The construction operations generate a proportion of their revenue in various other currencies, principally the US and Australian dollars. This results in vulnerability to exchange rate movements on translation, impacting on plant and material costs incurred in different currencies, particularly where these costs and their timing could not be matched to revenue streams. A focus on quoting in a manner that matches costs to revenue streams, forward cover and localisation if appropriate, serve to reduce the exchange rate impact.

COMMODITY PRICE

Although commodity price movements do not directly affect the group, the impact of these price movements is apparent in industrial and mining project flow and material input costs. For South African customers, the rand price of the commodity they sell will influence their investment decisions. This has resulted in projects being delayed by certain key mining and industrial customers and has a material secondary impact of exchange rate movements on Aveng's earnings. The impact of variations in important material input costs is mitigated by the incorporation of specific commercial terms into contracts for price-volatile commodities, and is particularly important if there is a single or limited number of suppliers.

MARKET

Although the group operates in a geographically-diverse market, the impact of local culture, security, legal constraints, regulatory issues, logistics, communications, access and other risks can have a major impact on the success of a project. The potential impact of these risks is evaluated by a thorough country-risk analysis supplemented by those undertaken by accredited international banks or agencies. In the event that the risk exceeds our tolerance levels, no work will be considered in that market.

PROJECT FUNDING AND VIABILITY

Funding agencies and other customers often finance projects with limited financial facilities. This impacts the availability of funding, timing of payments, and the availability of additional finance in the event of changes to the project through circumstances outside the group's control and often the client's control. Furthermore, in certain instances, projects are sensitive to commodity prices expressed in either US dollars, or the local currency. These projects may cease to be viable in the event of adverse movements in either the commodity price or exchange rates. This is an important secondary impact of exchange rate movement on Aveng's earnings.

HUMAN RESOURCES

Aveng is a people-intensive business and as such human capital is essential for its long-term success. The group upholds the principle of employment equity and supports the continuous development of its human capital. This is undertaken through formal technical and management training, on-the-job skills development and bursaries, augmented by appropriate mentorship training, with a specific focus on disadvantaged groups in an attempt to promote industry transformation. Despite these interventions, there is a serious shortage of suitably trained and experienced personnel of all population and gender groups. This is not only a local phenomenon, but is apparent in our industry worldwide. In addition, a relatively inflexible labour market, low productivity and the serious impact of the HIV/Aids pandemic create additional areas of risk.

CREDIT RISK

Aveng is exposed to credit risk both in the contracting and manufacturing supply sectors through contracts, third parties, insurance and other areas where a borrower or counterparty might fail to honour its contractual obligations. The impact of this risk is reduced by the risk-based rating of customers, restricting large exposures and limiting credit payment periods.

BP Centre, Cape Town

Board charter – summary

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 with a view to adding sustainable value for shareholders. The board ensures 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 formulates policy, appoints and monitors the performance of the chief executive, oversees board succession planning and assists the chief executive in selecting and remunerating senior group executives.

The board evaluates developments in the external environment and provides counsel to the chief executive and executive directors. The board ensures 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. It ensures that its actions 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 shareholders. To that end, the board regularly reviews the shareholder register on a regular basis and attempts to familiarise itself with issues of concern to shareholders that may be raised from time to time by directors, management or the company's investor relations consultants.

To effectively fulfil its role, the board has adopted a set of procedures that govern and regulate its activities. Of particular importance is preparation for and attendance of board meetings, open and constructive discussion and a recognition that genuine 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 major capital expenditure, acquisition proposals, strategic issues and potential opportunities for the company.

In addition to its statutory duties, the board annually reviews the group'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 well as monitoring the performance and remuneration of the chief executive and other executive directors.

To aid them in their tasks, directors have full access to company information and to the chief executive and other executive directors. With the prior agreement of the chairman, directors are entitled to obtain independent professional advice relating to the affairs of the company or to their other responsibilities as directors. 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 COMMITTEES

The board has constituted five standing committees to facilitate efficient decision-making and to assist the board in its functions. The committees, in alphabetical order, are the audit and risk committee, the executive committee, the nomination committee, the remuneration committee, and the tender risk evaluation committee. The membership of these committees is set out in the corporate governance section of this annual report.

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, and the effectiveness of external and internal audit functions. It seeks to understand the significant risks facing the company and ensures that the appropriate risk management processes are implemented.

The executive committee is made up of the financial director and the managing directors of major operating subsidiaries, under the chairmanship of the chief executive. Operational performance is reviewed, matters of strategic importance are discussed and decisions that affect the group as a whole are made. Particular emphasis is given to delivering on commitments made in the group's business plan, implementing board policy and giving effect to its decisions.

The nomination committee ensures that the board is made up of non-executive 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 annually reviews fees paid to non-executive directors and makes recommendations to the board for approval by shareholders. Salary packages for executive directors including basic salary, fringe benefits, share schemes, performance-related bonuses and entitlements on 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 tender risk evaluation committee reviews the risk aspects of projects that, either as a result of their size or complexity, may present significant potential risk to the group. The committee consists of executive and non-executive directors, together with senior group executives and outside advisors as required, meeting under the chairmanship of the group chief executive.

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 among 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, experience and racial/gender diversity, without jeopardising its ability to achieve common purpose, full participation and camaraderie. Generally, the number of directors ranges between 10 and 15, the majority of whom are independent non-executives.

Subject to any limitations imposed by shareholders, non-executive directors hold office for between one and three terms of three years.

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 must be aware of the broader economic, political, social and legal issues that may impact on the group.

Each year, the board critically evaluates its performance, together with its processes and procedures to ensure that they remain relevant, are not unduly complex and that they continue to assist the board in fulfilling 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, 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.

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 without exceeding the limits of authority delegated to him. The chief executive is expected to enforce the group's code of business conduct and at all times to act in the best interests of Aveng and its shareholders, upholding the highest standards of integrity, corporate governance and fairness in the group's dealings with all its stakeholders.

Port Dampier upgrade, Western Australia

New clarifier for Mondi, Richards Bay

Corporate governance

Aveng and its people believe corporate governance is central to its success. The group is committed to maintaining high standards of governance, ensuring that the group is being managed ethically within prudently-determined risk parameters. The group accepts the underlying principles and firm recommendations set out in the King Report on Corporate Governance for South Africa – 2002 (King II) and complies with the additional corporate governance requirements of the JSE Limited. Where Aveng holds a contrary view to those of the King II recommendations, or expressed by the JSE, this is noted and reasons are given.

Aveng strives to implement good governance in practical ways by not allowing form to replace substance. This commitment is demonstrated by the ongoing refinement of structures to reflect current best practice in corporate governance.

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 stakeholders.

BOARD OF DIRECTORS

The board is the focal point 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 stakeholder prosperity.

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

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 13 directors. Seven are independent non-executive, one is non-executive and five are executive directors. The chairman of the group is an independent non-executive director and has no executive functions. Their details appear on pages 24 to 27 and their attendance at meetings is listed at the end of this section.

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

Because of their calibre, independence, experience and majority on the board, the views of non-executive directors carry significant weight in the board's deliberations and resolutions.

The strong independent composition of the board ensures that no one individual has unfettered powers of decision and authority. There are no shadow directors.

Non-executive directors are not awarded share options or benefits other than directors' fees. There are no service contracts with either executive or non-executive directors. An executive director is required to retire from the board at age 60, and a non-executive director at the age of 65.

In accordance with the company's articles of association, all directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Reappointment of non-executive directors is not automatic. The board approves the appointment of new non-executive directors, based on recommendations of the nominations committee, and executive directors based on the recommendation of the chief executive and remuneration 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 business, 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 material matters.

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

Directors have unrestricted access to all company information, records, documents and property. With the prior agreement of the chairman they are entitled to obtain independent legal advice on group-related matters at the group's expense.

An annual assessment of the performance, attendance, preparedness, participation and candour of the board as a whole and of its 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 assessed by the chief executive in consultation with the chairman and remuneration committee.

Board committees have been established to assist the board in its deliberations. The following committees report to the board and are reported on individually in this section of the annual report:

Audit and risk committee
Executive committee
Nomination committee
Remuneration committee
Tender risk evaluation committee

Each of these committees has its own mandate and, other than the tender and risk evaluation

ACP Acid Plant Rectification, a process engineering project for the platinum industry

committee and the executive committee, are made up exclusively of non-executive directors, all of whom are independent. The chairman of each of these committees reports verbally to the board and minutes of committee meetings are circulated or made available 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 next 12 months being elected at the group's December board meeting. Continuity and new thinking on these committees are promoted through this process.

ATTENDANCE REGISTER

Scheduled board meetings

			Board meetings			
		Independent	2 July 2004	10 September 2004	10 December 2004	4 March 2005
RB Savage	Non-executive chairman	✓				
PL Erasmus	Non-executive deputy chairman	✓				
C Grim	Chief executive					
BPJ Fourie	Executive					
DR Gammie	Executive					
L Gcabashe Ms	Non-executive	✓				
JR Hersov	Non-executive	✓				
HDK Jones	Executive					
WE Lucas-Bull Ms	Non-executive	✓	n/a	n/a	n/a	
KW Meissner-Roloff	Non-executive					
VZ Mntambo	Non-executive	✓				
DG Robinson	Executive		n/a	n/a	n/a	
BP Steele	Non-executive	✓				
CV Campbell	Non-executive: Retired 29/10/2004	✓			n/a	n/a
AR Mpungwe	Non-executive: Retired 29/10/2004	✓			n/a	n/a
PF Crowley	Executive: Retired 28/11/2004				n/a	n/a
M Taback	Non-executive: Retired 29/10/2004				n/a	n/a

Blue: Attended

CHAIRMAN, CHIEF EXECUTIVE AND COMPANY SECRETARY

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 subsidiaries' 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.

All directors have access to the advice and services of the company secretary, Craig Bishop. In addition to his normal responsibilities, he also keeps the board advised of any relevant changes in the JSE Limited Listing Requirements, governance issues, changes in company law legislation and any other relevant regulations.

AUDIT AND RISK COMMITTEE

Members: Brian Steele (chairman), Wendy Lucas-Bull, James Hersov, Richard Savage.

The committee's primary responsibility is to provide the board with additional assurance regarding the integrity and effectiveness of the group's risk management framework and related internal controls, reporting and compliance systems 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 group and its principal subsidiaries. It reviews and approves the internal audit plan.

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, internal control procedures, accounting policies, compliance and regulatory matters as well as advising the board on the application of accounting standards in its published financial information.

This committee meets four times a year and the minutes of these meetings are tabled in quarterly board papers.

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

Business risk areas have been formally identified and controls introduced to minimise potential loss to the group. In the discharge of their duties, committee members have access to all information and documentation as well as to management for explanation if required.

During the past year, the committee was chaired by Brian Steele, an independent non-executive director. He is a member of principal subsidiary audit committees to better familiarise himself with the operational details of the businesses. He also has direct access to both the internal and external auditors.

All members of this committee are independent non-executive directors. Contrary to 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, all of whom are financially literate and very experienced in their fields.

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

ATTENDANCE REGISTER

Audit and risk committee

			Board meetings					
		Independent	**1 July 2004**	**17 August 2004**	**9 September 2004**	**9 December 2004**	**3 March 2005**	**30 June 2005**
BP Steele	Non-executive chairman	✓						
JR Hersov	Non-executive	✓	n/a	n/a	n/a			
WE Lucas-Bull Ms	Non-executive	✓	n/a	n/a	n/a	n/a		
RB Savage	Non-executive	✓						
CV Campbell	Non-executive: Retired 9/10/2004	✓				n/a	n/a	n/a

Blue: Attended

INTERNAL AUDIT

The directors are responsible for the group's system of internal control and ongoing review of 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. The independent appraisal function constantly examines and evaluates the appropriateness of the systems of internal control, risk management and governance.

The heads of the internal audit departments report day-to-day matters to the financial director of the principal subsidiary concerned. They also have direct access to the principal subsidiary's 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 of each principal subsidiary and presents the report. Principal subsidiary internal audit reports are included in the Aveng audit and risk committee papers.

An important objective of internal audit is to assist management in the effective discharge of their responsibilities. The audit and risk committee acts as a consulting resource, attempting to add value to, and improve the organisation's operations. Audit plans, based on an assessment of risk, are presented in advance to the committee for approval.

Each assignment is followed by a detailed report to management, including recommendations on aspects requiring 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 regularly review internal audit reports and meet formally with the internal audit team at least twice annually to ensure that their joint efforts are properly co-ordinated.

The external auditors express their independent opinion on the annual financial statements and perform a high-level review of the interim results.

The external auditors attend the audit and risk committees of Aveng and its principal subsidiaries each quarter. They 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 at the foundation of the group's management philosophy. The process ensures that risks associated with opportunities are identified, evaluated and managed at the appropriate level within the organisation.

Macro-level risk management methodology is based on the Turnbull recommendations. Major categories of risk are identified, the group's exposure to each of these quantified, the probability of occurrence determined and the possible impact assessed. Appropriate measures to mitigate or control major risks are then introduced.

Each category of risk is continually monitored and mitigation actions appropriately modified.

The board is regularly updated by the audit and risk committee on the status of risk management and internal control systems, noting new risk issues and internal control breakdowns that may have occurred.

The risk review process starts with each operating division's executive committee and, depending on the size and complexity of the risk involved, progresses up to the business unit, the operating group, the principal subsidiary and finally to the Aveng board for review. The decision to move the 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 processes, see pages 46 to 48.

EXECUTIVE COMMITTEE

Members: Carl Grim (chairman), Nick Bell, Ben Fourie, Dennis Gammie, Howard Jones, Doug Keet, David Robinson, Brian Wilmot.

The executive committee is appointed by the board. Its purpose is to review group operations, discuss and make proposals to the board on matters of strategic importance, and to implement board decisions.

The committee generally meets twice a quarter and more often if circumstances demand.

ATTENDANCE REGISTER

Executive committee

		Board meetings									
		4 August 2004	8 September 2004	27 October 2004	8 December 2004	4 February 2005	3 March 2005	31 March 2005	28 April 2005	9 June 2005	30 June 2005
C Grim	Executive chairman										
N Bell	Member	n/a	n/a	n/a	n/a	n/a					
BPJ Fourie	Executive director										
DR Gammie	Executive director										
HDK Jones	Executive director										
DJ Keet	Member	n/a	n/a	n/a	n/a	n/a					
DG Robinson	Executive director	n/a	n/a	n/a	n/a	n/a					
BW Wilmot	Member	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
PF Crowley	Executive director: Retired 28/11/2004					n/a	n/a	n/a	n/a	n/a	n/a

Blue: Attended

NOMINATION COMMITTEE

Members: Vincent Mntambo (chairman), Phil Erasmus, Leah Gcabashe, Richard Savage.

The nomination committee is chaired by an independent non-executive director. The committee consists of four members, all 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 senior 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 the appointment of additional and replacement non-executive directors, making appropriate recommendations to the board. Potential non-executive directors are selected on the basis of industry knowledge, professional skills and experience.

The board chairman conducts annual appraisals of the performance of each of the non-executive directors and reviews these with the nomination committee. Members of the committee recuse themselves when they are being discussed. The nomination committee reviews the performance of the chairman of the board and, in doing so, reserves the right to consult with the chief executive. Where appropriate, individual directors may then 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.

ATTENDANCE REGISTER

Nomination committee

			Board meetings	
		Independent	2 July 2004	10 December 2004
VZ Mntambo	Non-executive chairman	✓		
PL Erasmus	Non-executive	✓		
L Gcabashe Ms	Non-executive	✓	n/a	n/a
RB Savage	Non-executive	✓		
JR Hersov	Non-executive: Retired from committee 31/07/2005	✓		

Blue: Attended

REMUNERATION COMMITTEE

Members: Richard Savage (chairman), Wendy Lucas-Bull, Vincent Mntambo, Phil Erasmus.

The committee is chaired by the chairman of the board, an independent and 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 a high calibre of executive and senior management is attracted, retained and motivated and that they are rewarded appropriately for their individual performance and contribution to the success of the group. Reward structures and practices are reviewed annually and are compared against external market and country benchmarks.

The performance of Aveng executive directors is reviewed by the chief executive who discusses his assessment of their performance with the chairman of the board and the remuneration committee. The chief executive's performance is reviewed by the chairman of the board in consultation with the remuneration committee. Chief executive succession planning is discussed by the committee and reported to the board when appropriate. The chief executive regularly updates the committee and seeks its input on executive director and senior executive succession planning.

The committee recommends non-executive compensation to the board for approval by 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 pages 140 to 143. Further details on remuneration policy are set out on page 92.

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

ATTENDANCE REGISTER

Remuneration committee

			Board meetings			
		Independent	2 July 2004	17 August 2004	10 September 2004	10 December 2004
RB Savage	Non-executive chairman	✓				
PL Erasmus	Non-executive	✓				
WE Lucas-Bull Ms	Non-executive	✓	n/a	n/a	n/a	n/a
VZ Mntambo	Non-executive	✓				
JR Hersov	Non-executive: Retired from committee 30/06/2005	✓				

Blue: Attended

TENDER RISK EVALUATION COMMITTEE

Members: Carl Grim (chairman), Dennis Gammie, Howard Jones, Hylton Macdonald, David Robinson, Richard Savage, Brian Steele.

The tender risk evaluation committee reviews the risk aspects of tenders that present significant potential risks to the group either as a result of their size or complexity. The committee consists of four executive and two non-executive directors, the group risk manager as well as external experts by invitation. It meets under the chairmanship of the group's chief executive at least quarterly or as often as required.

ATTENDANCE REGISTER

Tender risk committee

		Independent	Board meetings 10 September 2004	27 September 2004	10 December 2004	4 March 2005
C Grim	Executive chairman					
PF Crowley	Member					n/a
DR Gammie	Executive director					
HDK Jones	Executive director					
HJK Macdonald	Member		n/a	n/a	n/a	
DG Robinson	Executive director		n/a	n/a		
RB Savage	Non-executive director	✓				
BP Steele	Non-executive director	✓	n/a	n/a		
CV Campbell	Non-executive director: Retired 29/10/2004	✓			n/a	n/a
JR Hersov	Non-executive director: Retired from committee 30/06/2005	✓				n/a

Blue: Attended

INTEGRITY

Organisational and individual integrity is Aveng's core value. The group's code of business conduct is set out on page 8 and is formally committed to annually by the directors of the group, its principal subsidiaries, operating groups and business units. The code of conduct is made known to employees through various means and the internal audit function monitors compliance in a systematic manner. Behaviour that undermines the letter and spirit of the code is reported and dealt with as a matter of urgency. Where required, harsh action is taken to ensure that the reputation of the group is upheld.

Aveng carefully reviews its dealings with other individuals and companies to ascertain their level of commitment to personal and organisational integrity.

SHARE DEALING BY DIRECTORS AND OFFICERS

The group has imposed 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 period, the directors and designated senior employees of the group may not deal in the shares or in any other instrument linked to the shares of the company.

In addition, directors and senior employees cannot trade in the group's shares during any period where they have access to unpublished price-sensitive information. To ensure effective compliance, it is a requirement that no trade in Aveng securities may take place outside the closed periods without prior written approval from the chairman, for non-executive directors, and the chief executive for executive directors and officers of the group.

Directors and senior designated employees are required to instruct their portfolio or investment managers not to trade in the securities of Aveng without their written consent. They are required to advise the company secretary immediately after the trade has taken place who will then report the transaction to the JSE Limited through the Stock Exchange News Service (SENS) within one working day.

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

INVESTOR AND STAKEHOLDER RELATIONS

Aveng is committed to open and timeous communication with all its stakeholders. It is committed to transparency but will not voluntarily disclose information to any stakeholder that the directors believe would be detrimental to the business.

The company communicates as often as practicable with all stakeholders through the numerous mediums available. Direct personal discussions with the chief executive or his designate are encouraged and welcome.

The company goes beyond minimum requirements in its public announcements, striving to keep stakeholders fully informed. In so doing, it will ensure that the JSE Limited regulations on disclosure are complied with.

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

Shareholders and their appointed representatives are encouraged to attend the company's annual general meeting, to vote on the resolutions placed before the meeting and to conduct relevant discussions with the company's directors.

INFORMATION FOUND ELSEWHERE IN THIS REPORT

At the heart of the R1,9 billion Berg River Dam project in Franchoek, South Africa, Grinaker-LTA is leading the construction consortium. There is an approved environmental management plan – a detailed blueprint on socio-economic strategies, guidelines for environmental design and specifications, and programmes for river and environmental monitoring.

Looking after our land

Sustainability report

As a global group, operating in construction and related industries in 30 countries, Aveng's role as a good corporate citizen is imperative to the sustainable development of our group. Given the challenges of differing regulations, laws and standards in operational areas, Aveng has adopted the triple bottom-line approach in its business and in reporting to stakeholders.

The internationally-recognised requirements of the Global Reporting Initiative, the increasingly stringent standards of the South African JSE Socially Responsible Investing index and our own code of business conduct which incorporates best practices in corporate governance are the cornerstones of Aveng's approach to sustainable development, and testimony to our commitment to make a real difference – at every level and in every country.

GRI REPORT CONTENT INDEX

In accordance with the reporting requirements of the Global Reporting Initiative (GRI), the index below contains the core key economic, social and environmental performance indicators for the 2002 GRI Guidelines alongside a page number and content descriptor to direct readers to the section within this annual report where Aveng has discussed these key performance indicators. Where an issue is not discussed or is not relevant to Aveng, this is stipulated below. Although some additional indicators are assessed by Aveng, they are not included in this index.

GRI indicator	Core performance indicators	Page in this report	Description of content
ECONOMIC PERFORMANCE INDICATORS			
EC1 – 2	Customers	69, 70	Value added statement; geographic segments and contribution to revenue
EC3 – 4	Suppliers	69, 77	Value added statement; procurement
EC5	Employees	69, 92	Value added statement; direct value added to South Africa; remuneration policy and benefits
EC6 – 7	Providers of capital	69	Value added statement
EC8 – 10	Public sector	69, 97, 99	Value added statement; direct value added to South Africa; social investment
ENVIRONMENTAL PERFORMANCE INDICATORS			
EN1 – 2	Materials	81	Materials
EN3 – 4	Energy	82	Energy
EN5	Water	83	Water
EN6 – 7	Biodiversity	84	Biodiversity
EN8 – 13	Emissions, effluents and wastes	86	Emissions; effluents; waste
EN14 – 15	Products and services	89	Product responsibility
EN16	Compliance	81	Legal compliance
SOCIAL PERFORMANCE INDICATORS			
LA1 – 2	Employment	91, 92	Human capital; remuneration policy and benefits
LA3 – 4	Labour/management relations	92	Industrial relations
LA5 – 8	Health and safety	96, 98	Occupational health and safety; HIV/Aids
LA9	Training and education	95	Skills development
LA10 – 11	Diversity and opportunity	71, 94	Broad-based black economic empowerment; employment equity
HR1 – 7	Human rights	94, 77, 94, 92	Ethical conduct and human rights; procurement; employment equity; Industrial relations
SO1 – 3	Society	94, 97, 99	Ethical conduct and human rights; Public health and safety; corporate social investment
PR1 – 3	Product responsibility	97	Public health and safety

INTRODUCTION


Cement sleepers from Grinaker-LTA Manufacturing

Aveng recognises its responsibility to safeguard the interest of all its stakeholders and believes that good governance is essential to the group's long-term sustainability and functioning. Aveng's objective is to be profitable in a manner that conforms to the strictest requirements for transparency, while acknowledging its accountability to the broader society and communities it serves, and respecting the environment.

The Aveng board believes that embracing social responsibility and respecting the environment enhances commercial success and improves the probability of the long-term sustainability of the group. For this reason, Aveng was one of the first companies to obtain registration on the JSE Limited Social Responsibility Index (SRI), which was launched in May 2004. The group maintained its position on the index for the second year running, despite the significantly more challenging standards imposed by the JSE. The JSE intends to raise the criteria for qualification on the SRI year on year. Aveng uses the SRI's qualifying criteria and questionnaires as a yardstick for its performance and will do its utmost to improve its own standards every year and remain listed on the SRI.

Aveng has adopted the King report on corporate governance, triple bottom-line approach to reporting to stakeholders, which clearly demarcates non-financial performance reporting into economic, social and environmental impacts. The reporting framework proposed by the Global Reporting Initiative (GRI) is also used by Aveng as a guideline to qualitatively report on the organisation's sustainability and its impact on the economy, society and the environment. In accordance with GRI requirements, an index of GRI indicators is on page 64 of this report, which contains references to sections of this report where the group's performance in accordance with core indicators is discussed, or alternatively denotes which indicators are not currently assessed by the group.

INTERNAL POLICIES, PRACTICES AND MECHANISMS

Aveng is a multifaceted organisation with its subsidiaries and major investments operating in over 30 countries worldwide, with a focus on the construction, steel and allied and cement industries.

The interests of Aveng businesses encompass many varied disciplines such as manufacturing and selling, engineering, building, mechanics, roads and earthworks, opencast mining, property development, steel and automotive supplies and quarrying. Accordingly, impacts on the communities and environments in which Aveng businesses operate are varied, making it impossible to implement a single standard for social responsibility compliance across all areas of the group. Accordingly, businesses within the group, and even within the different divisions of the businesses, have not obtained the same levels of monitoring and managing their impacts.

Many of the projects undertaken by group operations are not controlled by the business itself or Aveng, but are on a contract basis for a client. In these cases, the client assesses the impacts of the project and implements management and monitoring criteria. The business is guided by the policies and requirements as set out by the client. However, Aveng would not knowingly enter into any agreement to supply goods or services to a project that, in its view, would have a detrimental impact on the community or environment.

Another challenge is the global spread of Aveng businesses, which mainly operate within the developing world. Many generally-recognised performance measures and annual comparisons are not readily available to Aveng for operations conducted in foreign countries. In addition, each country has its own laws and regulations governing issues such as the environment, human rights, labour rights, health and safety, etc. Each customer also sets its own standards, all of which must be taken into account.

Despite these hurdles, being a good corporate citizen is an intrinsic part of the way that Aveng conducts its business affairs throughout the world. The group's code of business conduct, as set out on page 8, is the cornerstone of its approach to sustainable development and is entrenched and implemented across all Aveng businesses. To this end, Aveng strives both to improve the quality of life in the communities it touches and to achieve sustainable development at all levels. Aveng promotes policies and operating procedures across the group to conserve resources and minimise the environmental impact of its business activities.

The Aveng board aims to align the standard of the group's sustainability measures and annual sustainability reporting with internationally-accepted standards. This goal, as well as the continually evolving expectations of our stakeholders, means that the development of the group's standards is an ongoing and dynamic process.

STAKEHOLDER COMMUNICATION

Aveng makes a concerted effort to communicate in a clear, open, timely and realistic manner with its stakeholders. The group is committed to transparency to the extent that it is not detrimental to the business of the group and is balanced with the group's overall responsibility to the sustainability of the group, its employees and investors.

In its communication with stakeholders, particularly the investment community, Aveng aims to present a balanced and understandable assessment of its position, performance and prospects, and to communicate in substance rather than in form in financial reporting, formal announcements, media releases, annual meetings and investor relations presentations. Although Aveng often reports beyond the minimum disclosure required, it is mindful not to contravene the JSE's regulations on disclosure. Direct discussions with the board and management are also welcomed.

The group's primary responsibility is to its investors. The board recognises its fiduciary duty to shareholders to maximise the value of the group's assets over time. In the year under review, Aveng set up a formal investor relations programme with the assistance of an independent external firm of consultants. The investor relations programme aims to proactively build strong relationships with the investment community as well as the financial media. The programme is used to disseminate information as well as assimilate information from the investment community to ensure an accurate understanding of the operations of the group and its future plans, and thus an accurate valuation of the group's shares.

The group meets regularly with its shareholders and the investment community and biannually makes presentations to both local and institutional investors after the release of its financial results.

In addition, shareholders or their appointed representatives are encouraged to attend the company's annual general meeting, to vote on resolutions of the company and where relevant, enter into discussions with the directors.

Aveng acknowledges that it is accountable to many other stakeholders, including its employees, the communities affected by its operations, its consistent "clients" and business partners. In the past two years Aveng has placed greater emphasis on non-financial disclosure in its annual financial reports, including employment equity, social transformation, social responsibility and environmental issues to address some of the communication requirements of its large stakeholder base.

The group has defined its stakeholders and determined the most effective and strategic methods of communicating key issues to them as follows:

Stakeholder	Form of communication
Investors	Annual and interim reports, profit announcements, SENS announcements, annual general meeting, investor relations programme, results presentations, site visits, website.
Employees	Newsletters, intranet, staff meetings, social gatherings, labour union meetings, training, e-mail announcements.
Clients	Service and supply contracts, meetings, letters, e-mail updates, account statements.
Business partners	Agreements, meetings, letters, e-mail updates.
Major contractors and suppliers	Contracts and service agreements, meetings, letters, e-mail updates, industry body meetings.
Communities	Public relations, profit announcements, website, sponsorships, meetings with community leaders and corporate social investment beneficiaries.
Government and regulatory bodies	Tenders, presentations, formal and informal meetings, consultations, representations, seminars, workshops and other regulated formats.

AWARDS AND RATINGS

The group's operations hold countless awards for their achievements in the areas of quality, safety, health and the environment, the most notable of which are discussed below.

National Occupational Safety Association (NOSA)

NOSA is a section 21 company that acts as an advisory body on all matters relating to occupational health and safety as well as environmental risk management. NOSA hosts yearly national competitions in which it audits companies' health and safety track records and awards achievements in safety, health and environmental (SHE) efforts.

A NOSCAR is the highest award by NOSA for SHE achievements. To obtain this award, a company needs to win the national competition in its category. In addition, to qualify for a NOSCAR, a 12-month disabling injury frequency rate of less than five and an overall score of not less than 95% must be achieved during the NOSA audit.

Grinaker-LTA holds four NOSCARs and Holcim (South Africa) holds one NOSCAR, which was awarded to its Roodepoort cement factory for the 28th time on 11 March 2005.

Grinaker-LTA and Holcim (South Africa) have a long-standing participation in the NOSA SHE programme. During its audit, NOSA grades each operating site of the company. The latest NOSA audit results are as follows:

NOSA gradings	Grinaker-LTA	Holcim (South Africa)
5-star platinum	2	2
5-star	47	1
4-star	44	2
3-star	10	1

Grinaker-LTA is also the recipient of the NOSA International Top 100 award for world-class SHE performance, is a NOSA Top 20 Company, and is the NOSA international winner (section F construction) for integrated safety, health and environment.

During the year, a number of operations within the Aveng group achieved the outstanding accomplishment of a million disabling-injury-free manhours.

Industry awards

The South African Master Builders Association (SAMBA) hosts an annual national safety competition for the construction industry, and presents Building Industries Federation of South Africa (BIFSA) gradings and awards in various categories. Regional audits of participating companies are conducted by regional master builder associations and finalists are entered into the national competition in various categories. In the regional audit, Grinaker-LTA received eight BIFSA five-star gradings and six BIFSA four-star gradings.

The Concrete Manufacturers Association (CMA) bestows quality awards for excellence in cast concrete products and applications. The competition evaluates various categories of projects on a regional and national basis and awards are given to the teams involved on the project. Infraset, a business unit within Grinaker-LTA Limited that focuses on manufacturing pre-cast concrete products, won two regional and two national CMA awards for excellence. In addition, Grinaker-LTA was honoured with the CMA employees excellence annual award.

The Aggregates and Sand Producers Association of South Africa (ASPASA) hosts the *About Face Programme,* a biennial environmental performance audit conducted by independent environmental auditors. The 2002 ASPASA *About Face* audit was conducted by auditors from the University of Johannesburg. Top honours in the programme went to Holcim (South Africa) aggregate quarries which attained four out of four of the *Showplace* awards presented in the year, as well as nine *Fish Eagle* awards for various other environmental achievements.

In Australia, McConnell Dowell was presented with the Case Earth Award for Construction Excellence for its Narre Warren Cranbourne Road duplication and grade separation project, which has set new benchmarks in rail bridge construction. The Case Earth Award rewards companies performing at the highest standards of civil construction and recognises advancements in construction practices as well as the impact on the environment. Some of the selection criteria include innovative methods, industry best practice, client satisfaction, quality, occupational health and safety, environmental management, completion within timing deadlines and budgets, and workplace training.

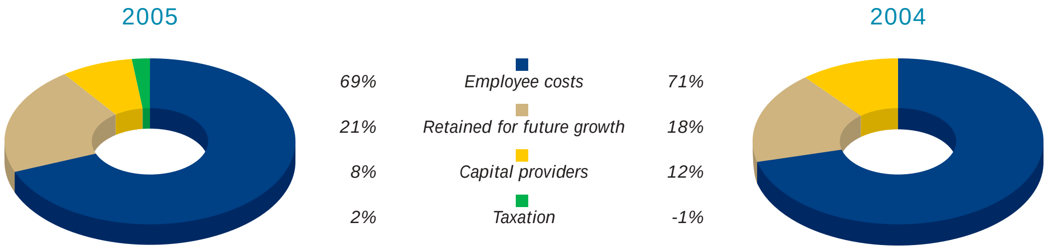
ECONOMIC IMPACT

DIRECT VALUE ADDED

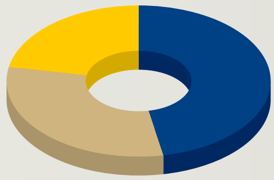
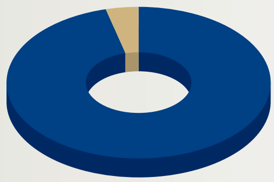
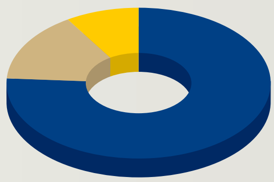
The value added statement is a measure of the wealth created by the group during the year under review. It equates to the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. The statement shows total wealth created and how it was distributed.

VALUE ADDED STATEMENT

	2005 Rm	2004 Rm
Revenue	**13 534,9**	11 739,7
Net cost of products and services	**9 996,6**	8 290,7
Value added by operations	**3 538,3**	3 449,0
Income from investments and interest	**81,6**	65,7
Total value added	**3 619,9**	3 514,7
Applied to:		
Employees as salaries, wages and other benefits	**2 481,4**	2 502,3
Providers of capital – financing costs	**240,5**	274,6
– dividends	**54,5**	124,4
The state as direct taxes	**71,3**	(18,7)
Total value distributed	**2 847,7**	2 882,6
Reinvested in the group – amortisation and depreciation	**385,6**	438,9
– reserves retained	**386,6**	193,2
Total value added	**3 619,9**	3 514,7



Geographic segments and contribution to revenue

Business interest	Countries of operation		Contribution to revenue
Construction	American Samoa Angola Australia Azerbaijan Botswana Brunei Burkina Faso Fiji Georgia Guinea Hong Kong Indonesia Laos Lesotho Libya Malaysia Mali Mauritius Mozambique	Namibia New Caledonia New Zealand Nigeria Papua New Guinea Philippines Pitcairn Island Qatar Rwanda Samoa Saudi Arabia Singapore South Africa Swaziland Tanzania Thailand United Arab Emirates United Kingdom Zambia Zimbabwe	
Steel and Allied	South Africa		
Cement*	Botswana Namibia South Africa Swaziland Tanzania Lesotho		

* *Equity accounted*

BROAD-BASED ECONOMIC EMPOWERMENT

Commitment and strategy

Aveng regards its responsibility to help bring about the economic empowerment of historically disadvantaged South Africans (HDSAs) as integral to being a model corporate citizen and truly South African company. The group endorses government-led initiatives to promote commercial reconciliation within the South African corporate environment, including compliance with sector-based charters and the use of a balanced scorecard approach to measure progress.

Aveng views economic transformation as a sound business imperative that will enable it to maintain and grow its position in the industry in the long term. Its transformation strategies and process are dynamic and open to regular evaluation to ensure that the group is progressing in the right manner and keeping abreast of changing needs. Moreover, Aveng will ensure that its efforts to contribute to economic transformation and add sustainable value for shareholders and investors.

The accompanying table illustrates Aveng's six-leg strategy for black economic empowerment (BEE), and its success to date:

Area of focus	Achievements in 2005	Targets for 2006
Equity participation	• Broad-based equity transaction with TisoGroup as the lead	• Achieved
Enterprise development	• 14 different BEE companies in past two years. In nine of these, BEE partners hold controlling interest • 14 JVs with BEE partners in past two years	• 16 different BEE companies in past two years. In nine of these, BEE partners to hold controlling interest • 18 JVs with BEE partners in past two years
Employment equity	• As per plan submitted to Department of Labour	• As per plan submitted to Department of Labour
Community investment	• 1% of prior year's headline earnings of Aveng. R4 million spent	• 1% of prior year's headline earnings of Aveng.
Skills development	• 62 full-time bursaries and 88 apprentices awarded to HDSAs in 2005 • 11 410 HDSA employees received some form of training at cost of over R17 million	• 120 full-time bursaries and 93 apprentices to be awarded to HDSAs in 2006 • 12 625 HDSA employees to receive some form of training at an estimated cost of R19 million
Procurement	• Targeted 10% of total procurement spend	• Targeted 20% of total procurement spend

The areas of skills development, employment equity and corporate social investment are dealt with in the section on social impact starting on page 90 of this report.

A steering committee was appointed by a number of construction industry associations and tasked with drawing up a BEE charter for the sector. Aveng executives are involved on the steering committee and in compiling the draft charter, which is expected to be presented for approval in the second half of 2005. Aveng welcomes the imminent charter as it will clarify and quantify the path ahead for economic empowerment in the construction industry.

Equity participation

On 11 February 2005, the final suspensive conditions relating to the empowerment deal with the Qakazana Consortium, a BEE consortium headed up by the TisoGroup, were met. The Qakazana Consortium was established in 2004 by Aveng and TisoGroup, the group's preferred BEE partner.

The deal was effectively concluded with two of Aveng's wholly-owned subsidiaries, Grinaker-LTA and Trident Steel. Together, these businesses make up over 80% of Aveng's revenue and the bulk of the Aveng business. The deal gives the Qakazana Consortium a significant 25% interest in both Grinaker-LTA Limited and Trident Steel Holdings (Pty) Limited at a market price of R496 million. The Qakazana Consortium will also have two seats on each board. This deal makes Grinaker-LTA the first large construction group and Trident Steel the first large steel service centre in South Africa to have completed a top-level transaction.

McConnell Dowell Corporation was excluded from the transaction as it is based in Australia and operates in the eastern time zone. Similarly, Holcim (South Africa) was excluded as it is an associate company of Aveng, with quarrying operations that are subject to different BEE requirements as set out in the mining industry charter.

Qakazana Consortium will settle the purchase consideration by issuing Qakazana preference shares to Aveng. The nature of the transaction, which includes a preference share deal with a coupon rate of CPIX plus 8%, gives TisoGroup both the incentive and the opportunity to contribute both strategically and operationally to the business. At the end of the transaction period in 2012, Qakazana Consortium will be entitled to realise 80% of the enhanced value of Qakazana, less the amount due to Aveng for the Qakazana preference shares. At the same time, Aveng as the preference shareholder will be entitled to receive 20% of the value created in Qakazana after deducting the value of the preference shares via a call option.

Members of the BEE consortium

The Qakazana Consortium is broad based and includes Aveng's employees, a community trust and a business trust, which effectively means that about 70% of the profits of the deal will go to broad-based community groups. This is a strong incentive for these co-shareholders to do what they can to contribute to the success of the group. For Aveng, the commitment to social investment is an important component of the deal.

The four members of the Qakazana Consortium, TisoGroup, Tiso Aveng Women's Empowerment Trust, Aveng Community Investment Trust and Aveng Empowerment Trust contribute to the consortium as follows:

TisoGroup

TisoGroup has a 75% interest in Four Arrows (Pty) Limited, which in turns owns 48% of the Qakazana Consortium. The other 25% of Four Arrows is held by Tiso Aveng Women's Empowerment Trust.

TisoGroup is focused on natural resources and related goods and services, and investment banking. It is headed up by Fani Titi, Nkululeko Sowazi and David Adomakoh. Management and staff own 41% of TisoGroup through the Tiso Staff Share Incentive Trust and Tiso Investment Holdings.

Investec holds 17%, RMB holds 12% and Standard Bank owns 7% directly plus a further 5% indirect beneficial holding. The Dandala Family Trust holds 2% and a further 16% is held by the Tiso Foundation, a public benefit organisation.

Apart from its shareholding in Grinaker-LTA and Trident, the TisoGroup holds 6,8% of Investec Limited, 25,1% of AEL, AECI's South African and African explosives operations, and 52% of Idwala Industrial Holdings, a company manufacturing lime for the steel and mining industries.

Aveng Community Investment Trust

The Aveng Community Investment Trust owns 20% of the Qakazana Consortium. The trust is overseen by independent trustees, and Aveng has made application to register the trust as a public benefit organisation.

Annually, 1% of the group's previous year's headline earnings flows to the trust, which manages the corporate social investment initiatives of the Aveng group. The trust is mandated by Aveng to focus on technical and business education projects and job-creation initiatives principally for the benefit of black South Africans within the broader construction industry. Ten percent of the trust's expenditure is allocated to the Tiso Aveng Women's Empowerment Trust, which is described below. Details of the group's corporate social investment are contained on page 99.

Tiso Aveng Women's Empowerment Trust

The Tiso Aveng Women's Empowerment Trust was established to benefit previously disadvantaged broad-based women's groupings. The initial participants are South African Women in Construction (SAWiC) and Women for Housing, which are both section 21 non-profit organisations created for the benefit of their members.

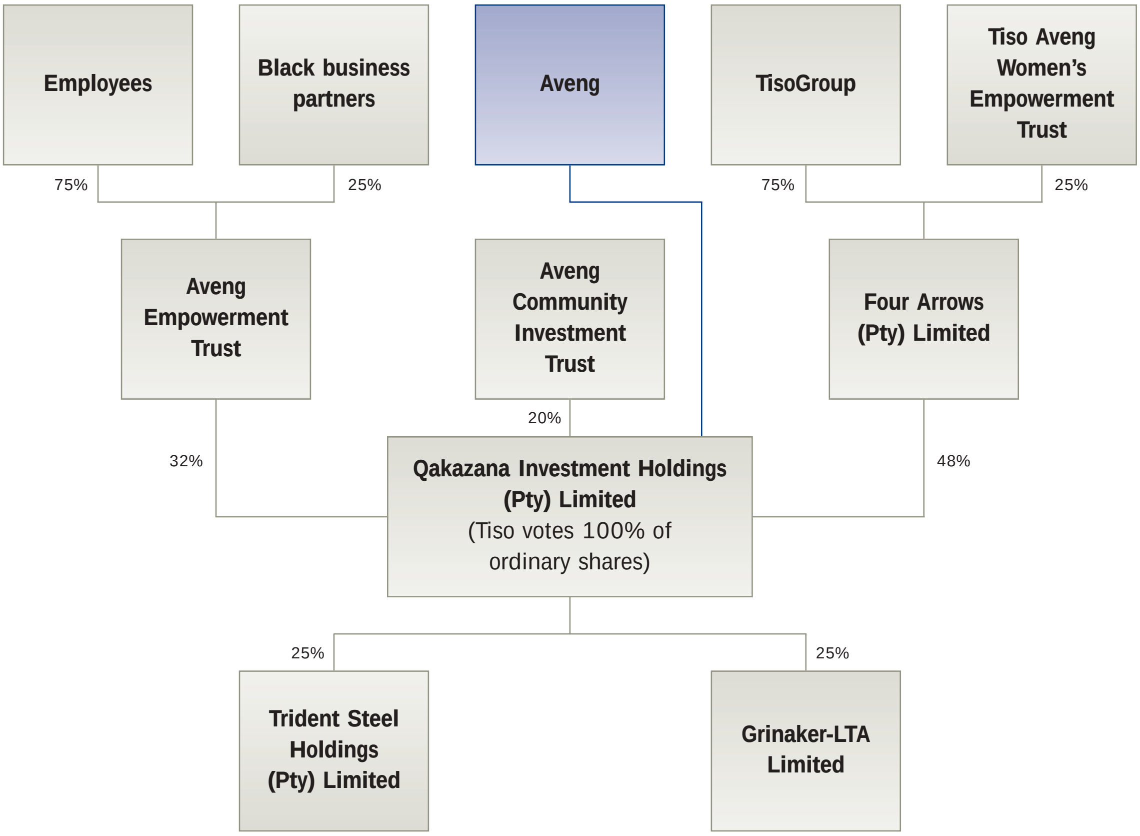
SAWiC is focused on providing women with access to construction contracts, creating jobs, growing businesses and generally assisting women to compete in an industry historically dominated by men. At present, SAWiC has 508 members of whom 77% are contractors and 16% service providers, with the balance being trade people.

Women for Housing facilitates opportunities for women involved in low-income housing delivery. It aims to provide women with the skills and ongoing support required to become successful economic participants and decision makers in the low-cost housing market to ensure sustainable and viable housing developments. Women for Housing has a network of over 600 women who are involved across the full range of housing delivery.

Aveng Empowerment Trust

The Aveng Empowerment Trust owns 32% of the Qakazana Consortium, which in turn reserves 75% of its equity for permanent employees of Grinaker-LTA and Trident Steel. The first allocation of 100 units to each employee in Grinaker-LTA and Trident Steel was made at the end of the 2004 year. The intention is to make further allocations in most years for the duration of the scheme. These allocations are of equal size for all employees, irrespective of seniority. However, senior black employees may also be eligible for additional units at the discretion of the trustees.

The empowerment trust has set aside the remaining 25% of its units for selected black partners involved in joint venture and other business partnerships with the group's operations.



** R496 million with coupon rate of CPIX +8%. At the conclusion of the 7 to 9-year period, Aveng will also receive 20% of the value created.*

Future equity participation opportunities

Currently Aveng does not envisage entering into another empowerment deal on a group level as the Qakazana participation covers around 85% of its revenues. Instead the group will look to its 46% share in Holcim (South Africa) to participate in any future empowerment deal concluded by that company, which will constitute a separate transaction outside of Aveng.

In addition, the existing preference share deal with Tiso has been structured so that Tiso's call options may be settled either in cash or Aveng shares at the discretion of the Aveng board. If settled in shares, Tiso will become an Aveng shareholder.

Holcim (South Africa) is committed to the provisions of the mining industry charter and monitors and manages its performance through the mining industry scorecard. The company is developing its HDSA policy and strategies. Targets have been set in terms of employment equity, procurement from black enterprises and skills development programmes, which include local and international training and financing studies for employees. In the year under review, Holcim (South Africa) met its targets for procurement and executive leadership. Targets for skills development and employment equity have not been met and are being closely monitored.

Currently no significant percentage of ordinary shares are beneficially owned by black people, as Holcim (South Africa) is not listed on the stock exchange. However, negotiations are in progress for the sale of part of the company to black shareholders.

Enterprise development

Aveng believes that the most value it can add to the process of economic empowerment of HDSAs is at the operating level where partnerships and joint ventures with black businesses and entrepreneurs can facilitate enterprise development and the transfer of skills. The group's BEE objectives are best served by founding and growing construction and other companies with actively-involved black shareholders who have a desire to succeed, are willing to work hard and are open to learning new skills.

The diversity of the group's operations, both geographically and from a product and services perspective, lend themselves to multiple opportunities to transfer skills through enterprise development partnerships as well as joint ventures between Aveng's operating entities and HDSA companies and entrepreneurs.

Enterprise development partnerships

The first step in Aveng's enterprise development strategy is for one of its underlying operating entities to establish a company with black shareholders who wish to be actively involved in an empowerment partnership. Typically, the underlying Aveng operation will hold a controlling share in the early stages, which will be reduced over time to a minority position. In the final stages, the operating entity will exit the partnership once it is satisfied that the empowerment partner has acquired the necessary skills. It is never the intention to buy out an empowerment partner at a later stage.

There have been many successes but also the inevitable business failures. Currently these empowerment companies cover a wide spectrum of the group's activities in South Africa. The table below sets out the relationships that existed as at 30 June 2005:

ENTERPRISE DEVELOPMENT

Empowerment company	Nature of business	Aveng's % interest
Boshard Construction (Pty) Limited	General contractor	30
Empowa Grinaker-LTA (Pty) Limited	Manufacture and supply of concrete railway sleepers	50
Enzimbini Reinforcing (Pty) Limited	Cut, bend and supply of reinforcing steel	20
Fraser & Chalmers Siyakha (Pty) Limited	Mechanical and piping contractors	75
Grinaker-LTA Vuselela Spares Supply (Pty) Limited	Process spares supply	49
Jehamo Electrical Contractors (Pty) Limited	Electrical contractors	56
KZN Reinforcing and Fixing Services (Pty) Limited	Fixing and positioning of reinforcing steel	33
Lefike Ready-mix Concrete	Ready-mix concrete	50
Lennings DEC Rail Services (Pty) Limited	Construction and maintenance of rail track	70
Lesedi Tracks (Pty) Limited	Underground rail track construction	30
Makokwe Grinaker Mining Contracting (Pty) Limited	Underground mining and infrastructure services	40
Misa Scaffolding (Pty) Limited	Scaffolding hire	40
Reinforcing and Fixing Services (Pty) Limited	Fixing and positioning of reinforcing steel	30
Rekaofela Refractory Services (Pty) Limited	Refractory services and maintenance	70
Sivukile Contractors (Pty) Limited	General contractor	29

Joint ventures

Aveng enters into numerous joint ventures with local black contractors on a contract basis for specific products and services. During the year under review, the value of these contracts amounted to R513 million. These contracts were awarded to 14 joint venture partners.

The table below lists the joint ventures in existence with local black partners during the 2005 financial year.

JOINT VENTURES

Project	Empowerment company	GLTA %	Approximate revenue this financial year (our share) Rm
Zimbali Coastal Resort	Super Mining and Civils	80	53
Berg River Dam	Western Cape Empowerment Contractors	32	48
Atlas Road (R21) Interchange	Thamane Building Construction	75	87
	Yikusasa Building Contractors		
Quay Wall, Durban	Bafokeng Civil Works	45	2
Spoornet Rail Track Maintenance	G4 Civils	75	25
Spoornet Rail Track Maintenance	Polyzomba Construction	80	19
Spoornet Rail Track Maintenance	Joe Shibambo & Associates	80	4
Gulmarn and Helenslee Apartments, Cape Town	Boshard Construction	70	110
Mondi Refurbishment	Sivukile Contractors	70	17
Pearl Reef Apartments, Umhlanga	Sivukile Contractors	60	10
Hlabisa Hospital	Sivukile Contractors	80	13
Mondi Refurbishment	Sesila Civils and Contracting	85	13
Pretoria Academic Hospital	Thamane Building Construction	74	4
CW Malan Building	High Pitched Investments	60	22
Heidelberg Ext 23 and 26 Houses	Imisebe Trading	65	31
Moloto Road Rehabilitation	Ulushu Mining & Civils	80	19
Bethal to Kriel Road Rehabilitation	Ulushu Mining & Civils	80	30

Procurement

Although Aveng has set a target of 20% of total procurement spend from black enterprises for its groupwide operations, the procurement policy can only be developed and quantified once the construction industry charter is in place. The charter is expected to be finalised and approved before the end of 2005.

Currently the group gives first preference to black-owned companies, followed by black-empowered companies. Factors such as gender and disability ratios are also taken into account. However, in giving preference to HDSA suppliers, Aveng will not compromise on quality, price, delivery and service, and will ensure that all safety, technical, commercial, compliance and environmental standards are met.

For those areas of the group's business that are regulated by the provisions of the mining industry charter, current and targeted preferential procurement expenditure has been established and the process of granting preferred supplier status to HDSA suppliers is under way.

In the year under review, Aveng procured products and services worth approximately R674 million from black-owned companies and black-empowered companies. This amounts to 18% of the group's total discretionary procurement spend, an increase of 2% compared to 2004. The 2006 target for total preferential procurement will remain at 20% until further direction is obtained from the construction industry charter.

INDIRECT IMPACTS

The total economic impact of an organisation includes indirect impacts. These are usually benefits arising in the course of its business to which a monetary amount is not directly attributable. As indirect impacts are often complex and not measurable, a single generic set of such indicators has not been identified.

Aveng does not assess its indirect economic impacts. However, during the year under review, 470 new permanent jobs were created by the group. In addition, expenditure on products and service to suppliers increased by 26%, which means that some of our suppliers would have employed more people to keep pace with the group's demands.

As far as possible, Aveng procures its supplies and services and recruits its labour from the local communities in which it operates, particularly when operating in remote and rural areas, thereby enriching the lives of the local population. The economic empowerment of local businesses and communities is often a requirement stipulated by clients in their contracts with the group.

ENVIRONMENTAL IMPACT

Bel Ombre golf course, Mauritius

COMMITMENT

Aveng recognises that due to the nature of its construction, mining and manufacturing activities, it has the potential to significantly impact on the natural environments of the countries in which it operates. Being mindful of the group's environmental effects is an important element of Aveng's overall business strategy. The group views the curtailment of its environmental impacts as vital to the well-being of the communities and ecosystems in which it operates and thus, ultimately, an essential part of the long-term sustainability of the group.

Aveng respects the rights of every South African citizen as guaranteed in the South African constitution to an environment that is not harmful to their health or well-being, as well as the right to have the environment protected for the benefit of present and future generations, through reasonable legislative and other measures that prevent pollution and ecological degradation, promote conservation and secure ecologically-sustainable development and use of natural resources while promoting justifiable economic and social development.

In the same way that the group recognises the need to operate in harmony with South Africa's ecosystem and people, Aveng's global operations are committed to working in a manner that balances the group's need to be profitable with the demands of the economy and social development and the imperative to protect the frailty and integrity of the environment, wherever in the world their activities may take them.

Aveng is committed to identifying, assessing and reducing the environmental impact of the activities performed by its operations, its production and supply chain and any of its products or services that may have a significant direct environmental impact.

SCOPE OF REPORT

The impact of Aveng's activities on the environment are varied, given the diversity of the group's business interests, which include some potentially high-impact activities like roads and earthworks, opencast mining, property development, the manufacture of cement, beneficiation of steel products and quarrying. Given the potential for a variety of impacts, it is difficult for the group to develop a single reporting and compliance standard across all business units. However, Aveng is committed to developing environmental management systems (EMS) based on ISO 14001 within all the group's operations and elsewhere as appropriate.

As many of the projects undertaken by the group's operations are on a contract basis for customers, accountability for the environmental impact of these operations vests with the customer. The customer, as the owner of the land or the project, has the responsibility to assess the impacts of the project and implement appropriate management and monitoring criteria while being mindful of its responsibilities and environmental obligations. Although Aveng is guided by the policies and requirements set out in its agreement with the customer, the group conducts environmental impact assessments (EIA) on all new operational projects to assess potential environmental consequences as well as preventative and remedial actions. It is the group's policy to refuse to supply goods or services to any project that, in its view, would have a detrimental impact on the environment.

Many projects awarded to group operations, particularly Grinaker-LTA and McConnell Dowell, include ongoing environmental management and the rehabilitation of the environment on completion of the project. Some projects consist only of rehabilitation aspects, requiring solutions to potential environmental hazards.

Another challenge in environmental performance reporting is the global spread of Aveng businesses, as many of the recognised performance measures and annual comparisons are not readily available to group operations conducted in foreign countries as each country has its own environmental legislation and regulations, which must be adhered to. In addition, resource and energy utilisation, waste generation, air emissions and the nature of environmental impacts constantly vary between the types of projects being awarded to the business and on circumstances at the time of the assessment.

As there are no universally-accepted principles for reporting on environmental performance, the group has adopted the reporting framework proposed by the Global Reporting Initiative (GRI) as a means to qualitatively report on the organisation's impact on living and non-living natural systems, including ecosystems, land, air and water. The group's performance in relation to the core GRI indicators can be found on page 64 of this report.

Despite the hurdles that exist in reporting on environmental performance, the group believes that sustainable development aimed at meeting present needs without compromising future generations underpins the group's future and that of humanity and is thus committed to improving the quality of its disclosures year on year.

MANAGEMENT AND PERFORMANCE

Environmental policy

In Aveng's code of business conduct, as set out on page 8, the group's directors and senior employees undertake to promote policies and operating procedures that conserve resources and minimise the environmental impact of its business activities. The environmental management of Aveng operations is largely governed by an environmental policy, which sets out the group's broad commitment to sound environmental management as follows:

- developing environmental management systems based on ISO 14001 in the construction companies and elsewhere in the group as appropriate
- complying with all relevant environmental legislation as well as with the environmental management commitments of our customers
- ensuring that subcontractors and suppliers follow environmentally-responsible practices
- committing to minimising pollution in any form through a culture of environmental awareness
- encouraging the conservative use of energy and other natural resources
- reducing waste and preventing the discharge of any substances hazardous to the environment
- ensuring continuous improvement in our environmental conservation policies and practice through an ongoing programme of review and corrective action

Each operation within the group is responsible for its own specific environmental policies taking into account the requirements of the group, the circumstances of the countries within which it operates and ISO 14001 requirements.

Environmental management systems (EMS)

To manage the group's environmental risks systematically and efficiently and achieve the group's stated goal of sustainable development, all operating units are working towards implementing EMS in accordance with the ISO 14001 standard, as the single standard for environmental compliance across all areas of the group.

ISO 14001 is an international standard for EMS and is based on three key principles:

- prevention of pollution
- compliance with relevant environmental law
- continual improvement in both the system and environmental performance

Accreditation comes from the globally-respected international standards bodies in accordance with the requirements of ISO 14001:1996.

Aveng reviews progress and evaluates the environmental management systems at regular intervals to assess the ongoing suitability and effectiveness of the EMS in light of the group's environmental policy, environmental legislation, community expectations and changing conditions within and outside the organisation. The results of the review may include recommendations to adapt the objectives and targets and even the environmental policy of the group.

The group's operations have made good progress on the implementation of ISO 14001 EMS:

- McConnell Dowell has ISO 14001 certification for its EMS. In addition, a number of environmental policies have been internally developed and maintained under the McConnell Dowell integrated management system (IMS), which also includes policies on a wide number of issues such as training and development, equal opportunity, quality, health and safety, and codes of business conduct. The IMS is designed to satisfy the requirements of national and international standards including ISO 9001 – quality management systems, AS/NZS4801 – occupational health and safety management systems for Australia and New Zealand and ISO 14001.

- All cement operations at Holcim (South Africa) are ISO 14001 certified, with ISO 14001 being launched in the ready-mix sector. In 2004, Tanga Cement was the first cement company in Tanzania to achieve ISO 14001 certification, joining the Roodepoort, Dudfield and Ulco operations of Holcim (South Africa), which have all achieved ISO 14001 certification.
- Three of Grinaker-LTA's operations have been ISO 14001 certified and a further seven applications are in process.
- At the end of the year under review, Trident Steel employed a SHE manager to establish new health and safety policies for the company and to implement the ISO 14001 EMS across the company's operations, starting at the Roodekop site where a safety, health and environment risk assessment is under way.

The achievement of and continued ISO 14001 certification by the group's operations is indicative of the group's environmental commitment to stakeholders such as employees, communities, the government and customers.

Risk assessment

In the process of its business operations, the group has indirect and direct impacts on many areas of the ecosystem as land is altered, natural resources utilised, ground and surface water affected, gases emitted and waste generated.

For this reason, the operations of Aveng are appraised of environmental impact assessments (EIA) on all new operational projects to assess potential environmental consequences as well as preventative and remedial actions. Areas of concern are normally identified by internal and external audits and, where necessary, specialist studies are conducted. The output is incorporated into a site environmental management programme (EMP), which must also comply with all relevant government legislation and regulations. The EMP governs any required intervention, as well as management and monitoring of impacts for the duration of the project.

Where an operation is contracted to a project that may have environmental impacts, the customer is responsible for assessing the risk and formulating an EMP. Remedial action such as rehabilitation is initiated by the customer and may be implemented by the operation at the customer's request. In countries that do not require EIAs, the group will adhere to international best practice for environmental management and will take into account the ISO 14001 EMS standards.

Green procurement

Aveng is dependent on suppliers for provision of materials, plant and equipment as well as specialist design and construction services. The group's environmental policy requires all business units to ensure that subcontractors and suppliers adopt environmentally-responsible practices.

Although Aveng generally does not perform a detailed risk assessment in relation to significant indirect environmental impacts that result from activities performed by contractors or suppliers, the group does give preference to suppliers who adhere to environmentally-friendly manufacturing and distribution processes and products.

In procuring services and products from significant and strategic suppliers, the group uses formal vendor-evaluation processes which include requirements relating to environmentally-friendly processes. Approved suppliers and contractors must comply with the conditions of the group's procurement contracts and service level agreements, which contain environmental clauses. At a site-specific level, environmental requirements form part of any contractor induction programmes. When working in foreign countries, Aveng applies these procurement principles in the context of the procurement policies of each country.

At the Holcim (South Africa) 2004 procurement conference, an environmental presentation was made to delegates that included numerous suppliers.

Legal compliance

Aveng has successfully completed numerous construction projects throughout the developing world without ever having had a major environmental incident and without having incurred fines for non-compliance with applicable international declarations, conventions and treaties or national, regional and local regulations associated with environmental issues.

Aveng is not aware of any pending environmental litigation against its operations. No fines were imposed during the year under review for non-compliance with local or international environmental regulations and permits and no incidences of non-compliance were reported. The businesses of the group undertake to report any infringements of any regulatory, permit or licence conditions to the applicable authority and to undertake corrective action as soon as possible.

Where operations of the group undertook activities requiring the authorisation or permission of a government regulator, the required permits and licences were obtained, such as permits for water consumption, mining activities and the purchasing and storing of acid as well as licences for scheduled processes such as mining and cement production.

IMPACTS

Materials

Other than water and energy consumption, the key materials used by Aveng's subsidiary and associated companies include:

Primary focus areas	Business	Key materials used
Construction and mining contracting	Grinaker-LTA and McConnell Dowell	Building and construction materials including bricks and cement; stone and sand; metals particularly steel; paints; emulsions; polymers and solvents; oils and lubricants; fuel; wood; tar.
Steel and Allied	Trident Steel and Grinaker-LTA Manufacturing	Steel and alloys; acids; oils and lubricants; packaging materials; carbon; cement; sand and stone.
Cement	Holcim (South Africa)	Slagment; fly ash; synthetic gypsum; silica fume; pozzalana; cementitious extenders and fillers; dolomite; limestone; sand; steel; fuel.

The requirement for these materials is largely dependent on the type of operation being undertaken and the fluctuation in demand for products manufactured by the group. Currently no meaningful data is available on the quantities of raw, waste and recycled materials used across the group's operations worldwide.

Energy

Aveng's environmental policy encourages the conservative use of energy. The group is constantly on the lookout for alternative sources of energy that are cost-effective, environmentally-friendly and sustainable, as well as new initiatives to increase energy efficiency. Where possible, the group will decrease its reliance on non-renewable fossil fuels by increasing its use of natural, renewable energy sources. This in turn will reduce carbon dioxide emissions and minimise global climatic change.

The group encourages all operations to regularly service and upgrade all plants, machinery and vehicles to ensure optimum fuel and energy efficiency. In addition, operations are encouraged to conserve energy by shutting down machinery and switching off lights and computers when not in use.

The main sources of energy used by the group are:

- coal including Eskom electrical power
- gas
- diesel and petrol
- nuclear energy (particularly from Eskom in the Western Cape)
- sources of renewable energy such as biomass alternative fuel

Energy consumption across the group's operations worldwide is currently not measured.

Operational examples of energy conservation

Electrical consumption is one of the largest cost items for Holcim (South Africa) as cement manufacturing processes are energy intensive, requiring consistently high temperatures for clinker production, resulting in large amounts of fossil fuel, mostly coal-derived, being used. Energy reduction programmes are in place at all operations, and the company continually assesses and regularly embarks on energy-efficient initiatives, which include:

- Approved improvements totalling R347 million for Dudfield Kiln 3. Key components of these improvements will result in reduced energy consumption per ton of clinker from 4 050 mJ per ton to 3 333 mJ per ton. This investment has made the Dudfield Kiln 3 the most environmentally-friendly kiln in Africa.
- Pioneering the use of alternative renewable waste-derived fuels at kilns to replace the use of non-renewable fossil fuels as the first and only cement producer in South Africa to conduct EIAs for future use of alternative renewable fuels and resources.
- The use of biomass fuel derived from cashew nut shells, sea flower cake, sunflower cake and coconut husks at Tanga Cement in Tanzania for about 10% of the total energy consumption used to heat the kiln. Plans are in place to increase the use of biomass as an alternative fuel source, which will reduce the consumption and high costs of fuel oil.

Projects awarded to Grinaker-LTA and McConnell Dowell resulting in the significant reduction of environmental impacts associated with the production and consumption of energy include:

- The pipeline constructed by Grinaker-LTA and McConnell Dowell for Sasol will transport natural gas from 33 gas wells in central Mozambique to Secunda in South Africa, delivering a heat-energy equivalent of almost five million tons of coal per annum to users in South Africa. The use of natural gas substantially reduces the use of coal, which is a non-renewable fossil fuel, and alleviates pollution such as acid rain emanating from the production of energy by burning coal.
- The Wonderwater Coal Mine near Sasolburg uses coal mined from its own operations as one if its primary energy sources. Grinaker LTA's specialist

opencast mining business, Moolman Mining, is working on reducing the mine's greenhouse gas emissions by replacing coal as an energy source with gas from the Mozambican pipeline as discussed above.

- McConnell Dowell designed and constructed the first biomass facility in Australia for Earthpower Technologies. The facility has the capacity to convert up to 100 000 tons of food waste per annum into biogas, which is used to generate electricity. Other than reducing the consumption of non-renewable fossil fuels, the use of food waste reduces emissions of methane and other greenhouse gasses associated with decaying waste. The process also captures the nutrient value of food waste by producing high-quality solid and liquid fertilisers and re-usable clean water as by-products.

Water

The scarcity of potable water is increasingly becoming a concern for South Africa, and the ever-present threat of wide-ranging drought has become the responsibility of every South African citizen, particularly corporate citizens. In compliance with the National Water Act of 1998, all the group's local operations falling within the ambit of the act have obtained a water user's licence from the Department of Water Affairs and Forestry.

During the year under review, none of the group's operations reported any significant discharges to water. Additionally, no water sources and related ecosystems are significantly affected by the group's use of water. The group's operations do not impact on any Ramsar-listed wetlands.

Substantial quantities of raw and treated water are used in the daily operations of the group, particularly in the cement business. The quantities used vary depending on the type of activity being undertaken. Alternate sources of water such as recycled and borehole water are used wherever possible, providing this does not infringe any municipal regulation or customer agreement. Water is recycled wherever possible, and the little that flows back into the environment is treated prior to release and, where required, is discharged under a valid discharge permit.

Although the quantity of water used across the group's operations worldwide is currently not measured, water efficiency is an area of major focus at all operations.

Operational examples of water conservation

- Holcim (South Africa) has developed and patented a 'wash-pit recycling plant' for its ready-mix business, resulting in savings of freshwater consumption of about 20% at ready-

mix operations. All wash-water and recovered aggregate is recycled and reused at most operations and aggregate quarries where product washing is required, resulting in no effluents from ready-mix operations.
- Sasol's Temane to Secunda natural gas pipeline project required Grinaker-LTA and McConnell Dowell to use large volumes of water for pressure hydro testing of the pipeline. To reduce water consumption, all water used was stored to reuse in subsequent tests. Water was carefully sourced to ensure that no sulphur-reducing bacteria existed, thus negating the need to treat and consequently contaminate the water with a

corrosion-prevention biocide. This resulted in the safe return of the water in an uncontaminated state to existing water users in an area experiencing its worst drought in 10 years.

- Grinaker-LTA Process Engineering developed an innovative solution for Foskor to stop all point source discharge of process water into the Selati River, which flows through the Kruger National Park. The solution involved building 18 collection ponds around the existing tailings dams, a new collection dam and two new concrete buffer dams. Of the estimated 200 mega-litres of water used daily in the mining process, approximately 70% is recycled using this solution. In addition, ramps were built on the collection ponds to give access to hippos.
- Grinaker-LTA Process Engineering – Metallurgical operations was awarded the project to re-mine dumps in the Barberton area, where dumps and tailings dams from early mining operations were posing a serious pollution threat to the Crocodile River. Once gold tailing deposits have been treated, the tailings are redeposited in purpose-designed dams, trapping all polluted water, which eventually evaporates. The river is constantly monitored to assess water quality before, during and ultimately after reclamation, and data shows significant improvement.
- The Trans Caledonian Tunnel Authority awarded the contract to construct a dam on the Berg River to a consortium of South African construction and empowerment partners led by Grinaker-LTA. The dam will have a storage capacity of 130,1 million m^3 and will increase water yield for the Western Cape by 18%. The first water will be delivered before the end of 2007.

Biodiversity

Aveng actively endorses plans to protect native ecosystems, biological resources, flora and fauna species in biodiversity-rich areas. The objective of the group's biodiversity initiatives is to minimise the effect of any project on local flora and fauna, particularly any endangered or protected species, and to have no impact on natural habitats in the vicinity of the project beyond that reasonably anticipated at the design phase.

Negative impacts to ecosystems are mitigated by conducting EIAs initiated by either ourselves or the customer and implementing an EMS to restore the ecological integrity of degraded areas. Measures undertaken to protect biodiversity areas on land and in water include demarcating environmentally-sensitive areas, limiting the clearing of vegetation except for areas infested by declared alien plant life, recycling instead of burning cleared vegetation, limiting the risk of uncontrolled fires in native vegetation, creating and remaining on designated haul roads, identifying significant fauna and flora to be protected, preventing the unnecessary death of animals, prohibiting the introduction of any exotic fauna and flora into the area, preventing spillage of fuels, oils and other hazardous substances, minimising the use of chemical sprays and disposing of rubbish and waste in an environmentally-friendly manner.

Environmental management programmes for mining, quarrying and construction activities require topsoil to be segregated and stockpiled separately as far as possible to be used again in the subsequent rehabilitation of the area. Programmes are also undertaken to prevent soil erosion and where possible to restore the land to its previous land use capability. Rehabilitation processes are constantly monitored and reported to ensure that progress is achieved in accordance with environmental management programmes and that the group's biodiversity goals are achieved.

Holcim (South Africa) undertakes extensive activities in biodiversity-rich habitats. Strict environmental management programmes that incorporate plans for the reclamation and rehabilitation of biodiversity in degraded areas have made the group's quarrying, mining and associated beneficiation businesses industry leaders in environmental management for many years and have mitigated negative environmental impacts.

Where possible, the company practises concurrent rehabilitation to reduce long-term environmental liability associated with mine closure costs. At the Dudfield operation, 75% of land disturbed by mining activities has been restored to grazing or water storage. Where concurrent rehabilitation is not possible, financial provision is made by the Holcim Nature Conservation Trust Fund, which was established to provide for rehabilitation funding on the closure of quarries. Contributions to the fund are assessed on an annual basis, and during 2004 fund contributions for member mines exceeded R9 million.

Holcim (South Africa) operates in some 60 different sites. Land owned by the company encompasses biodiversity-rich habitats and threatened biomes, includes approximately 2 000 ha of threatened biome in Saldanha, Western Cape, about 125 ha of threatened biome at Wolwenest, Western Cape and the Sterkfontein Mine in Gauteng, which occurs within a world natural heritage site.

Where applicable, IUCN Red List Species lists are compiled and documented through research by independent specialists. Areas where red list species have been identified include Eikenhof Quarry, Saldanha (limestone Strandveld), Peninsula and Rheebok Quarries (Renosterveld) and Wolvenest (succulent Karoo).

Operational examples of biodiversity conservation

- As a result of its takeover of African Portland Cement, Holcim (Namibia) acquired lands adjacent to the Otjiwarongo factory site and an associated defunct mine. The Namibian Ministry of Mines issued the company with a mine closure certificate, and the land associated with the factory and mine was successfully rehabilitated. Habitats affected range from coastal to highveld and arid to equatorial.
- Holcim (South Africa) has set aside tracts of land for preservation and is currently negotiating the donation of further biodiversity-rich habitats, threatened biomes and heritage sites to permanent conservation:
  - Approximately 125 ha of threatened biome at Wolvenest in the Western Cape was donated to the World Wildlife Fund in 2005 for inclusion in a new national park in the Knersvlakte.
  - The Ulco mine has a dedicated conservation area, Grootkloof Conservation, which has an important archeological heritage.
  - The dormant Sterkfontein mine is situated in the Cradle of Mankind, a natural heritage site. It consists of a unique environment comprising geologic window, the deepest fossil body known in South Africa. This unique cave environment is described as the best in South Africa and possibly the world. The rehabilitation and future use of the site is being investigated by a multi-disciplinary team and discussions are under way with a leading academic institution, mining authorities and the provincial government for the donation of this archeologically- and environmentally-rich site to permanent conservation and academic research.
- The Sasol Temane to Secunda natural gas pipeline project undertaken by Grinaker-LTA, McConnell Dowell and others, encompassed laying a 66-cm diameter steel pipeline underground over 870 km. The pipeline crosses 19 major rivers, nearly 100 streams and creeks and 273 wetlands. The water quality, hydrodynamics and functioning of these rivers and wetland ecosystems were successfully preserved during operations by developing and implementing site-specific method statements with the help of various specialists, which were discussed with the customer, property owners and approved by the water authorities prior to construction.
- Grinaker-LTA's mining operations at the Wonderwater coal mine are in an environmentally-

sensitive area near the Vaal River. This is a classic strip mine where the overburden is replaced in the same order as it was removed. Since 1992, for every one million tons of coal mined, approximately five million tons of overburden is removed, stockpiled and eventually replaced.

Emissions, effluents and wastes

Emissions

Aveng operations have measures in place to limit and control emissions into the atmosphere by plants, vehicles and machinery of greenhouse gas, ozone-depleting gas emissions, dust and thermal emissions. The objective of these measures is to minimise the potential for deterioration of the quality of the air due to dust or gases from construction operations, and to curtail the emission of odorous substances that are likely to create objectionable conditions for the public.

Electricity purchased from Eskom by group operations is the largest contributor of indirect carbon dioxide emissions. Other greenhouse gas emissions are usually a direct consequence of burning fossil fuels for energy requirements as well as other onsite processes. Improvements to the overall greenhouse emissions of the group depend on the discovery by Eskom and Aveng of alternative energy sources.

The group's cement operations are by far the largest producer of greenhouse gases. At Holcim (South Africa), indirect greenhouse gas emissions consisting mostly of CO_2 are emitted from the use of large quantities of fossil fuel and diesel in heating kilns, and directly from calcinations of raw materials in the process.

Ozone-depleting substances such as refrigerants containing CFC and some fire-fighting systems have been phased out of the operations of the Aveng group.

Nuisance dust is a potential issue for most Aveng operations, as particulate emissions are created by the steel and allied, construction, mining, quarrying and other activities of the group. Dust measurements are conducted at some operations, and ongoing actions and innovations are implemented to reduce dust of any kind, including the installation of continuous emission measuring equipment where necessary.

As most of the group's operations do not give off significant thermal emissions, these emissions are generally not measured. At Holcim (South Africa), continuous emission measuring equipment to measure thermal discharges has been installed on stacks at Dudfield Kilns 2 and 3, Ulco Kiln 5 and Tanga Cement to enable the continuous measurement of NO, NO_2, NO_x, CO, SO_2, NH_3, HCl, O_2, H_2O, total organic carbon (TOC/VOC), benzene, xylene and toluene emissions. Holcim (South Africa) is the first local cement producer to introduce this capacity. Tanga Cement is the first and only Tanzanian cement producer to conduct annual measurements on 13 heavy metal and PCDD and PCDF emissions from its cement kiln stacks, in compliance with EU standards.

The group endeavours to reduce noise emissions that emanate mostly from its manufacturing plants. Many of the group's original manufacturing plants were established in areas reserved for light to heavy industry. The gradual encroachment of residential areas onto these industrial zones has necessitated the eradication of noise where it aggrieves residents. This is mostly achieved by phasing out old machinery, technology and manufacturing methods. Although modernisation of factories is a costly exercise, it ultimately results in greater efficiencies and cost savings.

Effluents

The operations of the Aveng group do not produce many effluent discharges. Where discharges occur, these are mainly into water. During the year under review, none of the group's operations reported any significant effluent discharges to water. Water used in the group's operations is recycled wherever possible, and the little that flows back into the environment is treated prior to release and, where required, is discharged under a valid discharge permit.

In the group's mining operations, tailings are either moved to ecologically non-hazardous sites or are deposited in purpose-designed tailings dams in which all polluted water is trapped and eventually evaporates.

The preservation of potable water is a group imperative, and water recycling and efficiency is an area of major focus for all operations.

Waste

Aveng recognises that all waste has cost implications, and for this reason the group's activities focus on waste reduction and recycling as a way to improve processes, decrease costs and minimise environmental impact. Recycling also contributes to reducing the consumption of energy and raw materials in line with the group's environmental policy and sustainable development objectives. Where possible, waste products are recycled including metals, oils, rubber, batteries, paper and biodegradable plastics. Waste materials such as medical equipment, refractories and building rubble that cannot be recycled are disposed of responsibly through incineration or as landfill.

Some group operations generate hazardous wastes such as asbestos-containing waste. All plants using asbestos have asbestos registers and must dispose of waste through a licensed contractor. Fluorescent tubes, which contain mercury, are disposed of by licensed agents. Only professional, recognised waste removal agents are used, such as Enviroserve, Waste-Tech and Wasteman.

Operational examples of the efficient reduction and disposal of emissions, effluents and wastes

- The biomass facility in Australia created for Earthpower Technologies by McConnell Dowell illustrates the global trend towards innovative waste management and more environmentally-friendly forms of energy production. The biomass has the capacity to convert up to 100 000 tons per year of food waste into biogas, which is used to generate electricity, while at the same time producing solid and liquid fertilisers and re-usable clean water. The use of energy created by biomass reduces greenhouse and other gaseous emissions caused by burning fossil fuels.
- In 2002 Holcim (South Africa) launched Green Cement, a product range that effectively enables the company to reduce its carbon dioxide (CO_2) generation per ton of cementitious product through the introduction of selected pozzolanic extenders including slag, fly ash, silica fume and limestone, which are in themselves waste products generated by other parties. Through the Green Cement product range, the company aims to drive down its current CO_2 emissions per ton of cement from the 2002 level of 724kg of CO_2 per ton of cement to less than 650kg of CO_2 per ton of cement by 2005.

Siguiri openpit mining, SAG, Guinea

- At Trident Steel, emissions to air consist of the dust created during the laser cutting of steel. This is collected via an extraction system and deposited into sealed bins. The company outsources the disposal of the dust to a professional waste disposal company.

- At the Wonderwater coal mine, Grinaker-LTA undertakes a number of initiatives to deal with emissions and wastes. Dust buckets are situated around the mining area to collect dust for analysis of its quantity and origin. Dust outfall at the mine is kept within the required levels by using water from the pit to suppress it. The surplus is pumped to settlement ponds and then to evaporation ponds, ensuring a closed system. During blasting, both the ground vibration and air blast are monitored to ensure compliance with set standards. All used oils and lubricants are collected and recycled. Oil separators are placed at wash and service bays to prevent contamination of ground water, and programmes are in place to recycle oily rags, used oil and air filters and fluorescent light tubes.
- Key interventions by Holcim (South Africa) for the Dudfield Kiln 3 upgrade include the replacement of the main burner with a multi-channel low NO_X burner, the substitution of planetary coolers with a highly-efficient pendulum grate cooler, and the installation of a pre-calciner and a high-efficiency bag filter. These improvements resulted in numerous environmental benefits including the reduction of NO_X emissions and reduced particle emission from 240 mg per Nm^3 to a world-class standard of 30 mg per Nm^3, making this the lowest particulate emission kiln in southern Africa. Heat consumption is reduced by 18%, reducing coal consumption and associated emissions by 18%. In addition, improvements to the quality of clinker enable the further use of cement extenders in the production of cements and reduce the overall clinker factors in Holcim products. A similar upgrade to the particle emission centro-systems at Dudfield Kiln 2 is currently being evaluated.
- Grinaker-LTA Process Engineering was awarded the contract to re-mine the Segala dump in the Barberton area for gold bullion. The operation requires the removal and treatment of several gold tailings deposits in the flood plain of the Suid Kaap River. Some 2 800 kg of residual gold has been extracted from the four million tons of material treated. Treated material is moved to ecologically non-hazardous sites, and tailings are redeposited in specially-designed tailings dams in which all polluted water is trapped and eventually evaporates.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a key activity during the development of major operational projects that will have significant environmental impacts. Stakeholder engagement is initiated during the project evaluation process and continues throughout the operational phases of the project. ISO 14001 certification requires each operation to consider processes for communication on significant environmental impacts and to compile a comprehensive environmental stakeholder list. Aveng aims to develop a positive working relationship with key state departments tasked with implementing environmental laws. In addition, stakeholder interaction is achieved through consultation and communication with employees, constructors, customers and communities through forums, training sessions and contractual arrangements.

For projects requiring EIAs, scoping assures that concerns from stakeholders are identified. Where required these are assessed by appointed recognised subject specialists. Reports are included in the EIA documentation and required submissions to authorities, and are also made available to interested and affected parties. Aveng operations worldwide conduct environmental forums and workshops predominantly for employees, contractors and members of the community to address the possible impacts of operations on the surrounding environment and explain programmes in place to minimise impacts.

Recent stakeholder engagement occurred during the Holcim (South Africa) EIA for the Saldanha ecological area. More than 700 interested and affected parties were communicated with over an extended period. In conducting its EIA for alternative fuel sources, Holcim (South Africa) held workshops on the use of alternative fuels and resources, and representatives of non-governmental organisations (NGOs), communities, industry and government representatives were invited to participate.

Product responsibility

The group performs risk assessments on the environmental impact of its products or services as part of the EIA for the project, and risk assessments are performed at various stages throughout the life of the project. Policies are put in place to reduce or minimise any negative impacts of the operation's products and services.

The group is not generally engaged in the production of products for the mass market, other than the production of cement by Holcim (South Africa). Detailed brochures on the appropriate and safe use of its cement and other products are circulated by the company, and further information is available on the company's website. Product information is based on tests conducted by the company and by independent organisations such as the South African Bureau of Standards. The company also maintains a fully-fledged technical department.

Holcim (South Africa) also actively strives for product innovation, and the Holcim Green Cement product range is currently the lowest CO_2-producing cement product range available in South Africa.

Environmental sponsorships

As a group-wide initiative, Aveng supports the World Wildlife Fund (WWF) as part of its corporate social investment strategy. WWF is the world's largest privately-financed conservation organisation, working in more than 100 countries to conserve the diversity of life on earth. WWF directs its conservation efforts toward three global goals: saving endangered species, protecting endangered habitats and addressing global threats such as toxic pollution, over-fishing and climate change.

Raising environmental awareness in the communities in which the group operates is a key element of stakeholder communication and the overall environmental strategy.

Holcim (South Africa) is a patron member of the Wildlife and Environmental Society of South Africa (WESSA) and a principal member of the World Wide Fund for Nature (WWF). As part of its corporate social investment activities, the company contributes up to R400 000 annually specifically into environmental non-government organisations. Programmes currently benefiting from this sponsorship include:

- Environmental awareness component of the post-matric bridging programme run by the Leaf College for students wishing to attend tertiary academic institutions
- The Two Oceans Aquarium's Holcim Activity Centre where thousands of school children attended official environmentally-related programmes every year, over and above the more than 40 000 children estimated to visit the aquarium in a year
- The Delta Environmental Centre
- The Soul Foundation

SOCIAL IMPACT

COMMITMENT

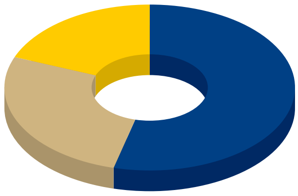
Aveng is committed to the upliftment of its employees, South African society and the communities in which it operates. The group has a core set of principles to address social issues such as employment equity, skills development, basic labour standards, human rights, disciplinary policies, health and safety and corporate social investment. These core principles are similarly implemented in all the underlying operations of the group and the businesses are required to report formally to the board of Aveng at least annually on their respective targets and achievements.

Aveng is aware of the needs and expectations of the wider community in terms of the way it conducts its operations, particularly its treatment of both permanent and contract employees. The group is committed to providing a working environment that attracts and retains quality employees by respecting the rights of its employees, offering competitive conditions of service and providing a safe working environment. The skills and experience of Aveng's people are fundamentally important to the sustainability of the group, which relies on their dedication, skills and hard work.

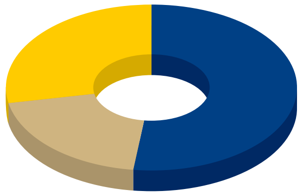
Aveng also hopes to meet the expectations of the community through its corporate social investment programmes. Through these initiatives, Aveng strives to demonstrate that the group is not harming but enhancing society, and is creating a business for future generations of South Africans.

Workforce

2005



2004



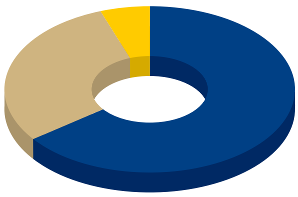
2005		2004
54%	Permanent	52%
27%	Contract	20%
19%	Labour-only subcontractor	28%

29 168 jobs worldwide

25 355 jobs worldwide

Geographic split worldwide

2005



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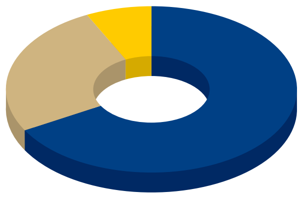
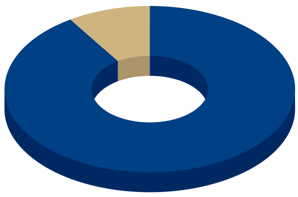


2005		2004
64,8%	South Africa*	66,8%
29,7%	Africa and Middle East	25,9%
5,5%	Australia, New Zealand and South East Asia	7,3%

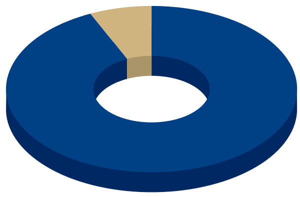
* includes South Africa, Namibia, Lesotho and Swaziland

Gender split worldwide

2005



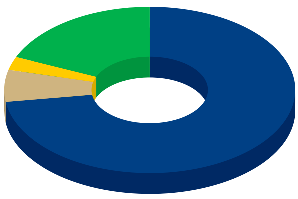
2004



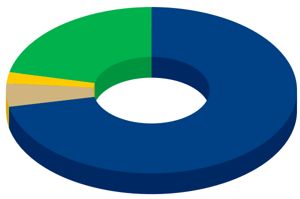
2005		2004
90,8%	Male	93,1%
9,2%	Female	6,9%

Ethnic split South Africa only

2005



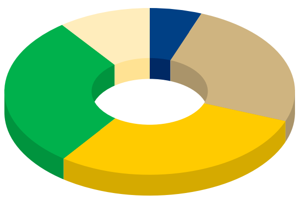
2004



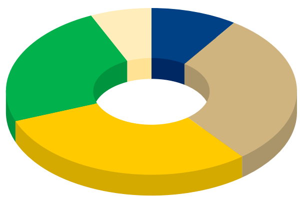
2005		2004
72,7%	Black	71,8%
6,2%	Coloured	4,5%
2,6%	Indian	2,2%
18,5%	White	21,5%

Age split South Africa only

2005



2004



2005		2004
5,8%	Up to 25 years	9,6%
25,1%	26 to 35 years	29,7%
29,3%	36 to 45 years	29,9%
29,6%	46 to 55 years	24,0%
10,3%	Over 55 years	6,8%

Aveng offers significant employment opportunities, providing employment to 29 168 people around the world, including 18 853 South Africans. At the end of June 2005, of the total workforce worldwide, 15 622 were permanent employees, 8 007 were contract employees and 5 539 labour-only subcontractors.

Aveng is a people-intensive business with enormous volatility in its workforce requirements, particularly in the areas of construction and mining. At any time, almost half of its workforce are limited-duration contract employees or contracted via labour subcontractors. Where possible Aveng procures labourers from local communities to ensure that local populations benefit from its operations.

The flexibility offered by subcontracting labour allows the group to cost-effectively streamline its workforce by increasing or reducing the number of employees or by adjusting its range of skills at any time to meet the requirements of each individual project. Despite the volatility of the workforce, the demographics of the group's employees do not change meaningfully from one year to the next, as can be seen from the accompanying charts.

Remuneration policy and benefits

Aveng aims to provide competitive conditions of service to both permanent and contract employees. The group provides a wide range of employee benefits beyond those legally mandated. These differ between the operations in the group, as the various businesses and divisions operate in diverse areas of the world, in often unrelated market segments and on different contract terms, which makes the standardisation of benefits impractical.

Some of the benefits offered to employees across the group include:

- Retirement benefits
- Disability benefits
- Medical aid
- Group life and disability
- Workmen's compensation
- Car scheme
- Motor insurance
- Travel allowance
- Site allowance
- Long-service awards
- Staff uniforms
- Medical evacuation and repatriation services for employees working in foreign countries
- On-site clinics
- Employee assistance programmes
- Education and training

Aveng rewards and incentivises executives and senior employees by setting market-related salary packages topped up with discretionary bonuses to recognise and motivate excellent performance. Bonuses are set by taking both financial and non-financial factors into consideration, with poor performance in both areas resulting in no bonus being paid. Long-term incentivisation for key executives is based on the recommendations of the remuneration committee, and is achieved through the issue of phantom shares in Grinaker-LTA, McConnell Dowell, Trident and the Aveng Share Incentive Scheme where share options are issued at "market price" and vest over five years.

Industrial relations

Each Aveng operation has policies in place to deal with grievances, retrenchment, disciplinary action, freedom of association, collective bargaining and other procedures required to effectively manage their workforce. These policies comply with the requirements of the Labour Relations Act of 1995, and other applicable regulations.

Aveng supports the rights of its employees to join a trade union and to be represented by it for bargaining purposes. Agreements between the various operations and unions recognise unions as the collective bargaining representative of their members with the power to negotiate or consult and endeavour to reach agreement in good faith with management on their behalf. The group conducts negotiations and consultations with registered and representative unions at industry, company and workplace level, usually on conditions of employment, health and safety and dispute resolutions.

Businesses operating in foreign countries adhere to local laws regulating freedom of association, collective bargaining, industrial relations and union membership.

At any time, about a third of the employees of the Aveng group worldwide are represented by a labour union. Membership of recognised South African trade unions is set out below:

Union	Membership	% of total SA employees
National Union of Mineworkers	2 520	13,4
National Union of Metalworkers of SA	1 356	7,2
Others	3 206	17,0
Total	**7 084**	**37,6**

Employee communication

Across the Aveng group, management regularly communicates and consults with employees on matters of mutual interest. This is demonstrated by participation in the "Best company to work for" survey.

For each operation, a formal employee handbook containing basic conditions of employment, disciplinary codes and grievance procedures is available. This handbook is handed out during the induction of employees. The information is also available to all employees with access to the intranet. Employees without access to the intranet may request hard copies of any document, and may also contact their union representatives for further information.

Grievance and disciplinary procedures are accessible to all employees in hard copy or on the intranet. All employees, regardless of whether they are permanent staff, labour-only subcontract or labour-broker employees, are subject to the same disciplinary code and grievance procedure. Grievance and disciplinary procedures are applied consistently and fairly to all employees.

The procedures and policies clearly lay out the various types of disciplinary measures that may be applied in order of severity such as verbal warnings, written warnings, final written warnings and dismissal and also give guidelines on penalties applicable to each offence based on severity, although each case is treated on merit. Furthermore, the rights of employees are clearly explained such as the right to appeal and the right to refer the matter to the Commissioner for Conciliation, Mediation and Arbitration (CCMA).

Other issues such as the group's code of conduct and business principles, health and safety policies, training programmes and HIV/Aids programmes are communicated to employees through staff meetings, bulletin boards, the intranet, internal newsletters, corporate videos or site-specific safety training and videos. Alternatively, employee representatives such as peer educators and shop stewards assist management in speaking to staff. In addition, formal joint health and safety committees have been established comprising management and worker representatives. Most employees are represented by these committees.

Where literacy levels of employees are low, structured induction and orientation programmes are held to communicate on issues such as conditions of employment, discipline and grievances, health and safety and company rules and regulations.

Ethical conduct and human rights

Aveng is proud of its reputation for integrity and will ensure that this is continually reinforced through the way it conducts its business operations worldwide. Organisational and individual integrity are core to Aveng's values and the group's code of business conduct is formally committed to annually by the directors of Aveng and its principal subsidiaries. The group's code of business conduct, as set out on page 8 of this report, is the cornerstone of its approach to sustainable development and is entrenched and implemented across all Aveng businesses.

The code of conduct is regularly relayed to employees through various channels of communication. Behaviour that undermines the letter and spirit of the code is reported and dealt with as soon as it becomes known, and action is taken to ensure that the reputation of the group is upheld. Furthermore, Aveng carefully considers its dealing with external suppliers and contractors who do not demonstrate an appropriate level of commitment to ethics and organisational integrity.

Aveng unequivocally subscribes to the human rights dictates of the South African constitution and bill of rights. Recognition of human rights is entrenched throughout the group in its policies regarding employment equity, non-discrimination and harassment, freedom of association and collective bargaining, industrial relations, training and development, SHE policies, grievance and disciplinary procedures, procurement policies and employment and remuneration policies.

At the 2003 World Economic Forum annual meeting, the engineering and construction (E&C) governors of the forum established a task force of member companies to develop anti-corruption principles to guide companies that participate in engineering and construction projects around the world. Aveng became a founder signatory to the forum in January 2004.

As such, Aveng is committed to upholding the principles established by the E&C task force, which require the group to adopt a zero-tolerance policy on bribery. This calls for the group to either establish a practical and effective internal anti-bribery programme based on the E&C business principles or to use the principles to benchmark any existing programmes. Aveng is developing its anti-corruption programme in line with the E&C business principles.

Each operation of the group has its own code of conduct dealing with issues such as conflicts of interest, receiving gifts and donations and suppliers and contractor relations. In addition, each company is encouraged to establish procedures and systems such as a fraud hotline and whistle-blowing facilities to eliminate crime, bribery and corruption within the group. Aveng prohibits donations to political parties by any of its operations.

Employment equity

Aveng is committed to moving beyond the employment equity targets set by legislation and industry charters and has dedicated substantial time and resources to the development and promotion of HDSA staff and other minority groups.

Aveng's code of business conduct commits the group to a policy of employment equity which requires that equal opportunities be offered to all employees. The group seeks to provide a work environment in which individuals of ability and commitment are able to develop their careers regardless of their background, race, religion and gender. The policy aims to transform the employee profile at all levels, eliminate all forms of discrimination and harassment, accelerate the training and promotion of HDSAs and create a culture that understands and promotes equal opportunities.

Aveng fully supports the spirit and intent of the Employment Equity Act and employment equity plans for the group, Grinaker-LTA, Holcim

(South Africa) and Trident Steel have been submitted to the Department of Labour. These plans set targets for equitable representation of HDSA personnel in the group's workforce over time and management regularly monitors and reviews each operating company's performance against the targets set. Skill enhancement through structured programmes, on-the-job training and mentoring is given a high priority.

During the year under review, Grinaker-LTA submitted its latest employment equity report to the Department of Labour. The Department of Labour and the company's internal auditors have audited Grinaker-LTA's compliance with the provisions of the act and no compliance issues or major deviations were identified.

Although the Employment Equity Act is only applicable to operations in South Africa and does not apply to McConnell Dowell or other international group operations, the principles embodied in the group's employment equity policy have universal application, subject to the laws of each country concerned.

Current performance in relation to the targets set for employees of Aveng's wholly-owned South African subsidiaries, Trident Steel and Grinaker LTA are as follows:

	% HDSA* in occupational group	
Occupational group	**Actual June 2005**	**Target June 2006**
Legislators, senior officials and managers	11	15
Professionals	32	33
Technicians and associate professionals	58	56

** Historically disadvantaged South Africans (HDSA) refers to individuals previously discriminated against in terms of race or gender by South Africa's previous political dispensation, and for purposes of this report includes all female employees and all black, coloured and Asian/Indian employees.*

The shortage in the employment market of senior managers with the requisite technical and engineering experience makes it difficult for the group to exceed targets in the top band. Aveng will continue to search for potential candidates, but in the meantime, increased emphasis is being placed on training internal candidates who demonstrate potential and ambition.

Skills development

Aveng recognises that ongoing investment in people is crucial to the development of human capital for the long-term sustainability of the group. The development of future leaders is a key strategic focus area.

Aveng follows a two-pronged approach:

- The group provides broad-based employee training, with programmes ranging from health and safety and multiple-level skills training through to management and leadership training encompassing first-level management to senior management courses. The group assists employees who wish to further their education in fields of study complementary to job requirements.
- The group has a strong focus on formal training. This year Aveng's wholly-owned subsidiaries, Grinaker-LTA, McConnell Dowell and Trident awarded 95 bursaries to full-time students and 43 bursaries to part-time students studying at tertiary institutions. A further 213 students are enrolled in apprenticeship programmes, mainly in technical fields of study such as engineering. 41% of students on the apprenticeship programme are from historically disadvantaged backgrounds. In addition, the group contributes funding and other resources to CIDA city campus, a university which offers inexpensive tertiary education to students from disadvantaged backgrounds.

The development of peoples' skills applies to all operations irrespective of the country in which

Aveng operates. The group's businesses operate throughout the world and often provide on-the-job training to local communities.

Grinaker-LTA has formulated a training and development policy which aims to create a culture of lifelong learning and superior performance. The policy addresses areas that need improvement and development and ensures guidance for career development and further training. The company's employment equity and skills development committees, representative of management and employees at all levels, are charged with the responsibility to monitor and evaluate adherence to this policy.

In addition, Grinaker-LTA has compiled a workplace skills plan, which was submitted to the construction sector education and training authority. The plan shows the company's commitment to the achievement of employee upliftment and skills. This commitment is further demonstrated by the building of a new training centre with state-of-the-art visual and training equipment.

The company offers leadership skills development, management skills development, specific skills training such as quality management and operator training, health and safety awareness, HIV/Aids programmes, healthcare programmes, bursaries, learnerships and apprenticeships among other training. For the 2005 year, Grinaker-LTA provided 15 000 hours of training to 21 388 employees at a cost of over R25 million.

Holcim (South Africa) is advancing its objective of becoming a high performance organisation (HPO) and is implementing a human resource excellence programme and an employee development review process. Among wide-ranging local and international skills development programmes, the company also offers internships for the TOPP (training outside public practice) programme for chartered accountants and financing studies for employees.

OCCUPATIONAL HEALTH AND SAFETY

Quality and SHE standards

Aveng has implemented an integrated management system across the majority of its business operations that addresses and satisfies the requirements of applicable quality, safety, health and environment (SHE) legislation and international standards namely:

- ISO 9001: 2000 Quality management system
- ISO 14001: 1996 Environmental management system
- BSI 18001: 1999 Occupational health and safety management system
- Occupational Health and Safety Act 85: 1993 (OHSA)
- Construction regulations 2003
- Mines, Health and Safety Act 29: 1996 (MHSA)
- Minerals Act 50: 1991

Where appropriate, these standards enjoy certification and are subject to both independent and internal audit by specialised auditors to assess implementation and efficacy. Comprehensive quarterly reports are presented to the respective boards and audit committees.

At the end of the year under review, Trident Steel employed a SHE manager to establish new health and safety policies for the company, including HIV/Aids programmes, and to implement the ISO 14001 environmental management system across the company's operations.

Health and safety

As the majority of Aveng businesses are engaged in operations that are inherently dangerous, safety is of the utmost importance. The group views the health and safety of its employees as one of its most important duties, and realises that a safe working environment also makes sound commercial sense.

The group's health and safety policy applies to its operations worldwide and complies with the relevant legislation, regulations, codes of practice and construction industry standards of each country in which it operates. The policy aims to prevent or minimise work-related injuries and health impairments by applying international best practice, ensuring the competence of the workforce and providing and maintaining safe operating environments and safe systems of work. The policy provides for the identification of potential health and safety hazards, and supplying adequate information, training and supervision for all employees.

The group sets measurable objectives and targets to quantify occupational health and safety performance and demonstrate continual improvement. The group regularly monitors and audits its health and safety performance and identifies corrective actions to improve performance and progress towards the achievement of its aims.

Aveng's management system includes specific procedures for the identification, reporting and recording of injuries. During the past year, over 8 100 employees attended safety induction and other safety-related course compared to 9 000 in the previous year. The disabling injury frequency rate (DIFR) across the group's construction operations was 0,69 incidents per 200 000 man hours worked for the year, slightly up from 0,62 recorded in the previous year. The group is targeting a zero DIFR rate with a short-term target of 0,5 and will continue to implement and streamline its safety systems to achieve this goal.

Many of Aveng's operations have established on-site clinics to offer primary healthcare, occupational health facilities and other wellness programmes to employees, particularly those without medical aid plans. Other healthcare services provided include a range of interventions aimed at preventing infectious diseases such as HIV/Aids, TB, cholera and malaria.

In the last quarter of the year under review, Trident Steel established a new health and safety policy, with procedures to standardise health and safety issues across the company. Previously each branch of the company managed its own health and safety issues. Safety, health and environment compliance audits were completed across the company, and Trident will address any issues that arise from the results of the report in the new financial year.

Trident's SHE manager is undertaking a safety, health and environment risk assessment at Trident's Roodekop site. Roodekop will be the initial site for the roll out of the new SHE policies, and the methodology used there will be employed across the remainder of the company's branches. Training in the new policies will be offered to all employees.

Holcim (South Africa) employs a health and safety professional on a group level, and health and safety professionals are also based at operational level to drive company objectives and targets. The company is currently implementing the National Occupational Safety Association (NOSA) management system and the Holcim Group Green Pyramid system, which is based on the fundamentals of the BSI 18001 occupational health and safety management system.

Public health and safety

Across all its operations, Aveng is fully committed to ensuring the health and safety of any person who may be affected by its operations. The group's goal is the elimination of work-related injury and illness to employees as well as contractors, client representatives and the general public.

Consumer health and safety is most relevant to the Holcim (South Africa) business, where cement is sold to the public. Technical personnel assess any potential impacts on a regular basis, and the quality and safety of all the company's products is continuously monitored and improved.

In addition to visible product information, Holcim (South Africa) produces and widely circulates detailed brochures on the appropriate and safe use of its products. Additional information is made available through the company website. All product information is based on tests conducted by the company and by independent organisations such as the South African Bureau of Standards (SABS). The company's plants are also ISO 9000 certified.

HIV/Aids

The Aveng board has approved an HIV/Aids policy and group companies are developing meaningful and relevant plans to address challenges posed by the HIV/Aids pandemic.

As the group's operations are predominantly labour driven, Aveng is mindful of the devastating effect HIV/Aids will have on the economic and private lives of its employees and their families, the ability of the group to perform, and the well-being of society as a whole. The group is developing strategic plans to deal with the incidence of HIV/Aids.

A wellness programme has been developed in conjunction with Lifeline Southern Africa which aims to:

- support and encourage all measures and initiations aimed at minimising the impact and spread of HIV/Aids
- educate employees on basic HIV/Aids issues
- facilitate changes in sexual behaviour
- encourage employees to take responsibility to prevent infection
- distribute condoms to assist with prevention
- prevent discrimination against employees based on their HIV/Aids status and ensure that the rights of employees living with HIV/Aids are protected
- create an environment in the workplace conducive to dealing constructively with the situation
- encourage employees to know their HIV/Aids status by volunteering for testing and providing pre- and post-test counselling
- assist employees to access appropriate health services for anti-retroviral therapy (ART) and treatment
- operate a 24-hour, 365-days a year call centre to counsel employees and their families.

The Lifeline programme is divided into seven phases as outlined below:

Phase 1: HIV/Aids awareness workshop for all employees including labour-only subcontract employees

Phase 2: Non-discrimination legislation workshop for management, supervisors, HR practitioners, safety managers, officers and representatives, union representatives, shop stewards and other employee representatives

Phase 3: HIV/Aids prevention including condom distribution and a poster campaign

Phase 4: Five-day basic counselling skills training course for HIV/Aids peer educators

Phase 5: Voluntary testing and counselling

Phase 6: Monitor and evaluate the effectiveness of the programme

Phase 7: Assist affected employees through one-on-one counselling sessions, referrals to government institutions that provide ART, wellness programmes, suitable jobs, etc

By the end of the financial year, the programme was successfully implemented across most of the group's operations and the entire workforce was actively involved in the programme. The majority of employees have participated in awareness sessions. Fully-functional committees, peer educators, voluntary counselling and testing facilities have been established in over 20 locations.

To date, less than 1% of all employees have agreed to undergo voluntary testing. Of those employees tested, less than 15% tested HIV-positive. Lifeline maintains the anonymity of employees who undergo voluntary testing, and Aveng is not informed of the results. Lifeline works closely with those employees who tested positive over a 10-week period and where necessary places them on the government anti-retroviral programme.

The HIV/Aids policy and its contents are communicated to employees through the intranet, internal magazines, bulletin boards or employee representatives who are trained on the implementation of the programme.

The cost of implementing the HIV/Aids programme over a two-year period at Grinaker-LTA amounted to about R3 million, with the bulk of the expenditure used for voluntary testing and pre- and post-test counselling. Using the Metropolitan Employee Benefits estimation of 15% prevalence in the construction industry, which is close to the percentage obtained from our limited voluntary testing, Grinaker-LTA also estimated the costs associated with the impact of HIV/Aids for recruiting, training and re-training replacement staff.

Holcim (South Africa) has conducted initial voluntary surveys on the prevalence of HIV/Aids and further interventions are being planned. Trident Steel is at the early stages of implementing its HIV/Aids programme in conjunction with Lifeline. The expenditure on these programmes and the impact of HIV/Aids on these businesses has not yet been quantified.

Aveng's international operations are encouraged to implement appropriate programmes to deal with the HIV/Aids pandemic in line with the legislation of the countries in which they work. McConnell Dowell reports that currently exposure to HIV/Aids in the Australian construction industry is limited. Nevertheless, the company is mindful of the risks of exposure in the current social environment and various controls are in place during the employment process to identify any risks.

SOCIAL INVESTMENT

Commitment and management

Aveng is aware that the creation of wealth, facilitated by the success of its operations, brings broader responsibilities to the communities it serves and within which it operates. The long-term prosperity of the group relies on a climate of economic and social prosperity, which is linked to the sustainable development of society. For this reason, Aveng recognises that it is not sufficient merely to create employment opportunities; it must also assist in wider social upliftment and contribute to nation-building through a social investment programme that has partnering and enablement as its core philosophies.

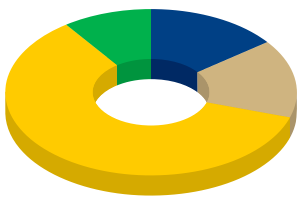
Every year Aveng contributes 1% of the group's prior year's headline earnings to deserving community investment projects. This money flows to the Aveng Community Investment Trust, which manages the group's social investment initiatives.

The trust was recently established as a result of the equity participation deal between Aveng and the Qakazana Consortium as detailed on page 71 of this report. The initiatives of the trust focus principally on technical and business education projects and job-creation initiatives, principally for the benefit of HDSA individuals and communities within the broader construction industry.

Expenditure

In 2005, Aveng spent R4 million to finance a range of community projects and infrastructure development initiatives. This compares to expenditure of R5,3 million in the previous year and equates to 1,8% of headline earnings for the 2004 year.

This investment was focused on the following areas:



Tertiary and primary education 14,7%
Adult education 15,2%
Infrastructure development 60,2%
Other 9,9%

Headline earnings as at June 2005 were R364 million, which amounts to an allocation of R4 million to CSI expenditure for the 2006 year.

Projects

Group initiatives

Aveng focuses on education, infrastructure development and community upliftment where unique areas of involvement can be identified and where Aveng can make a meaningful impact. The success of the group's initiatives is measured in terms of direct benefit to the community. The bulk of the group's social investment funding is allocated to CIDA city campus, the National Business Initiative and the Business Trust and the World Wildlife Fund (WWF).

Last year Aveng, together with Grinaker-LTA, Holcim (South Africa) and Trident Steel, made a five-year commitment to donate funding as well as other resources and skills to the CIDA city campus in Johannesburg. CIDA is a university offering inexpensive tertiary education to students from disadvantaged backgrounds.

The group's commitment to CIDA includes a mentorship programme for top-performing students who are interested in careers in the construction, engineering and mining industries. The mentorship programme is a training ground for potential employees for the group, and students who perform well may be offered a career with one of the Aveng businesses.

The unflagging commitment of the management and teachers at CIDA, who sacrifice so much time and energy in their dedication to the upliftment of others, continues to strengthen Aveng's resolve to support this initiative and enrich the lives of HDSAs who would otherwise not have access to tertiary education.

The Aveng group endorses the objectives of the National Business Initiative and the Business Trust to create job opportunities in South Africa and increase opportunities for individuals to find employment through training and skills development. The group believes that these initiatives by the business community deserve the support of all South African companies and foreign subsidiaries operating in the country.

Initiatives by individual operations

Individual operations within the Aveng group also undertake social investment projects over and above those managed by the Aveng Community Investment Trust, which generally focus on non-core infrastructure development and the upliftment of local communities.

Trident Steel continued with its undertaking to the Ekurhuleni Metropolitan Municipality to assist with the infrastructural development of the Greater Roodekop area in Germiston where its manufacturing operations are based. In the year under review, R907 000 of the company's overall contribution to social investment was allocated to this initiative. A committee comprising the Ekurhuleni Metropolitan Municipality, KPMG and Trident Steel ensures that donated funds are responsibly applied to the benefit of the Roodekop community. As at the end of the financial year, the Ekurhuleni committee had not earmarked a project for the funds contributed by Trident Steel.

In the year under review, Holcim (South Africa) contributed R2,7 million to the group's overall social investment initiatives. As part of its broader CSI commitments, the company donates funds to communities where the company has a meaningful presence. Some of the projects undertaken in the year under review include:

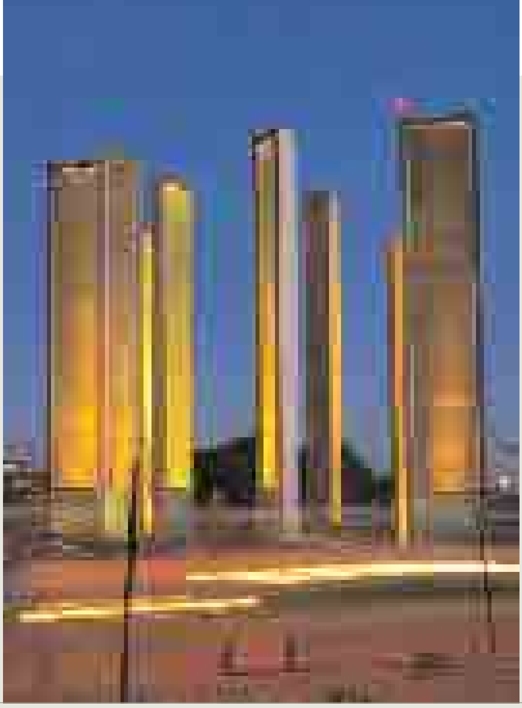
- People from the Reeston community in East London were trained in road building using low-volume concrete techniques. This project was a joint venture between Holcim (South Africa), Lafarge South Africa and the Cement and Concrete Institute.
- In Ulco, Holcim (South Africa) sponsors the salary of a social worker who assists with addressing problems among the youth such as alcohol and drug abuse, truancy and crime. This social worker offers her services to seven schools in the Ulco area.

Australian subsidiary, McConnell Dowell, undertakes projects to uplift individuals in the communities in which it operates. Candidates from local indigenous communities are identified for training and employment after consultation with community leaders. In addition, all the company's project sites run charity schemes such as sporting days and barbeques as part of the health, safety and environment lost time injury achievement and the company contributes a portion of the investment of the employees to a charity of their choice. Focus areas this year for charities supported by the company include cancer, sudden infant death syndrome and Red Cross charity drives.

McConnell Dowell also donated funds during the year under review to assist with the rehabilitation of people, infrastructure and economies of the countries impacted by the tsunami disaster in south-east Asia. The company hopes to further participate in some of the relief efforts and rebuilding exercises in these areas.

In addition, individual group operations are regularly involved in smaller ad hoc projects in the communities within which they are working worldwide. Aveng does not account for all these projects as they are too vast, often not formally reported on and generally involve employee volunteering. These projects contribute resources, skills and time to assist with non-core infrastructure development, skills transfer, HIV/Aids awareness, basic health initiatives, education and the general upliftment of local communities.

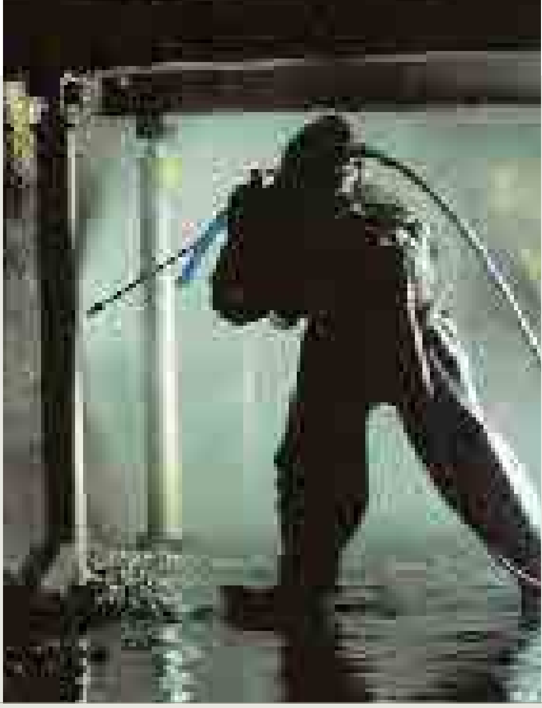
Mercer - Long Swamp Waikato Expressway, Auckland New Zealand



Walter Sisulu Square, Kliptown Soweto

Definitions

Average capital employed	Average of total shareholders' funds, minority interests and all interest-bearing debt.
Average ordinary shareholders' funds	Average of total shareholders' funds as reflected on the balance sheet including the equity component of subordinated debentures.
Cash flow earnings per share	Cash generated by operating activities divided by the total number of shares in issue.
Cash and cash equivalents	Cash on hand, deposits held on call with banks, investments in money market instruments and short-term bank borrowings, excluding current portion of non-current borrowings.
Current ratio	Current assets divided by current liabilities. Current liabilities include short-term borrowings and interest-free liabilities other than deferred taxation.
Diluted headline earnings earnings per share	Headline earnings plus the after tax cost of the debenture interest and 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.
Liquidity	Number of shares traded, divided by the number of shares in issue.
Net asset value ordinary share	Total ordinary shareholders' funds divided by the total number of ordinary per shares in issue.
Net cash generated by operations	Cash generated by operations plus or minus decreases or increases in working capital movements.
Net debt to equity	Interest-bearing debt less cash divided by total shareholders' funds.
Percentage of market capitalisation traded	Value of shares traded divided by closing market capitalisation.
Return on average capital employed	Income before interest paid, taxation, amortisation of 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.
Segmental liabilities	Trade and other payables.
Segmental assets	Property, plant and equipment, goodwill, inventories, trade and other receivables.



Ocean Outfall Sewer Rehabilitation, Sydney Australia

Annual financial statements

Revamp of Unit 24 Ethylene Plant, Secunda South Africa

Annual financial statements

for the year ended 30 June 2005

CONTENTS

The annual financial statements and group annual financial statements which appear on pages I07 to 153 were approved by the directors on 9 September 2005 and are signed on their behalf.

RB Savage
Chairman

9 September 2005

C Grim
Chief executive

9 September 2005

Report of the independent auditors

TO THE MEMBERS OF AVENG LIMITED

We have audited the annual statements set out on pages 107 to 153 for the year ended 30 June 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

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

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- 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, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2005, and the results of their operations, cash flows and changes in equity for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

Ernst + Young

Ernst & Young
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
9 September 2005

Certificate of the company secretary

I, the undersigned, CM Bishop, 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.

CM Bishop
Company secretary

Morningside
9 September 2005

Directors' report

BUSINESS OF THE COMPANY

Aveng Limited is a South African registered and listed company, included in the Basic Industries – Construction and Building Materials sector of the JSE Limited, with interests in construction, steel benefication and cementitious products. The company does not have a holding company. Principal subsidiaries include Grinaker-LTA Limited, Trident Steel Holdings (Proprietary) Limited and Aveng Australia Holdings (Pty) Limited. The group also holds a minority stake in Holcim South Africa (Proprietary) Limited. An organisational chart of the group, detailing its primary subsidiaries and associated interests may be found on page 153 of this annual report. Details of directors' interests at 30 June 2005 are detailed on page 140 of this annual report.

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 of operating and cash flows of the company and of the group. The external auditors are responsible for independently reporting on these annual financial statements.

The annual financial statements set out in this report have been prepared on a historical cost basis and in accordance with International Reporting Financial Standards (IFRS). They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated in the notes to the financial statements. The annual financial statements have been prepared on a going-concern basis. The directors have no reason to believe that the businesses of the group will not be going concerns in the year ahead.

To fulfil their responsibilities, management maintains adequate accounting records and has developed, implemented 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 on a continuous basis. 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 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 119.

Details of the movement in issued share capital and reserves are provided in the statement of changes in equity on page 120.

The segmental report is set in the annual financial statements on page 122.

The consolidated annual financial statements of the group are set out on pages 107 to 153 and the annual financial statements of the company are set out on pages 146 to 153.

Details of earnings and the dividend declared are provided on page 1 and 119.

ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumptions of going concern and accrual as laid down in the framework for the preparation and presentation of financial statements – issued by the International Accounting Standards Board.

The company's accounting policies are subjected to an annual review to ensure continuing compliance with IFRS statements where applicable.

INVESTMENTS

Information regarding the company's interest in subsidiaries, associates, joint ventures and other investments is given in separate annexures on page 153 to 155.

SHARE CAPITAL

Acquisition of shares by The Aveng Limited Share Incentive Trust (the trust)

The trust did not acquire any shares from participants in terms of the rules of the scheme during the year under review. Accordingly no costs have been charged to the share premium account in the group's consolidated annual financial statements. The trust is consolidated into the group's results for reporting purposes.

ACQUISITIONS AND DISPOSALS

Aveng Australia Holdings (Proprietary) Limited

In terms of a resolution by the board, the company capitalised its long-term loan of R194,6 million to its wholly owned subsidiary, Aveng Australia Holdings (Proprietary) Limited which resulted in an additional 27 310 283 shares at an average price of AUD1,54 per share being issued to the company.

Black economic empowerment

The black economic empowerment transaction which led to the introduction of a black economic empowerment partner into subsidiaries Grinaker-LTA Limited and Trident Steel Holdings (Proprietary) Limited was consummated with effect from 1 July 2004, with all conditions precedent having been fulfilled by 11 February 2005.

In terms of the transaction, 25% in each of Grinaker-LTA Limited and Trident Steel Holdings (Proprietary) Limited was sold to Qakazana Investment Holdings (Proprietary) Limited, which was created as a special purpose vehicle. The company owns 900 cumulative preference shares in Qakazana Investment Holdings (Proprietary) Limited, which carry a dividends coupon rate of CPIX plus 8%, compounded quarterly in arrears.

Full details of the transaction are contained in the circular to shareholders dated 25 August 2004 and the transaction was approved for implementation at a general meeting of shareholders which was held on 9 September 2004.

CORPORATE BOND

During the first quarter of 2005 the company launched an offering of guaranteed convertible bonds to the value of R1 billion due 2012 (The bonds). The purpose of the offering was to use the proceeds arising from the subscription for the bonds to refinance the company's existing, predominantly short-term debt. The decision to substitute existing debt for the bonds was driven by the then attractive financing opportunities available in the international convertible bond market. The bonds mature in 2012 and carry a coupon of 6,125% per annum. Interest is payable to holders semi-annually in equal instalments.

Initially the bonds will be convertible into a cash amount calculated with reference to a 20 day volume weighted average share price of the company's ordinary shares on the JSE Limited (JSE), ruling at the time of the conversion. Each bond may, at the option of the relevant bondholder, and subject to the terms and conditions attaching to the bonds, be converted with effect from the forty first day following the date of issue (being 17 March 2005) of the bonds, and up to the close of business on the seventh business day prior to the final maturity date, which is expected to be 17 March 2012. The initial conversion price is R15,27 based on the ruling price of the company's ordinary shares ruling on the JSE, which price is subject to adjustment in certain circumstances.

In terms of the rights attaching to the bonds, the company is obliged to seek approval from its shareholders in a general meeting for the conversion of the bonds into fully paid ordinary shares. If approval of the shareholders of the company is obtained for the conversion of the bonds into ordinary shares, the number of ordinary shares to be issued by the company on such conversion will be determined by dividing the nominal amount of each bond (being an amount equal to R1 000 000 per bond) by the conversion price, ruling on the relevant conversion date. The method by which the bonds will be converted will entail the company redeeming the bonds and bondholders applying the redemption proceeds to subscribe and pay for the ordinary shares into which the bonds are converted.

In terms of the Listing Requirements of the JSE, the issue of ordinary shares by the company for the purposes of the conversion of the bonds will constitute an issue of shares for cash and, as such, will require the approval of the company's shareholders. Resolutions will accordingly be proposed at the forthcoming annual general meeting to obtain shareholder approval for:

- the allotment and issue of ordinary shares for cash to bondholders in accordance with the conversion terms of the bonds; and
  the placement of such number of ordinary shares as the company may require from time to time to comply with its obligations under the bonds, under the authority of the directors of the company, as a specific authority, so that the ordinary shares may be allotted and issued to bondholders for cash upon the exercise of the rights of conversion attaching to the Bonds.

DIRECTORATE

The following changes took place during the year:
Mr Ami Mpungwe retired by rotation on 29 October 2004
Mr Mervyn Taback retired by rotation on 29 October 2004
Mr Frank Crowley retired on 23 November 2004
Mr David Robinson was appointed on 3 January 2005
Ms Wendy Lucas-Bull was appointed on 3 January 2005

DIRECTORATE

Retirement by rotation and re-election

In terms of the company's articles of association, Messrs DR Gammie, DG Robinson (appointed 3 January 2005) and HDK Jones, who are executive directors, retire by rotation at the forthcoming annual general meeting, being eligible, offer themselves for re-election.

In terms of the company's articles of association, Ms WE Lucas-Bull, who is a non-executive director, appointed 3 January 2005 retires by rotation. Being eligible, she offers herself for re-election.

Market review of directors' fees

With the assistance of an independent consultant, directors' fees were benchmarked to the market during the latter part of 2004. This resulted in an increase in the amounts payable to non-executive directors who attend the boards of the group subsidiary companies. The board is of the opinion that the proposed annual increases are in line with market compensation levels.

An ordinary resolution is being proposed to ratify the fees paid to Mr Richard Savage for his participation in the affairs of the group's subsidiary company boards, in the amount of R205 800 for the year ended 30 June 2005.

Increase in directors' fees

An ordinary resolution is being proposed to increase the fees paid to directors by 6% with effect from 1 October 2005. The effect of the resolution will be to increase by 6% the fees currently payable to each director rounded to the nearest R1 000. The table which follows details the proposed individual fees by appointment.

Directors' fees	**2005**	2006
Audit committee – Aveng	**80 000**	85 000
– subsidiaries	**25 000**	27 000
Board chairman	**56 700**	60 000
Deputy chairman	**42 000**	45 000
Board fee – Aveng	**102 900**	109 000
– subsidiaries	**102 900**	109 000
Chairman fee – nomination committee	**9 250**	10 000
– remuneration committee	**9 250**	10 000
Nomination committee fee	**15 400**	16 000
Remuneration committee fee	**15 400**	16 000
Tender risk evaluation committee	**20 500**	22 000

The fees payable in respect of executive directors are waived. The fees in respect of Mr Meissner-Roloff are paid to Holcim (South Africa) (Proprietary) Limited.

MATERIAL SHAREHOLDERS

The holders of 5% or more of the issued ordinary share in the company at 24 June 2005 were:

	Number of shares	%
Public Investment Corporation	69 665 041	17,6
Liberty Life Association of South Africa Limited	45 884 980	11,6
Old Mutual Group	42 432 340	10,7
Sanlam	21 527 781	5,4

The number of shares in the company held by the Aveng Limited Share Incentive Trust at the year-end was 6 910 930 (2004: 6 910 930) comprising 1,7% of the issued share capital of the company.

The non-public shareholding in the company at 30 June 2005 was 24,4% (2004: 15,1%).

An analysis is shown on page 156.

Accounting policies

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the historical cost convention, modified by the restatement of certain financial assets and liabilities to fair value.

The consolidated financial statements are presented in South African rand and all values are rounded to the nearest thousand (R000's) except when otherwise indicated.

STATEMENT OF COMPLIANCE

The consolidated financial statements of Aveng Limited and all its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS).

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those adopted in the previous year, with the exception of the adoption of (IFR S3) Business Combinations, and (IAS 36) Impairment of Assets and (IAS 38) Intangible Assets.

The effective date of these statements was for accounting periods beginning after 31 March 2004.

The principal effects of adopting the statements are discussed below.

IFRS 3 'Business Combinations', IAS 36 'Impairment of Assets' and IAS 38 'Intangible Assets'

IFRS 3 applies to business combinations for which the agreement date is on or after 31 March 2004. The effect of the adoption of IFRS 3 upon the group's accounting policies has impacted the recognition of restructuring provisions arising upon an acquisition. The group is now only permitted to recognise an existing liability contained in the acquiree's financial statements on acquisition. Previously this type of restructuring provision could be recognised by the acquirer regardless of whether the acquiree recognised this type of liability or not.

Further, upon acquisition the group initially measures the identifiable assets and liabilities acquired at their fair values as at the acquisition date hence causing any minority interest in the acquiree to be stated at the majority proportion of the net fair values of those items.

Additionally, the adoption of IFRS 3 and IAS 36 has resulted in the group ceasing annual goodwill amortisation. Goodwill is now tested for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 July 2004. The transitional provisions of IFRS 3 have required the group to eliminate the carrying amount of the accumulated amortisation of R234 million with a corresponding entry to goodwill.

The carrying amount of negative goodwill was derecognised at the beginning of this period, with a corresponding adjustment to the opening balance of retained earnings.

Moreover, the useful life of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has been amortised over its useful life. Amortisation periods and methods for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the group. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

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.

Subsidiaries, are those companies in which the group has an interest of 50% or more of the voting rights or otherwise has the power to exercise control over the operations.

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.

The majority of the subsidiaries within the group have uniform year-ends and accounting policies.

Should a subsidiary apply accounting policies that are materially different to those adopted by the group, adjustments are made to the financial statements of the subsidiary, prior to consolidation. Where subsidiaries do not have coterminous accounting dates, 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.

All inter-group transactions and balances are eliminated on consolidation. Unrealised profits and losses are also eliminated, unless they reflect impairment in the assets so disposed.

SUPPLEMENTARY INFORMATION

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

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.

In the balance sheet, the investment in the associate is carried at cost plus post-acquisition changes in the group's share of the net assets of the associates, less impairment.

In the income statement, profit from associates reflects the share of the operations of the associate.

In the statement of changes in equity, the group recognises its share of the changes where a charge has been recognised directly in the associates equity.

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.

CONTRACTS IN PROGRESS

Contracts in progress and contract receivables, are carried at cost, plus profit recognised, less billings and recognised losses at balance sheet date.

Contract costs include costs that relate directly to the contract as a result of contract activity in general, and those costs that can be allocated to the contract together with any other costs which are specifically chargeable to the customer in terms of the contract.

Progress billings not received are included in contract debtors. Where progress billings exceed the aggregate of costs, plus profit, less losses, the net amounts are carried and shown as a reduction in trade and other receivables.

CONTRACTING PROFIT OR LOSS RECOGNITION

Profit is recognised on an individual contract basis using the percentage of completion method, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract, and management's judgement of the outstanding risks. Where a loss is anticipated on any particular contract, provision is made in full for such loss.

DEFERRED TAX

Deferred tax is provided, using the liability method, on all temporary differences except where exempted in terms of International Financial Reporting Standards. 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 enacted or substantially enacted tax rates 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.

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 to executives and senior employees at market price, upon recommendation by the remuneration committee.

Shares or options become available to executives and senior employees after an initial two-year vesting period at the rate of 25% per annum. Shares or options not taken up or paid for within 10 years are forfeited.

At the date of the grant, the group expenses all shares or options granted to employees, irrespective of whether the shares or options have vested or not. The expense is calculated by establishing the difference between the option price, at date of grant, and the market value of the share at each reporting date. This is expensed through the income statement, as an employment cost.

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.

The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

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 vest.

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. Profits or losses on derecognition are taken to income.

At each balance sheet date assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence of impairment then the recoverable amount is estimated and in impairment loss is recognised in accordance with IAS 39.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

The group calculates the impairment loss for assets carried at amortised cost as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

Financial assets and liabilities are not offset against each other.

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, the group enters into hedges which hedge the exposure to changes in the fair value of a recognised asset or liability.

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

Monetary assets and liabilities denominated in foreign currencies are translated at the South African rand rate of exchange ruling at the balance sheet date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the South African rand rate of exchange ruling, 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 entities are translated into South African rand at rates of exchange ruling at the balance sheet date. Income, expenditure and cash flow items at weighted average rates and goodwill and fair value adjustments rising on acquisition at rates of exchange ruling at the balance sheet date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

GOODWILL

Goodwill on acquisition is initially measured at cost being the excess of the purchase consideration over the attributable fair value of the net identifiable assets at date of acquisition, is capitalised.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 31 March 2004 is not amortised and goodwill already carried in the balance sheet is not amortised after 1 July 2004. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

IMPAIRMENT

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the net selling price and the value in use.

In assessing value in use, the expected future cash flows are discounted to the present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

Goodwill impairment losses are not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

INTEGRATED FOREIGN OPERATIONS

The monetary assets and liabilities of integrated foreign operations are translated into South African rand at rates of exchange ruling at the end of the financial year. The non-monetary assets and liabilities are translated at the rate of ruling on the later of acquisition or revaluation date.

The results of their operations are translated at an appropriate weighted average rate of exchange for the year. All gains and losses arising on such translations are recognised in operating profit.

INVENTORIES

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

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.

Accounting policies (continued)

Certain joint ventures do not have coterminous reporting dates. In those cases, the management financial statements at June are used.

LEASED ASSETS

Leases whereby the lessor provides finance to the group with the asset as security and where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the shorter of the estimated useful life or the lease term, of the asset. The capital element of future obligations and other leases is included as a liability in the balance sheet. Each lease payments is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effect of the interest-rate method.

An operating lease, is one in which all the risks and benefits of ownership are effectively retained by the lessor. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease or on a systematic basis when the straight-line basis does not reflect the physical usage of the asset.

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.

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

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 on the amount of the obligation.

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

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 IAS 38, 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 and can be reliably measured.

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, when the outcome of the construction contract can be measured reliably, by reference to the percentage of completion of the contract at the balance sheet date. The percentage of completion is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract, and management's judgement of the outstanding risks. Variations in contract work and claims are included to the extent that management are of the opinion the risk of non-collection is minimal.

Dividends on equity instruments 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 to 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 the secondary format is determined with reference to the geographical location of the operations.

TAXATION

The rate of the current tax charge is determined using enacted or substantially enacted rates.

Where applicable, non-resident shareholders' taxation is provided in respect of foreign dividends received.

Dividends payable on equity instruments and any secondary taxation on companies (STC) pertaining thereto are recognised in the year in which such dividends are declared. STC credits attributable to dividends received from subsidiaries and other investments are not recorded as deferred taxation assets.

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.

TREASURY SHARES

Shares in Aveng Limited held by the Aveng Limited Share Incentive Trust are treated as treasury shares. The shares are treated as a deduction from the issued and weighted average number of shares and the cost price of the shares is deducted from share capital and share premium in the balance sheet on consolidation. Dividends received on treasury shares are eliminated on consolidation.

Consolidated balance sheet

as at 30 June 2005

2004* USDm	**2005* USDm**		Note	**2005 Rm**	2004 Rm
		ASSETS			
		Non-current assets			
301,4	**278,2**	Property, plant and equipment	1	**1 858,2**	1 890,7
114,5	**114,1**	Goodwill and other intangibles	2	**762,4**	718,5
81,4	**95,3**	Investment in associates and joint ventures	3	**636,7**	511,0
7,0	**8,1**	Other investments	4	**54,2**	43,8
10,5	**21,5**	Deferred tax	5	**143,3**	65,8
514,8	**517,2**			**3 454,8**	3 229,8
		Current assets			
162,2	**201,4**	Inventories	6	**1 345,2**	1 017,7
460,1	**492,9**	Trade and other receivables	7	**3 292,9**	2 887,1
118,9	**128,4**	Cash and cash equivalents		**857,4**	746,1
741,2	**822,7**			**5 495,5**	4 650,9
1 256,0	**1 339,9**	*TOTAL ASSETS*		**8 950,3**	7 880,7
		EQUITY AND LIABILITIES			
		Capital and reserves			
3,1	**2,9**	Share capital	8	**19,5**	19,5
148,2	**139,2**	Share premium	9	**929,8**	929,8
(75,4)	**(60,7)**	Non-distributable reserves	10	**(405,3)**	(472,9)
321,7	**355,8**	Distributable reserves		**2 376,5**	2 018,2
397,6	**437,2**	*Total ordinary shareholders' funds*		**2 920,5**	2 494,6
0,9	**1,4**	Minority interests		**9,3**	5,6
398,5	**438,6**	*Total shareholders' funds*		**2 929,8**	2 500,2
		Non-current liabilities			
110,2	**212,3**	Interest-bearing borrowings	11	**1 418,4**	691,1
4,4	**4,2**	Deferred tax	12	**27,9**	27,8
114,6	**216,5**			**1 446,3**	718,9
		Current liabilities			
518,9	**583,9**	Trade and other payables	13	**3 900,4**	3 255,9
224,0	**90,6**	Short-term interest-bearing borrowings	11.1	**605,0**	1 405,7
	10,3	Taxation payable		**68,8**	
742,9	**684,8**			**4 574,2**	4 661,6
1 256,0	**1 339,9**	*TOTAL EQUITY AND LIABILITIES*		**8 950,3**	7 880,7

** Provided for information purposes only. The 2005 and 2004 US dollar figures do not form part of the statutory financial statements*

Consolidated income statement

for the year ended 30 June 2005

2004* USDm	**2005* USDm**		Note	**2005 Rm**	2004 Rm
1 712,1	**2 172,5**	*Revenue*	14	**13 534,9**	11 739,7
1 464,8	**1 868,0**	Cost of sales		**11 637,9**	10 043,6
247,3	**304,5**	*Gross profit*		**1 897,0**	1 696,1
157,0	**190,4**	Operating expenses		**1 186,0**	1 076,2
90,3	**114,1**	*Operating income before depreciation*		**711,0**	619,9
57,4	**61,7**	Depreciation	1	**384,1**	393,4
32,9	**52,4**	*Operating income*	15	**326,9**	226,5
26,9	**43,4**	Income from associates and joint ventures	3	**270,5**	184,4
9,6	**13,1**	Income from investments	16	**81,6**	65,7
69,4	**108,9**	*Income before interest paid*		**679,0**	476,6
40,9	**38,6**	Interest paid	17	**240,5**	280,7
28,5	**70,3**	*Income before goodwill and non trading items*		**438,5**	195,9
(6,8)	**(0,2)**	Amortisation of goodwill and other intangibles	18	**(1,5)**	(46,4)
2,9	**3,6**	Non-trading items	19	**22,7**	19,6
24,6	**73,7**	*Income before taxation*		**459,7**	169,1
(2,7)	**11,4**	Taxation	20	**71,3**	(18,7)
27,3	**62,3**	*Income after taxation*		**388,4**	187,8
(0,1)	**0,3**	Minority interests		**1,8**	(0,8)
27,4	**62,0**	*Earnings*		**386,6**	188,6
		Determination of headline earnings			
27,4	**62,0**	Earnings		**386,6**	188,6
3,9	**(3,6)**	Net adjustment for amortisation of goodwill and non-trading items	21	**(22,7)**	26,8
31,3	**58,4**	*Headline earnings*	21	**363,9**	215,4
		EARNINGS PER SHARE (CENTS)			
8,1	**15,0**	Headline	21	**93,5**	55,3
7,1	**15,9**	Earnings	21	**99,3**	48,5
2,0	**3,7**	*DIVIDEND PER SHARE (CENTS)*		**23,0**	14,0
		NUMBER OF SHARES (MILLIONS)			
396,1	**396,1**	In issue	8	**396,1**	396,1
389,2	**389,2**	Weighted average	21	**389,2**	389,2
389,2	**389,2**	Diluted weighted average	21	**389,2**	389,2

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Statement of changes in equity

for the year ended 30 June 2005

	Share capital Rm	Share premium Rm	Non-distributable reserves: Attributable reserves of equity accounted investments Rm	Foreign currency translation Rm	Other non-distributable reserves Rm	Retained income Rm	Total Rm
Balance at 1 July 2003	19,5	929,9	**(6,1)**	**(94,2)**	**0,2**	1 973,9	2 823,2
Adjustment in respect of IAS 17						(19,9)	(19,9)
Dividends paid						(124,4)	(124,4)
Earnings for the year						188,6	188,6
Equity accounted reserve movements			**(14,7)**				(14,7)
Foreign currency translation				**(358,1)**			(358,1)
Repurchase of shares by share trust		(0,1)					(0,1)
Balance at 30 June 2004	19,5	929,8	**(20,8)**	**(452,3)**	**0,2**	2 018,2	2 494,6
Dividends paid						(54,5)	(54,5)
Earnings for the year						386,6	386,6
Equity accounted reserve movements			**(6,1)**				(6,1)
Foreign currency translation				**41,9**			41,9
Adjustment in respect of IFRS 3						25,3	25,3
Revaluation reserve					**32,7**		32,7
Transfers					**(0,9)**	0,9	
Balance at 30 June 2005	19,5	929,8	**(26,9)**	**(410,4)**	**32,0**	2 376,5	2 920,5

Cash flow statement

for the year ended 30 June 2005

2004* USDm	**2005* USDm**		Note	**2005 Rm**	2004 Rm
		Cash retained from operating activities			
32,1	**55,9**	Cash retained from operations	22.1	**348,1**	199,7
63,1	**61,7**	Depreciation		**384,1**	393,4
3,6	**(13,2)**	Non-cash items	22.2	**(82,2)**	22,4
98,8	**104,4**	Cash generated by operations		**650,0**	615,5
10,5	**13,1**	Income from investments		**81,6**	65,7
22,7	**(11,7)**	(Increase)/decrease in working capital	22.3	**(72,8)**	141,3
132,0	**105,8**	Cash generated by operating activities		**658,8**	822,5
(44,1)	**(38,6)**	Interest paid	22.4	**(240,5)**	(274,6)
(18,1)	**(12,2)**	Taxation paid	22.5	**(75,9)**	(112,7)
69,8	**55,0**	Cash available from operating activities		**342,4**	435,2
(20,0)	**(8,7)**	Dividend paid	22.6	**(54,5)**	(124,4)
49,8	**46,3**			**287,9**	310,8
		Investing activities			
(39,3)	**(42,0)**	Fixed assets purchased – expansion		**(261,8)**	(244,6)
(27,0)	**(33,1)**	– replacement		**(206,5)**	(168,5)
(21,9)		Minorities acquired			(136,3)
21,5	**27,9**	Investments in associate companies	22.7	**174,0**	133,8
0,2	**(1,9)**	Other investments	22.8	**(12,0)**	1,5
18,4	**24,9**	Proceeds disposal of – fixed assets		**155,3**	114,9
(48,1)	**(24,2)**			**(151,0)**	(299,2)
		Financing activities			
6,2	**160,5**	Long-term borrowings – raised		**1 000,0**	38,4
(15,0)	**(22,3)**	Long-term borrowings – repaid		**(139,1)**	(93,3)
(8,8)	**138,2**			**860,9**	(54,9)
		Cash and cash equivalents at end of year			
(7,0)	**160,2**	Net increase/(decrease) in cash and cash equivalents		**997,8**	(43,3)
(64,3)	**(71,2)**	Cash and cash equivalents at beginning of year		**(443,6)**	(400,3)
(71,3)	**89,0**		22.9	**554,2**	(443,6)

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Segmental report

for the year ended 30 June 2005

		2005 Rm	%	2004 Rm	%
BUSINESS SEGMENTATION					
Revenue	Construction – Grinaker-LTA	**6 765,0**	**50,0**	5 656,8	48,2
	– McConnell Dowell	**1 795,6**	**13,3**	1 928,3	16,4
	Steel and Allied	**4 974,3**	**36,7**	4 154,6	35,4
		13 534,9	**100,0**	11 739,7	100,0
Operating income	Construction – Grinaker-LTA	**(18,3)**	**(5,6)**	(126,7)	(55,9)
	– McConnell Dowell	**(117,3)**	**(35,9)**	(51,2)	(22,6)
	Steel and Allied	**462,5**	**141,5**	404,4	178,5
		326,9	**100,0**	226,5	100,0
Assets	Construction – Grinaker-LTA	**3 427,2**	**47,2**	3 037,6	46,6
	– McConnell Dowell	**786,7**	**10,8**	771,5	11,8
	Steel and Allied	**3 044,8**	**41,9**	2 704,9	41,5
		7 258,7	**100,0**	6 514,0	100,0
Liabilities	Construction – Grinaker-LTA	**2 308,7**	**59,2**	1 893,6	58,2
	– McConnell Dowell	**432,9**	**11,1**	357,3	11,0
	Steel and Allied	**1 158,8**	**29,7**	1 005,0	30,9
		3 900,4	**100,0**	3 255,9	100,0
Capital expenditure	Construction – Grinaker-LTA	**298,1**	**63,7**	225,8	54,7
	– McConnell Dowell	**49,7**	**10,6**	31,2	7,6
	Steel and Allied	**120,5**	**25,7**	156,1	37,8
		468,3	**100,0**	413,1	100,0
Depreciation	Construction – Grinaker-LTA	**248,7**	**64,7**	275,3	70,0
	– McConnell Dowell	**37,2**	**9,7**	44,9	11,4
	Steel and Allied	**98,2**	**25,6**	73,2	18,6
		384,1	**100,0**	393,4	100,0
GEOGRAPHICAL SEGMENTATION					
Revenue	Republic of South Africa (CMA)	**8 824,8**	**65,2**	7 547,4	64,3
	Africa and Middle East	**2 855,3**	**21,1**	2 414,5	20,6
	Australasia and South East Asia	**1 854,8**	**13,7**	1 777,8	15,1
		13 534,9	**100,0**	11 739,7	100,0
Assets	Republic of South Africa (CMA)	**5 481,3**	**75,5**	3 659,2	56,2
	Africa and Middle East	**1 007,6**	**13,9**	2 182,7	33,5
	Australasia and South East Asia	**769,8**	**10,6**	672,1	10,3
		7 258,7	**100,0**	6 514,0	100,0
Capital expenditure	Republic of South Africa (CMA)	**219,9**	**47,0**	284,9	69,0
	Africa and Middle East	**198,8**	**42,4**	100,0	24,2
	Australasia and South East Asia	**49,6**	**10,6**	28,2	6,8
		468,3	**100,0**	413,1	100,0

HOLCIM (SOUTH AFRICA) (PROPRIETARY) LIMITED – (100%)	2005 Rm	2004 Rm
Revenue	**3 966,7**	3 062,2
Operating income	**1 099,4**	723,4
Assets	**1 881,3**	1 733,1
Liabilities	**502,0**	388,7
Capital expenditure	**145,1**	282,5
Depreciation	**118,2**	109,5
Net debt to equity ratio (%)	**2,1**	25,3

Note: Aveng Limited holds its 45,65% stake in Holcim (South Africa) through Altur Investment Holdings (Pty) Limited. The financial information above relates to Holcim (South Africa) (Proprietary) Limited (100%) and not the equity accounted entity Altur.

Notes to the annual financial statements

for the year ended 30 June 2005

		Land and buildings Rm	Owned plant, equipment and vehicles Rm	Leased plant, equipment and vehicles Rm	**Total 2005 Rm**	Total 2004 Rm
1.	*PROPERTY, PLANT AND EQUIPMENT*					
	Cost					
	At beginning of year – historical cost	401,2	3 299,1	264,5	**3 964,8**	3 787,6
	Foreign exchange movements	2,3	15,4	10,3	**28,0**	(58,6)
	Additions	11,0	445,0	12,3	**468,3**	413,1
	Disposals	(4,9)	(305,5)	(26,1)	**(336,5)**	(220,5)
	Applicable to subsidiaries and businesses acquired or sold		(1,6)		**(1,6)**	
	Capitalisation of leased assets					43,2
	Reclassification of assets	16,3	(16,3)			
	At end of year	425,9	3 436,1	261,0	**4 123,0**	3 964,8
	Accumulated depreciation					
	At beginning of year – historical cost	74,9	1 932,8	66,4	**2 074,1**	1 864,7
	Foreign exchange movements	1,2	8,3	4,2	**13,7**	(40,9)
	Current year change	19,1	335,6	29,4	**384,1**	393,4
	Disposals	(3,4)	(191,8)	(1,9)	**(197,1)**	(145,7)
	Applicable to subsidiaries and businesses acquired or sold			(10,0)	**(10,0)**	
	Capitalisation of leased assets					2,6
	At end of year	91,8	2 084,9	88,1	**2 264,8**	2 074,1
	Net book value at end of year	334,1	1 351,2	172,9	**1 858,2**	1 890,7
	Land and buildings comprise:					
	Freehold				**348,4**	334,1
	Long leasehold				**77,5**	23,9
					425,9	358,0
	The replacement value of assets for insurance purposes amounts to				**6 061,6**	5 236,4

There are no investment properties.

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

Included in plant, equipment and vehicles are fixed assets with a net book value of R268,7 million (2004: R238,7 million) which are subject to finance lease agreements.

The cost of fully depreciated plant and equipment that was still in use at 30 June 2005 was R291,5 million (2004: R361,7 million).

Notes to the annual financial statements (continued)

for the year ended 30 June 2005

		Total 2005 Rm	Total 2004 Rm
1.	*PROPERTY, PLANT AND EQUIPMENT (continued)*		
	A register containing details of land and buildings is available for inspection during business hours at the registered office of the company by members or their duly authorised agents.		
	The carrying amount of property, plant and equipment which is temporally idle	**0,7**	Nil
	The carrying amount of property, plant and equipment which is retired from active service and held for disposal	**Nil**	Nil
	There are no assets with impaired values.		
2.	*GOODWILL AND OTHER INTANGIBLE ASSETS*		
	Gross carrying amount		
	At beginning of year	**957,2**	1 145,3
	Acquisition of subsidiaries		(33,3)
	Adjustment due to adoption of IFRS 3 – accumulated amortisation	**(233,5)**	
	– negative goodwill	**25,3**	
	Foreign exchange movements	**20,1**	(154,8)
	At end of year	**769,1**	957,2
	Accumulated amortisation		
	At beginning of year	**238,7**	186,1
	Current year charge – goodwill		46,4
	– intangibles	**1,5**	
	Adjustment due to adoption of IFRS 3	**(233,5)**	
	Foreign exchange movements		6,2
	At end of year	**6,7**	238,7
	Net carrying amount at end of year	**762,4**	718,5

The group adopted IFRS 3: Business Combinations (IFRS 3) on 1 April 2004. Goodwill is no longer amortised from 1 July 2005, but tested for impairment on an annual basis.

Impairment testing of indefinite life goodwill

Goodwill acquired through business combinations has been allocated to two individual cash generating operations for impairment testing as follows:

Grinaker-LTA Limited (arose from the acquisition of LTA Limited effective 1 July 2000) and

McConnell Dowell Corporation Limited (arose from the acquisition of LTA Limited effective 1 July 2000 and the subsequent purchase of the minorities effective 18 August 2003)

The recoverable amount of both cash generating units has been determined based on a value-in-use calculation.

To calculate this, cash flow projections are based on financial budgets approved by senior management covering a three-year period. The discount rate applied to the cash flow projections is 8,2% (2004: n/a). The average growth rate used to extrapolate the cash generating units beyond the three-year period is 5% (2004: n/a). These calculations indicated that there was no impairment in the carrying value of the goodwill.

Key assumptions applied in value-in-use calculation of the cash generating units

Revenue, gross margin and costs were based on historical performance, or where not appropriate management's view of the future in the industry taking into consideration management's actions taken to enhance performance.

	2005 Rm	2004 Rm
3. *INVESTMENT IN ASSOCIATES AND JOINT VENTURES*		
Unlisted	**636,7**	511,0
Investment		
At beginning of year	**511,0**	480,7
Disposals		(6,0)
Dividends received	**(226,2)**	(151,6)
Exchange difference adjustments	**15,9**	(0,3)
Loans advanced	**51,3**	10,4
Associates now subsidiaries	**(1,5)**	
Impairment	**6,5**	3,9
Non-distributable reserve transfers	**5,0**	
Share on non-trading items	**13,2**	4,2
Share of reserve movements in the year	**(9,0)**	(14,7)
Share of results before taxation	**437,5**	292,0
Share of taxation	**(167,0)**	(107,6)
At end of year	**636,7**	511,0
Made up as follows:		
Equity	**429,2**	354,8
Loans	**207,5**	156,2
	636,7	511,0
Terms and conditions of these loans vary depending on the nature of the relationship.		
The group's share of aggregate assets, liabilities and results of operations and cash flow of associate and joint venture companies are summarised hereunder:		
Non-current assets	**558,8**	887,4
Current assets	**821,0**	498,8
	1 379,8	1 386,2
Current liabilities	**613,2**	695,6
Interest-bearing debt	**164,2**	199,7
Non-interest-bearing debt	**120,0**	110,7
Equity	**482,4**	380,2
	1 379,8	1 386,2
Revenue	**2 599,2**	2 247,9
Expenses	**2 143,0**	1 920,8
Net surplus after tax on non-trading items	**13,2**	4,2
Net finance costs	**31,9**	35,1
Income before taxation	**437,5**	296,2
Taxation	**167,0**	107,6
Income after taxation	**270,5**	188,6
Net cash inflow/(outflow) from operating activities	**66,1**	65,7
Net cash inflow/(outflow) from investing activities	**28,8**	(105,0)
Net cash inflow/(outflow) from financing activities	**(45,1)**	(6,7)
Net increase/(decrease) in cash and cash equivalents	**49,8**	(46,0)
Cash and cash equivalents at beginning of period	**13,4**	59,4
Cash and cash equivalents at end of period	**63,2**	13,4

Notes to the annual financial statements (continued)

for the year ended 30 June 2005

		2005 Rm	2004 Rm
4.	*OTHER INVESTMENTS*		
	At beginning of year	**43,8**	45,4
	Additional investment	**20,5**	
	Disposals	**(10,1)**	(1,6)
	At end of year	**54,2**	43,8

The directors value these unlisted investments at not less than their fair value.

Where entities are neither equity accounted nor consolidated and are treated as available-for-sale assets, and where such investments are not actively traded in organised financial markets, fair value is based on the net asset value of the entity, translated into South African rand at exchange rates ruling at the balance sheet date. Gains or losses are recognised directly in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss, previously recognised in shareowners' equity, is included in the income statement.

		2005 Rm	2004 Rm
5.	*DEFERRED TAX ASSET*		
	At beginning of year	**65,8**	29,8
	Adjustment for tax rate change	**(0,6)**	
	Transfer from/(to) income statement – current year	**77,7**	21,5
	– prior years	**(4,9)**	
	Exchange differences	**5,3**	
	Arising on the acquisition and disposal of subsidiaries		6,9
	Other timing differences		7,6
	At end of year	**143,3**	65,8
	Balance at end of year comprises:		
	Capital allowances	**(32,5)**	(47,7)
	Other timing differences	**149,9**	87,1
	Unrealised foreign exchange loss	**15,3**	14,5
	Differences arising on consolidation	**10,6**	10,6
	Assessed losses carried forward		1,3
		143,3	65,8
6.	*INVENTORIES*		
	Raw materials	**600,1**	326,8
	Consumable stores	**138,3**	202,3
	Work in progress	**92,6**	36,5
	Finished goods	**465,8**	393,6
	Properties held for development and resale	**48,4**	58,5
		1 345,2	1 017,7

		2005 Rm	2004 Rm
7.	*TRADE AND OTHER RECEIVABLES*		
	Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year-end, less progress payments	**731,9**	534,3
	Amounts receivable in excess of amounts billed	**322,0**	364,9
		1 053,9	899,2
	Advances receivable in excess of work performed	**(286,8)**	(580,9)
	Net amounts due on contracts	**767,1**	318,3
	Retentions receivable	**125,6**	160,0
	Contracts in progress less progress payments	**892,7**	478,3
	Trade receivables	**880,5**	827,4
	Contract debtors	**1 048,9**	1 218,0
	Pre-payments and other	**470,8**	363,4
		3 292,9	2 887,1
	Contracts in progress due to customers have been reclassified from receivables to payables and the prior year figures have been restated.		
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 (2004: 396 145 908) ordinary shares of 5 cents each, including 6 910 930 treasury shares (2004: 6 910 930).	**19,5**	19,5
9.	*SHARE PREMIUM*		
	At beginning of year	**929,8**	929,9
	Net movement in treasury shares		(0,1)
	At end of year	**929,8**	929,8
10.	*NON-DISTRIBUTABLE RESERVES*		
	Balance at end of year comprises:		
	Associated companies and joint ventures' retained reserves	**(26,9)**	(20,8)
	Capital redemption reserve fund	**0,2**	0,2
	Foreign currency translation reserve	**(410,4)**	(452,3)
	Revaluation reserve	**32,7**	
	Transfer to distributable reserves	**(0,9)**	
		(405,3)	(472,9)

			2005 Rm	2004 Rm
11.	*INTEREST-BEARING BORROWINGS*			
11.1	*Non-current borrowings*			
	Summary of loans by financial year of redemption			
	2005			216,0
	2006		**301,8**	279,7
	2007		**116,5**	94,9
	2008		**97,8**	70,0
	2009		**71,4**	49,7
	2010		**51,1**	196,8
	2011 onwards		**1 081,6**	
	Total borrowings	Note 11.2	**1 720,2**	907,1
	Current portion included in short-term borrowings		**(301,8)**	(216,0)
			1 418,4	691,1
	Short-term interest-bearing borrowings			
	Overdrafts	Note 22.9	**303,2**	192,5
	Short-term call accounts	Note 22.9		997,2
	Current portion of non-current borrowings		**301,8**	216,0
			605,0	1 405,7
	Total interest-bearing borrowings		**2 023,4**	2 096,8

		Final repayment date	Rate of interest per year (payable half-yearly) 2005 %	2004 %	2005 Rm	2004 Rm
11.2	*Analysis of total non-current borrowings*					
	Unsecured loans					
		2005		11 – 17,2		175,3
		2006	**7,9 – 17,2**	11 – 17,2	**245,4**	243,6
		2007	**7,9 – 17,2**	11 – 17,2	**58,4**	56,3
		2008	**7,9 – 17,2**	11 – 17,2	**56,2**	53,8
		2009	**7,9 – 17,2**	11 – 17,2	**40,8**	47,5
		2010	**7,9 – 17,2**	11 – 17,2	**15,6**	27,3
		2011 onwards	**7,9 – 17,2**		**11,7**	
					428,1	603,8

	Final repayment date	Rate of interest per year (payable half-yearly) 2005 %	2004 %	2005 Rm	2004 Rm
11. INTEREST-BEARING BORROWINGS (continued)					
11.2 Analysis of total non-current borrowings (continued)					
Secured loans					
	2005		8 – 15		40,7
	2006	**8 – 15**	8 – 15	**56,4**	36,1
	2007	**8 – 15**	8 – 15	**58,1**	38,6
	2008	**8 – 15**	8 – 15	**41,6**	16,2
	2009	**8 – 15**	8 – 15	**30,6**	2,2
	2010	**8 – 15**	8 – 15	**35,5**	121,8
	2011 onwards	**6,125 – 15**		**1 069,9**	
				1 292,1	255,6
Total non-current interest-bearing borrowings			Note 11.1	**1 720,2**	859,4

The company and its subsidiaries have entered into cross suretyships in respect of current and future financial obligations to FirstRand Bank Limited amounting to R351,1 million (2004: R439,0 million). These amounts are included above. A net debt to equity and interest cover covenant are applicable.

Finance lease liabilities are secured against the appropriate asset.

11.3 Borrowings and cash analysis

	2005 Rm	2005 %	2004 Rm	2004 %
Gross borrowings – Geographic				
South Africa	**713,7**	**38,8**	2 067,5	98,6
Foreign	**1 309,7**	**61,2**	29,3	1,4
	2 023,4	**100,0**	2 096,8	100,0
Cash – Geographic				
South Africa	**426,7**	**49,8**	251,0	33,6
Foreign	**430,7**	**50,2**	495,1	66,4
	857,4	**100,0**	746,1	100,0

	2005 Gross Rm	2005 Cash Rm	2005 Net Rm	2005 %	2004 Net Rm	2004 %
Fixed and variable						
Fixed – long term	**1 418,4**		**1 418,4**	121,6	433,7	32,1
– short term	**301,8**		**301,8**	25,9	475,3	35,2
Variable	**303,2**	**(857,4)**	**(554,2)**	(47,5)	441,7	32,7
	2 023,4	**(857,4)**	**1 166,0**	100,0	1 350,7	100,0

11. INTEREST-BEARING BORROWINGS (continued)

11.4 Convertible bond

The R1 billion convertible bond is currently accounted for as borrowings, and included in non-current borrowings. This treatment will continue until shareholders' sanction the conversion of the instrument into equity, approval for conversion into Aveng Limited shares, will be sought at the annual general meeting to be held on 28 October 2005. The number of Aveng Limited shares that would need to be placed under the control of the directors for the conversion will amount to 18% of the current number of ordinary shares in issue.

The bonds are initially convertible into cash with reference to the volume weighted average price of an Aveng Limited share, over a 20 dealing day period.

Unless previously purchased and cancelled, redeemed or converted, the bonds will be redeemed on 17 March 2012.

Aveng has the option to redeem all the bonds on or after 17 March 2009, provided that the Aveng Limited share price is equivalent to or exceeds R19,85 per share over a period of more than 20 dealing days during any period of 30 consecutive dealing days.

Assuming shareholders had approved the conversion, the disclosure would have been as follows:

Balance sheet	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Equity	140	140	140	140	140	140	140
Liability	860	876	894	912	933	955	979
Deferred taxation	2	7	12	18	24	31	38
Income statement							
Interest expense	39	78	79	81	83	84	86
Deferred taxation credit	(2)	(5)	(5)	(6)	(6)	(7)	(7)

The cash cost of the interest on the bond will be R61,25 million per annum. Deferred taxation in the table above has come about because the interest expense is in excess of the cash cost. The interest expense is greater than the cash cost due to the equity that was determined at the time the bond was convertible.

	2005 Rm	2004 Rm
12. DEFERRED TAX LIABILITY		
At beginning of year	**27,8**	53,2
Transfer from/(to) income statement – current year	**(1,2)**	(35,9)
– prior years		0,5
Acquisition of subsidiary		9,2
Exchange difference	**1,3**	0,8
At end of year	**27,9**	27,8
Balance at end of year comprises:		
Accelerated capital allowances	**32,8**	25,6
Other timing differences	**(5,9)**	(6,5)
Capitalised finance leases		3,9
Difference due to foreign tax rates	**1,0**	4,8
	27,9	27,8

		2005 Rm	2004 Rm
13.	*TRADE AND OTHER PAYABLES*		
	Trade payables	**1 320,6**	1 158,6
	Contracts in progress due to customers	**475,5**	384,9
	Accrued expenses	**2 104,3**	1 712,4
		3 900,4	3 255,9
	Contracts in progress due to customers have been reclassified from receivables to payables and the prior year figures have been restated.		
14.	*REVENUE*		
	Goods	**4 791,7**	4 204,8
	Construction contract revenue	**8 542,7**	7 344,8
	Services	**200,5**	190,1
	Revenue	**13 534,9**	11 739,7
	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.		
15.	*OPERATING INCOME DISCLOSURES*		
	In arriving at operating income the following items have been taken into account:		
	Foreign exchange (losses)	**(4,9)**	(95,6)
	Surplus on disposal of property, plant, machinery, equipment and vehicles	**(24,3)**	(40,1)
	Surplus on disposal of other investments		(0,7)
	Auditor's remuneration – fees for audit	**16,0**	14,5
	– fees for other services	**1,4**	1,5
	– expenses	**0,4**	0,2
	Depreciation of property, plant and equipment – land and buildings	**19,1**	14,1
	– plant, equipment and vehicles	**365,0**	378,4
	Gains on financial assets and liabilities	**26,9**	
	Operating lease expenses		
	– buildings	**32,5**	41,9
	– plant, machinery, equipment and vehicles	**68,0**	61,2
	Remuneration services – managerial, secretarial, financial, technical	**21,8**	11,9
	Staff costs		
	– salaries and wages	**2 232,4**	2 240,1
	– bonuses	**82,9**	94,6
	– contributions to retirement funds	**98,4**	94,8
	– contributions to medical funds	**67,7**	72,8
16.	*INCOME FROM INVESTMENTS*		
	Dividends – unlisted	**8,3**	4,9
	Interest – external	**73,3**	60,8
		81,6	65,7

Notes to the annual financial statements (continued)

for the year ended 30 June 2005

			2005 Rm	2004 Rm
17.	*INTEREST PAID*			
	Interest expense		**240,5**	280,7
	No borrowing costs have been capitalised during the year (2004: Nil).			
18.	*AMORTISATION OF GOODWILL AND OTHER INTANGIBLE ASSETS*			
	Intangible assets, with a finite useful life, are amortised through the income statement over their estimated useful life			
	– Trademarks		**1,5**	1,5
	– Goodwill			44,9
		Note 2.21	**1,5**	46,4
19.	*NON-TRADING ITEMS*			
	Disposal of property, plant and equipment (surplus)	Note 21	**(24,3)**	(4,2)
	Disposal of investments loss/(surplus)	Note 21	**1,6**	(15,4)
			(22,7)	(19,6)
20.	*TAXATION*			
	South African normal taxation – current		**144,6**	33,0
	– prior year			1,1
	Deferred tax		**(73,4)**	(57,0)
	Foreign taxation – current			4,2
	Secondary tax on companies		**0,1**	
			71,3	(18,7)
	Reconciliation of rate of taxation (%)			
	Standard rate of company taxation		**29,0**	30,0
	Adjusted for:			
	Assessed loss utilised		**(10,4)**	(7,8)
	Current year's tax losses not utilised		**12,2**	23,4
	Disallowable expenditure		**1,9**	6,9
	Exempt income		**(0,5)**	(38,6)
	Foreign tax adjustment		**(0,9)**	(5,7)
	Income from associates		**(17,4)**	(0,3)
	Other		**(1,7)**	(11,9)
	Prior years		**1,8**	(6,8)
	Effective taxation rate		**14,0**	(10,8)
	Effective rate of taxation for the year before amortisation of goodwill, other non-trading items and associated companies		**42,4%**	(162,6%)

The estimated losses which are available for the reduction of future taxable income are R267,7 million (2004: R326,9 million) of which R77,6 million (2004: R135,8 million) has been taken into account in calculating deferred taxation.

The group has estimated unused credits in respect of secondary tax on companies amounting to R509 million (2004: R345,6 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.

			2005 Rm	2004 Rm
21.	*EARNINGS AND HEADLINE EARNINGS PER SHARE*			
	Weighted average number of shares			
	For calculation of earnings and diluted earnings per share		**389 234 978**	389 241 901
	Determination of headline and diluted headline earnings			
	Adjustment for amortisation of goodwill	Note 2.18		46,4
	Disposal of properties and equipment (surplus)	Note 19	**(24,3)**	(4,2)
	Disposal of investments (loss/(surplus))	Note 19	**1,6**	(15,4)
			(22,7)	26,8
	Earnings		**386,6**	188,6
	Headline earnings		**363,9**	215,4
22.	*NOTES TO THE CASH FLOW STATEMENT*			
22.1	*Cash retained from operations*			
	Net income before tax		**459,7**	169,1
	Adjust for:			
	Income from associates		**(270,5)**	(184,4)
	Income from investments		**(81,6)**	(65,7)
	Interest paid		**240,5**	280,7
			348,1	199,7
22.2	*Non-cash movements*			
	Disposal of property, plant and equipment (surplus)		**(24,3)**	(40,1)
	Disposals of investments (loss/(surplus))		**1,6**	(0,7)
	Adjustment in respect of IAS 17			(1,4)
	Non-trading items and foreign currency translation movements		**(67,6)**	33,0
	Other non-cash items		**6,6**	(14,8)
	Write off of goodwill and other intangibles		**1,5**	46,4
			(82,2)	22,4
22.3	*Working capital movements*			
	Inventories ((increase)/decrease)		**(327,5)**	103,7
	Trade and other payables (increase/(decrease))		**660,5**	(388,2)
	Trade and other receivables ((increase)/decrease)		**(405,8)**	619,8
			(72,8)	335,3
	Foreign exchange translations included in working capital (losses)			(194,0)
			(72,8)	141,3
22.4	*Net financing costs*			
	Net financing costs per income statement		**240,5**	274,6
22.5	*Normal taxation paid*			
	Amounts unpaid at beginning of year			74,4
	Amounts charged to the income statement		**144,7**	38,3
	Prior year adjustment			
	Amounts receivable/(unpaid) at end of year		**(68,8)**	
			75,9	112,7
22.6	*Dividends paid*			
	Amounts charged to equity		**54,5**	124,4

			2005 Rm	2004 Rm
22.	*NOTES TO THE CASH FLOW STATEMENT (continued)*			
22.7	*Associated companies and joint ventures*			
	Disposals			(7,4)
	Dividends received		**226,2**	151,6
	Net loans advanced		**(51,3)**	(10,4)
	Return of equity		**(0,9)**	
			174,0	133,8
22.8	*Other investments*			
	Additional investments		**(20,5)**	1,5
	Net return of capital		**8,5**	
			(12,0)	1,5
22.9	*Cash and cash equivalents*			
	Deposits and cash		**857,4**	746,1
	Overdrafts	Note 11.1	**(303,2)**	(192,5)
	Short-term call accounts	Note 11.1		(997,2)
			554,2	(443,6)
23.	*COMMITMENTS*			
	Capital commitments			
	Capital expenditure authorised – contracted for		**18,7**	48,4
	– not contracted for		**169,9**	70,6
			188,6	119,0
	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		**136,8**	102,5
	– more than one year but less than five years		**369,6**	435,0
	– more than five years		**44,1**	42,1
			550,5	579,6
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:			
	– guarantees in the normal course of business including claims		**599,9**	38,0

Contract performance guarantees issued by the parent company on behalf of their 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.

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

Foreign currency payables and receivables	Foreign amount (million) **2005**	2004	Rand amount (million) **2005**	2004
25. *FOREIGN EXCHANGE EXPOSURE*				
Forward exchange contracts on imports				
Australian dollar				0,4
Euro	**9,8**	8,8	**80,8**	74,0
Swiss franc		0,3		1,5
UK pound				0,6
US dollar	**1,7**		**10,5**	
			91,3	76,5
Forward exchange contracts on exports				
Australian dollar				0,3
Bahraini dinar				0,4
Canadian dollar		0,1		0,4
Euro	**1,7**	0,1	**13,8**	0,5
UK pound		0,3		3,4
US dollar	**2,0**	3,4	**14,3**	22,3
			28,1	27,3
The group does not enter into forward exchange contracts which do not relate to specific items.				
Foreign currency payables and receivables				
Payables				
Australian dollar	**62,9**	21,2	**320,9**	91,7
Ethopian birr		5,7		4,2
Euro		4,8		36,6
Fiji dollar		21,9		6,2
Metical	**491,5**	64,8	**147,5**	18,1
New Zealand dollar	**0,5**	7,4	**2,3**	29,2
Nigeria niara	**2,2**	1,3	**105,3**	67,2
Pula	**34,6**	13,4	**46,0**	18,1
Singapore dollar		6,0		22,0
UK pound	**(0,1)**	0,6	**(42,9)**	7,2
US dollar	**11,4**	32,8	**303,5**	205,7
Zambian kwacha	**56,7**	8,2	**75,2**	10,7
Zimbabwe dollar	**57,6**	3,4	**60,9**	4,0
			1 018,7	520,9

Notes to the annual financial statements (continued)

for the year ended 30 June 2005

Foreign currency payables and receivables	Foreign amount (million) 2005	2004	Rand amount (million) 2005	2004
25. *FOREIGN EXCHANGE EXPOSURE*				
Receivables				
Australian dollar	**74,3**	28,6	**378,3**	124,1
Ethopian birr	**(0,1)**	4,4	**(0,6)**	3,3
Euro		0,2		1,9
Fiji dollar		63,2		17,9
Metical	**218,7**	211,0	**65,6**	58,9
New Zealand dollar		10,3		40,8
Nigeria niara	**0,9**	1,0	**45,1**	51,1
Pula	**0,1**	21,7	**58,4**	29,1
Singapore dollar		2,4		8,8
UK pound	**(0,1)**	2,3	**(2,3)**	26,3
US dollar	**150,9**	38,8	**946,7**	243,3
Zambian kwacha	**36,6**	23,4	**48,5**	30,5
Zimbabwean dollar	**14,1**	6,3	**14,9**	7,4
			1 554,6	643,4

	Assets	Liabilities	Net asset/ (liability) exposure
Exposure to uncovered foreign exchange			
Australian dollar		0,6	(0,6)
Canadian dollar	0,7		0,7
Cedi and metical	0,6		0,6
Euro	19,0	2,7	16,3
SEK		0,3	(0,3)
Swiss franc		1,7	(1,7)
UK pound	0,6	0,0	0,6
US dollar	23,2	10,9	12,3
	44,1	16,2	27,9

The groups policy is to cover all foreign currency exposures unless a natural hedge exists.

	2005 Closing	**2005** Average	2004 Closing	2004 Average
Foreign exchange rate table – material currencies				
Australian dollar	**5,09**	**4,67**	4,33	4,86
Euro	**8,07**	**7,87**	7,59	8,15
UK pound	**12,06**	**11,53**	11,34	11,91
US dollar	**6,68**	**6,15**	6,28	6,86

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 18,8% (2004: 20,8%) 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.

26 EMPLOYEE BENEFITS (continued)

26.1 Post-retirement benefits (continued)

Pension fund plans are evaluated by independent actuaries at intervals not exceeding three years. The latest valuations as at 30 June 2005 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.

	2005	2004
The principal group funds are:		
Number of members		
Grinaker-LTA Limited Retirement Plan	**2 879**	3 033
Grinaker Limited "Closed" Benefit Plan		59
McConnell Dowell Corporation Limited Plan	**718**	459
Trident Steel Retirement Fund	**465**	505

The group's retirement benefit expense was R98,4 million (2004: R94,8 million).

26.2 Defined benefit plan

	2005	2004
Valuation method:		
Projected unit credit method	**Yes**	Yes
Principal assumptions:		
Discount rate %	**9,50**	9,75
Expected return on assets %	**9,50**	9,75
General inflation %	**5,50**	6,00
Salary inflation %	**6,50**	7,00
	+promotional	+promotional
	Rm	Rm
Present value of obligation:		
Opening balance at 1 July	**199,0**	200,4
Interest cost on opening balance	**19,4**	19,5
Current service cost	**0,2**	0,9
Change in obligation due to past service costs		
Actuarial gain/(loss)	**20,9**	(7,1)
Benefits paid	**(16,4)**	(14,7)
Closing balance at 30 June	**223,1**	199,0
Past service costs charges:		
Amount already vested		
Amount still to vest		
Total	**Nil**	Nil
Fair value of plan assets:		
Opening balance at 1 July	**237,1**	231,8
Expected return on fund assets	**23,1**	23,8
Contributions received	**0,1**	0,8
Actuarial gain/(loss)	**25,4**	(4,6)
Benefits paid	**(16,4)**	(14,7)
Closing balance at 30 June	**269,3**	237,1
Net assets not recognised	**46,2**	38,1

Net assets are not recognised because it has been assessed that the present value of any economic benefits available in the form of refunds from the plan, or reductions in future contributions is Rnil.

Notes to the annual financial statements (continued)

for the year ended 30 June 2005

26 EMPLOYEE BENEFITS (continued)

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. The expense charged to the current year's income statement was R31,3 million (2004: R6,9 million).

	Number of shares 2005	Number of shares 2004
The movements during the year under review were as follows:		
Balance at the beginning of the year	**14 524 513**	15 653 113
Options granted or scheme shares allocated	**3 320 000**	621 000
Options exercised or allocation shares delivered	**(2 688 913)**	(1 119 700)
Options or scheme shares forfeited	**(316 638)**	(629 900)
Balance at the end of the year	**14 838 962**	14 524 513
Details of share options exercised and allocations taken up during the period:		
	R	R
Average subscription or purchase price	**6,84**	6,63
Range of market price at dates of exercising option or taking delivery	**7,28 – 12,35**	7,09 – 9,75

	Subscription price	**Number of shares 2005**	Number of shares 2004
The options outstanding at 30 June 2005 become unconditional between the following dates:			
1 September 2000 and 1 September 2008	3,60	**755 000**	755 000
17 April 2002 and 17 April 2010	6,90	**645 000**	825 000
25 May 2002 and 25 May 2010	6,10	**1 420 000**	1 973 750
1 September 2002 and 1 September 2010	6,20	**410 000**	410 000
29 November 2002 and 29 November 2010	5,80	**4 208 212**	6 182 763
1 October 2003 and 1 October 2011	7,55	**505 000**	505 000
23 October 2004 and 23 October 2012	9,11	**492 500**	567 500
23 March 2005 and 23 March 2013	8,61	**2 550 750**	2 698 000
1 October 2005 and 1 October 2013	8,55	**492 500**	567 500
1 October 2005 and 1 October 2013	8,70	**40 000**	40 000
1 October 2005 and 1 October 2013	7,20	**3 320 000**	
		14 838 962	14 524 513

26. EMPLOYEE BENEFITS (continued)

26.3 Executive share incentive scheme (continued)

The right to take delivery or to exercise the option vests in tranches two years from the date of allocation at the rate of 25% each year for four years. Participants can defer exercising the options subject to the rules of the scheme but must exercise within 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 Incentive 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 scheme held 6 910 930 ordinary shares at 30 June 2005 (2004: 6 910 930 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 2005, 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.

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

Loans receivable from associate companies and joint ventures comprise a number of entities. Ongoing credit evaluations on the financial condition of these entities are performed on an individual basis.

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, which closed out during January 2005. A fair value adjustment of R5,1 million has been credited to the income statement at 30 June 2005 (2004: R6,3 million debit).

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

Notes to the annual financial statements (continued)

for the year ended 30 June 2005

		2005 **Rm**	2004 Rm
29.	*RELATED PARTIES*		
	During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. Those transactions occurred under terms that are no less favourable than those arranged with third parties.		
	The value of the transactions is as follows:		
	Included in sales	**22,6**	18,2
	Included in cost of sales	**17,1**	15,4

There were no related party transactions with directors or entities in which the directors have a material interest other than amounts less than R100 000 in both periods

30. *DIRECTORS' REMUNERATION AND INTERESTS*

Directors' remuneration

For the year ended 30 June 2005 R'000	Salary R'000	Retirement fund contributions R'000	Other benefits R'000	Guaranteed remuneration R'000	Bonus R'000	**Total 2005**
Executive directors						
BPJ Fourie	1 258	189	129	1 576	3 384	**4 960**
DR Gammie	1 171	146	153	1 470	300	**1 770**
C Grim	2 095	276	241	2 612	600	**3 212**
HDK Jones	1 701	177	255	2 133	300	**2 433**
DG Robinson (appointed 1/01/05)	1 003	151	45	1 199	350	**1 549**
PF Crowley (retired 23/11/04)	742	106	109	957		**957**
	7 970	1 045	932	9 947	4 934	**14 881**

	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Sub-committee fees R'000	Other consulting fees R'000	**Total 2005 R'000**
Non-executive directors						
PL Erasmus	103	42		70		**215**
L Gcabashe	103					**103**
JR Hersov	103			96		**199**
WE Lucas-Bull (appointed 1/01/05)	52			40	108	**200**
KW Meissner-Roloff	103					**103**
VZ Mntambo	103			40		**143**
RB Savage	103	57	206	131	31	**528**
BP Steele	103			105		**208**
CV Campbell (retired 29/10/04)	26			25		**51**
AR Mpungwe (retired 29/10/04)	26					**26**
M Taback (retired 29/10/04)	26					**26**
	851	99	206	507	139	**1 802**

30. DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Meetings held	Planned meetings	Annual fees payable
Non-executive directors' annual fee by appointment			
Directors' fees	4	4	103
Board chairman	4	4	57
Deputy chairman	4	4	42
Audit committee	4	4	80
Audit committee – subs	8	8	50
Remuneration committee	3	3	15
Nominations committee	3	3	15
Tender risk committee	4	4	20
Subsidiary boards	8	8	206

	Aveng board	Audit and risk	Remu-neration	Nomination	Tender risk	Subsidiary board and audit
Non-executive directors committee membership						
PL Erasmus	xx		xx	xx	xx	
L Gcabashe	xx					
JR Hersov	xx	xx	xx	xx		
WE Lucas-Bull (appointed 1/01/05)	xx	xx				
KW Meissner-Roloff	xx					
VZ Mntambo	xx		xx	xx		
RB Savage	xx	xx	xx	xx	xx	xx
BP Steele	xx	xx			xx	xx
CV Campbell (retired 29/10/04)	xx	xx			xx	
AR Mpungwe (retired 29/10/04)	xx					
M Taback (retired 29/10/04)	xx					

Executive directors fees are waived in favour of Aveng.

For the year ended 30 June 2004	Salary R'000	Retirement fund contributions R'000	Other benefits R'000	Guaranteed remuneration R'000	Total Bonus R'000	2004 R'000
Executive directors						
PF Crowley	1 786	255	236	2 277		2 277
BPJ Fourie	1 124	167	129	1 420	2 259	3 679
DR Gammie	991	127	162	1 280	90	1 370
C Grim	1 765	243	292	2 300	165	2 465
HDK Jones	1 571	161	217	1 949		1 949
W Wassermeier (retired 24/11/03)	510	75	84	669		669
	7 747	1 028	1 120	9 895	2 514	12 409

30. DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Sub-committee fees R'000	Other group fees R'000	Total 2004 R'000
Non-executive directors						
CV Campbell	98			76		174
PL Erasmus	98			87		185
L Gcabashe	98					98
JR Hersov	98			44		142
KW Meissner-Roloff	98					98
VZ Mntambo	98			55		153
AR Mpungwe	98				41	139
RB Savage	98	54	148	27		327
BP Steele	98			76		174
M Taback	98					98
	980	54	148	365	41	1 588

Executive directors fees are waived in favour of Aveng.

Interest of directors of the company in share capital

Executive directors	**Ordinary shares 2005**	Ordinary shares 2004
DR Gammie	**143 128**	143 128
C Grim	**391 267**	391 267
HDK Jones	**25 000**	25 000
	559 395	559 395
Non-executive directors		
PL Erasmus		130 000
JR Hersov		50 000
BP Steele	**4 166**	4 166
CV Campbell (retired 29/10/04)		10 300
	4 166	194 466
Total	**563 561**	753 861
% of issued securities	**0,1%**	0,2%

Securities are beneficially held except those held by Mr BP Steele, whose interest in non-beneficial. The company has not been advised of any changes in the above interests during the period 1 July 2005 to the date of this report.

30. *DIRECTORS' REMUNERATION AND INTERESTS (continued)*

Executive share incentive scheme

	Date from which exercisable	Date on which expires	Price	Number entitled to at 30 June 2004	Number granted during the year	Number redeemed or taken up the year	**Number entitled to at 30 June 2005**
PF Crowley	Nov 02	Nov 10	5,80	150 000		150 000	
(retired 23/11/04)	Oct 04	Oct 12	9,11	75 000		75 000	
	Sep 05	Oct 13	8,55	75 000		75 000	
DR Gammie	Sep 00	Sep 08	3,60	105 000			**105 000**
	Sep 02	Sep 10	6,20	78 750			**78 750**
	Oct 03	Oct 11	7,55	105 000			**105 000**
	Oct 04	Oct 12	9,11	105 000			**105 000**
	Sep 05	Oct 13	8,55	105 000			**105 000**
	Sep 05	Oct 13	7,20		235 000		**235 000**
	Sep 06	Oct 14	7,20		235 000		**235 000**
	Sep 07	Oct 15	7,20		235 000		**235 000**
	Sep 08	Oct 16	7,20		235 000		**235 000**
C Grim	Sep 00	Sep 08	3,60	275 000			**275 000**
	Sep 02	Sep 10	6,20	206 250			**206 250**
	Oct 03	Oct 11	7,55	275 000			**275 000**
	Oct 04	Oct 12	9,11	275 000			**275 000**
	Sep 05	Oct 13	8,55	275 000			**275 000**
	Sep 05	Oct 13	7,20		500 000		**500 000**
	Sep 06	Oct 14	7,20		500 000		**500 000**
	Sep 07	Oct 15	7,20		500 000		**500 000**
	Sep 08	Oct 16	7,20		500 000		**500 000**
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**
	Sep 05	Oct 13	8,55	62 500			**62 500**
DG Robinson	Nov 00	Dec 08	5,80		75 000		**75 000**
(appointed 1/01/05)							
				2 880 000	3 015 000	300 000	**5 595 000**

Interest of directors in contracts

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

31. *RESTATEMENTS, CHANGES IN ACCOUNTING POLICY AND COMPARATIVES*

IFRS 3: Business Combinations, IAS 36: Impairment of assets and IAS 38: Intangible assets.

The group adopted IFRS 3: Business Combinations during the current financial reporting period. The adoption of this statement resulted in a change in the accounting policy for goodwill. An entity shall apply IFRS 3 prospectively from the beginning of the first annual period on or after 31 March 2004. In accordance with the provisions of this statement:

- effective 1 July 2004 the group discontinued amortising goodwill;
- effective 1 July 2004 the group eliminated the carrying amount of the related accumulated amortisation with the corresponding decrease in goodwill;
- effective 1 July 2004, annually test the goodwill for impairment in accordance with IAS 36; and
- effective 1 July 2004, to derecognise the carrying amount of negative goodwill with a corresponding adjustment to the opening balance of retained earnings.

The adoption of this accounting policy resulted in goodwill amortisation of R46 million ceasing. The impact of the adoption of IFRS 3 is reflected below.

Impact on financials: IFRS 3: Business Combinations, discontinued amortisation of goodwill	Effect	**2005 Rm**	2004 Rm
Balance sheet			
Distributable reserves	Increase	**44,9**	
Goodwill	Increase	**44,9**	
Income statement			
Amortisation of goodwill	Decrease	**44,9**	
	Comparatives unchanged		

Impact on financials: IFRS 3: Business Combinations negative goodwill	Effect	**2005 Rm**	2004 Rm
Balance sheet			
Distributable reserves	Increase	**25,3**	
Goodwill	Increase	**25,3**	

IAS 17: Leases

In prior years, operating lease payments were recognised in the income statement in the year incurred. Circular 7/2005 issued in August 2005, by the South African Institute of Chartered Accountants, requires minimum lease payments that are subject to fixed escalations to be spread evenly over the life of the lease instead of as incurred.

Impact on financials: IAS 17 Lease payment recognition	Effect	**2005 Rm**	2004 Rm
Balance sheet			
Distributable reserves – current year	Decrease	**2,0**	3,2
– prior year	Decrease	**16,5**	13,3
Trade and other payables	Increase	**18,5**	16,5
Income statement			
Operating expenses	Increase	**2,0**	3,2
	Comparatives restated		

31. *RESTATEMENTS, CHANGES IN ACCOUNTING POLICY AND COMPARATIVES (continued)*

Impact on financials: IAS 17 Lease reclassification

Reclassification of an operating lease to a finance lease to comply with IAS 17.

	Effect	2005 Rm	2004 Rm
Balance sheet			
Distributable reserves – current year	Decrease	**0,6**	1,3
– prior year	Decrease	**7,9**	6,6
Property, plant and equipment	Increase	**38,9**	39,7
Interest-bearing borrowings	Increase	**47,5**	47,7
Trade and other payables	Increase	**6,3**	5,6
Trade and other receivables	Increase	**6,1**	6,1
Income statement			
Operating expenses	Decrease	**(6,3)**	(5,6)
Depreciation	Increase	**0,9**	0,9
Interest paid	Increase	**6,1**	6,0
	Comparatives restated		

Comparatives

Comparatives have been restated as a result of the change in accounting for leases per IAS 17.

Company balance sheet

at 30 June 2005

	Note	2005 Rm	2004 Rm
ASSETS			
Non-current assets			
Investment in associates and joint ventures	A	**101,7**	101,7
Investment in subsidiary companies	B	**3 397,1**	2 831,5
Taxation – deferred	G	**3,7**	
Fixed assets	H5	**0,8**	
		3 503,3	2 933,2
Current assets			
Trade, other receivables and prepayments			10,7
Subsidiaries – current accounts		**65,6**	
Taxation – normal		**1,2**	
Cash and cash equivalents		**175,3**	0,2
		242,1	10,9
TOTAL ASSETS		**3 745,4**	2 944,1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	C	**19,8**	19,8
Share premium	D	**940,1**	940,1
Non-distributable reserves		**(59,5)**	(59,5)
Distributable reserves		**794,9**	428,5
Total shareholders' funds		**1 695,3**	1 328,9
Non-current liabilities			
Loans from subsidiaries			
– Non-interest-bearing borrowings		**910,0**	914,0
– Interest-bearing borrowings		**1 000,0**	
		1 910,0	914,0
Current liabilities			
Trade and other payables	E	**37,6**	4,2
Subsidiaries – current accounts		**102,5**	247,9
Short-term borrowings			446,9
Taxation			2,2
		140,1	701,2
TOTAL EQUITY AND LIABILITIES		**3 745,4**	2 944,1

Company income statement

for the year ended 30 June 2005

	Note	2005 Rm	2004 Rm
Revenue	F	**362,7**	209,5
Expenses		**54,6**	1,3
Depreciation	H5	**0,1**	
Operating profit		**308,0**	208,2
Profit on sale of investments		**143,2**	
Profit on foreign exchange – realised		**12,4**	
– unrealised		**6,2**	
Income before interest paid		**469,8**	208,2
Interest paid		**51,8**	49,4
Income before taxation		**418,0**	158,8
Taxation	G	**(3,9)**	3,5
Income after taxation		**421,9**	155,3

Company statement of changes in equity

for the year ended 30 June 2005

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Distributable reserves Rm	Total Rm
Balance at 1 July 2003	19,8	940,1	0,2	392,0	1 352,1
Conversion of debentures					
Expenses on issue of shares					
Earnings for the year				155,3	155,3
Foreign currency translation			(59,7)		
Dividends paid				(118,8)	(118,8)
Balance at 30 June 2004	19,8	940,1	(59,5)	428,5	1 328,9
Earnings for the year				421,9	421,9
Dividends paid				(55,5)	(55,5)
Foreign currency translation					
Balance at 30 June 2005	19,8	940,1	(59,5)	794,9	1 695,3

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

Company cash flow statement

for the year ended 30 June 2005

	Note	2005 Rm	2004 Rm
Cash retained from operating activities		**49,3**	(504,1)
Cash generated by operations	H1	**41,2**	(1,3)
Income from investments	F	**346,1**	209,5
Increase in net current assets	H2	**(228,6)**	(542,8)
Cash generated by operating activities		**158,7**	(334,6)
Interest paid		**(51,8)**	(49,4)
Taxation paid	H4	**(2,1)**	(1,3)
Cash available from operating activities		**104,8**	(385,3)
Dividend paid		**(55,5)**	(118,8)
Investing activities			
Long-term advances to subsidiary		**(422,4)**	
Investments – acquisitions net of disposals			
– subsidiaries and businesses		**496,0**	(574,2)
– fixed asset purchases	H5	**(0,9)**	
– loans and other group investments		**(496,0)**	625,6
		(423,3)	51,4
Financing activities			
Net increase/(decrease) in shareholder funding			
Long-term borrowings			
– raised	H6	**1 000,0**	
– repaid to group companies		**(4,0)**	
		996,0	
Net increase/(decrease) in cash and cash equivalents		**622,0**	(452,7)
Cash and cash equivalents at beginning of year		**(446,7)**	6,0
Cash and cash equivalents at end of year	H3	**175,3**	(446,7)

Notes to the company financial statements

for the year ended 30 June 2005

		2005 Rm	2004 Rm
A.	*INVESTMENT IN ASSOCIATES AND JOINT VENTURES*		
	Balance at beginning of year	**101,7**	101,7
	Balance at end of year	**101,7**	101,7
	Comprising:		
	Unlisted shares at cost	**101,7**	101,7
	The directors' valuation of unlisted shares is not less than their carrying value.		
B.	*INVESTMENT IN SUBSIDIARIES*		
	Balance at beginning of year	**2 831,5**	1 726,6
	Investments purchased	**690,6**	574,2
	Investments sold	**(352,8)**	
	Other movements – loan to subsidiary	**227,8**	530,7
	Balance at end of year	**3 397,1**	2 831,5
	Comprising:		
	– amount owing by the Aveng Limited Share Purchase Trust	**5,6**	8,8
	– unlisted shares	**2 342,2**	2 074,2
	– loans to subsidiaries	**1 049,3**	748,5
	Short-term loans to subsidiaries are advanced at commercial interest rates with no fixed terms of repayment.		
		3 397,1	2 831,5
	Company's aggregate interest in the profits and losses after taxation of subsidiaries		
	Profits	**279,5**	197,6
	Losses	**(110,1)**	(178,7)
	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.	*SHARE CAPITAL*		
	Authorised		
	Ordinary share capital		
	882 034 263 ordinary shares of 5 cents each	**44,1**	44,1
	Issued		
	Balance at beginning and end of year		
	396 145 908 (2004: 396 145 908) ordinary shares of 5 cents each	**19,8**	19,8
D.	*SHARE PREMIUM*		
	Balance at beginning and end of year	**940,1**	940,1
E.	*PAYABLES*		
	Trade and other	**19,1**	4,2
	Accrued expenses and interest payable	**18,5**	
		37,6	4,2

		2005 Rm	2004 Rm
F.	*REVENUE*		
	Turnover	**16,6**	
	Dividends – unlisted	**218,8**	151,3
	– preference	**61,7**	
	Interest – investments	**1,2**	
	– subsidiary companies	**64,4**	58,2
		362,7	209,5
	Interest is charged on short-term loans at normal commercial rates. These loans are repayable on demand, except for Aveng Australia Holdings loan which has a minimum duration of twelve months from from August 2004.		
	Long-term loans from subsidiaries are not interest bearing. No repayment terms have been fixed.		
G.	*TAXATION*		
	South African – taxation normal	**0,1**	2,5
	– taxation deferred	**(3,7)**	
	Foreign – withholding tax	**(0,3)**	1,0
		(3,9)	3,5
	Reconciliation of rate of taxation (%)		
	Standard rate	**29,0**	30,0
	Exempt income	**(29,0)**	(28,6)
	Disallowable expenditure		0,1
	Prior year adjustments		
	Effective rate of taxation for the year		1,5
	Deferred taxation		
	At the beginning of the year		
	Transfer from income statement – current year	**3,7**	
	At the end of the year	**3,7**	
	Balance at year-end comprises		
	Provisions	**3,6**	
	Provisions – foreign withholding taxes	**0,1**	
		3,7	
	The company has estimated unused credits in respect of secondary tax on companies amounting to R509,2 million (2004: R345,6 million)		
H.	*NOTES TO THE CASH FLOW STATEMENT*		
H1	*Cash generated from operations*		
	Income before interest paid and taxation	**469,8**	208,2
	Adjusted for:		
	– depreciation	**0,1**	
	– foreign tax credit	**(1,1)**	
	– income from investments	**(346,1)**	(209,5)
	– non-cash preference dividend receivable	**61,7**	
	– profit on sale of investments	**(143,2)**	
		41,2	(1,3)
H2	*Decrease/(increase) in net current assets*		
	Decrease/(increase) in trade receivables	**10,7**	(542,8)
	(Decrease)/increase in trade payables	**33,4**	
	Decrease/(increase) in subsidiary current accounts	**(272,7)**	
		(228,6)	(542,8)

		2005 Rm	2004 Rm
H.	*NOTES TO THE CASH FLOW STATEMENT (continued)*		
H3	*Cash and cash equivalents*		
	Deposits and cash	**175,3**	0,2
	Short-term interest-bearing borrowings		(446,9)
		175,3	(446,7)
H4	*Taxation paid*		
	Opening balance	**2,2**	
	Current years' charge	**(0,2)**	3,5
	Foreign tax credit	**(1,1)**	
	Closing balance	**1,2**	(2,2)
	Paid during the year	**2,1**	1,3

H5 *Equipment, motor vehicles, furniture and fittings*

	Equipment	Motor vehicles	Furniture	Total
Beginning of the year				
Transfer from group company				
– Cost	0,6	0,2	0,7	1,5
– Accumulated depreciation	(0,4)		(0,5)	(0,9)
Net transfer	0,2	0,2	0,2	0,6
Current year movements				
– additions	0,3			0,3
– depreciation	(0,1)			(0,1)
Net book value	0,4	0,2	0,2	0,8
Made up as follows:				
– Cost	0,9	0,2	0,7	1,8
– Accumulated depreciation	(0,5)		(0,5)	(1,0)
– Net book value	0,4	0,2	0,2	0,8

H6 *Long-term borrowings*

The R1 billion convertible bond is currently accounted for as borrowings, and included in non-current borrowings. This treatment will continue until shareholders sanction the conversion of the instrument into equity, approval for conversion into Aveng Limited shares, will be sought at the annual general meeting to be held on 28 October 2005. The number of Aveng Limited shares that would need to be placed under the control of the directors for the conversion will amount to 18% of the current number of ordinary shares in issue.

The bonds are initially convertible into cash with reference to the volume weighted average price of an Aveng Limited share over a 20 dealing day period.

Unless previously purchased and cancelled, redeemed or converted, the bonds will be redeemed on 17 March 2012.

Aveng has the option to redeem all the bonds on or after 17 March 2009, provided that the Aveng Limited share price is equivalent to or exceeds R19,85 per share over a period of more than 20 dealing days during any period of 30 consecutive dealing days.

Assuming shareholders had approved the conversion, the disclosure would have been as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Balance sheet							
Equity	140	140	140	140	140	140	140
Liability	860	876	894	912	933	955	979
Deferred taxation	2	7	12	18	24	31	38
Income statement							
Interest expense	39	78	79	81	83	84	86
Deferred taxation credit	(2)	(5)	(5)	(6)	(6)	(7)	(7)

This cash cost of the interest on the bond will be R61,25 million per annum. Deferred taxation in the table above has come about because the interest expense is in excess of the cash cost. The interest expense is greater than the cash cost due to the equity that was determined at the time the bond was convertible.

Schedule of investments

at 30 June 2005

	Issued share capital 2005 Rm	Issued share capital 2004 Rm	% held 2005	% held 2004	Investment value 2005 Rm	Investment value 2004 Rm	Net indebtedness due by/(to) companies 2005 Rm	Net indebtedness due by/(to) companies 2004 Rm
DIRECT SUBSIDIARIES AND INVESTMENTS IN JOINT VENTURES								
Aveng Australia Holdings Pty Limited	**730,9**	558,0	**100,0**	100,0	**768,8**	574,2	**47,6**	36,5
Altur Investments (Pty) Limited*	**2,6**	2,6	**45,6**	45,6	**101,7**	101,7		
Aveng Management Company (Pty) Limited			**100,0**	100,0			**(102,0)**	294,9
Grinaker-LTA Properties (Pty) Limited			**75,0**	100,0				
Grinaker-LTA Intellectual Property (Pty) Limited			**100,0**	100,0	**15,0**	15,0		
Grinaker-LTA Limited	**28,7**	28,7	**75,0**	100,0	**1 058,1**	1 410,8	**882,1**	
Qakazana Investment Holdings (Pty) Limited	**0,1**				**496,0**		**61,7**	
Steelmetals (Pty) Limited [dormant]	**1,6**	1,6	**100,0**	100,0	**4,0**	4,0	**49,6**	65,9
Trident Steel Holdings (Pty) Limited			**75,0**	100,0	**0,4**	0,5	**(836,6)**	(910,0)
Loan to the Aveng Limited Share Purchase Trust			**100,0**	100,0		8,8	**5,6**	
					2 444,0	2 115,0	**108,0**	(512,7)
* Holcim (South Africa) (Pty) Limited			**45,6**	45,6				

[100% held through Altur Investments (Pty) Limited]
Its principal business is the production of cement and related materials

The group's major investments

Reg No	Company	Country of incorporation or registration (if not RSA)	% holding	Group effective % holding at Aveng level
1944/018119/06	Aveng Ltd		100,0	100,0
1950/039733/07	Altur Investments (Pty) Ltd		45,6	45,6
1934/005750/07	Holcim (South Africa) (Pty) Limited		100,0	45,6
ACN 108058331	Aveng Australia Holdings Pty Limited	Australia	100,0	100,0
ACN 104797346	Aveng Australia Pty Limited	Australia	100,0	100,0
ABN008444880	McConnell Dowell Corporation Limited	Australia	100,0	100,0
1998/021960/07	Aveng Management Company (Pty) Ltd		100,0	100,0
1952/001450/07	Steelmetals (Pty) Ltd		100,0	100,0
1981/003218/07	Trident Steel Holdings (Pty) Ltd		75,0	75,0
2000/024996/07	Trident Steel Intellectual Property (Pty) Ltd		100,0	75,0
1972/006101/07	Trident Steel (Pty) Ltd		100,0	75,0
1993/000885/07	Avtex Investment Company (Pty) Ltd		100,0	100,0
1931/003300/06	Grinaker-LTA Limited		75,0	75,0
1982/011338/07	Allied Grinaker Properties (Pty) Ltd		39,0	29,3
2298/7P/G/96	Amalgamated Steele Mozambique Limitada	Mozambique	100,0	75,0
97/1864	Baba (Pty) Limited	Botswana	67,0	50,3
1973/003619/07	Boshard Construction (Pty) Ltd		30,0	22,5
RC397 998	Calta Construction (Nigeria) Limited	Nigeria	50,0	37,5
2001/016818/07	Contract Mining Services (Pty) Limited		100,0	75,0
1986/000053/07	Contractors Properties Finance (Pty) Limited		100,0	75,0
2001/018197/07	Empowa Grinaker-LTA (Pty) Limited		50,0	37,5
2002/020961/07	Enzimbini Reinforcing (Pty) Limited		20,0	15,0
631/1994	Infraset Swazi (Pty) Ltd	Swaziland	100,0	75,0
1935/007433/06	Grinaker-LTA Construction and Development Limited		100,0	75,0
RC 365 851	Grinaker-LTA Construction Nigeria Limited	Nigeria	100,0	75,0
42564	Grinaker-LTA Construction (Zambia) Limited	Zambia	100,0	75,0
1963/006056/06	Grinaker-LTA Engineering and Mining Services Limited		100,0	75,0
	Specialised Road Technologies (Pty) Limited		15,0	11,3
20326/4162	Grinaker-LTA International Holdings Limited	Mauritius	100,0	75,0
2003/027275/07	Grinaker-LTA Vuselela Spares Supply (Pty) Limited		49,0	36,8
2003/125	Grinaker-LTA Precast (Namibia) (Pty) Limited	Namibia	100,0	75,0
1985/002306/07	Grinaker Pieterse Housing (Pty) Limited		100,0	75,0
1966/010356/07	Harpurlaan Belange (Edms) Beperk		100,0	75,0
87/226	Industrial Electrical (Lesotho) (Pty) Limited	Lesotho	100,0	75,0
1979/003513/07	KZN Reinforcing and Fixing Services (Pty) Limited		33,3	25,0
2868	Larcodems (Bahamas) Limited	Bahamas	1,0	0,75
2964045	Larcodems International Limited	United Kingdom	50,0	37,5
2002/003353/07	Lesedi Tracks (Pty) Limited		30,0	22,5
77/129	Lesotho Reinforcing (Pty) Limited	Lesotho	100,0	75,0
C84496	LTA Construction (Kenya) Limited	Kenya	100,0	75,0
7352	LTA Mozambique Limitada	Mozambique	100,0	75,0
1964/009785/06	Grinaker-LTA Process Engineering Limited		100,0	75,0
198/68	LTA Zimbabwe (Private) Limited	Zimbabwe	100,0	75,0
1987/001794/07	MacIntosh Property Holding Company (Pty) Limited		100,0	75,0

Reg No	Company	Country of incorporation or registration (if not RSA)	% holding	Group effective % holding at Aveng level
1999/004154/07	Makokwe Grinaker Mining Contracting (Pty) Limited		40,0	30,0
57397	Marples Holdings (BVI) Limited	British Virgin Islands	100,0	75,0
	Marples Trust	British Virgin Islands	100,0	75,0
1995/000398/07	Masizakhe Sitena (Pty) Limited		50,0	37,5
1996/017767/06	Megchem Holdings Limited'		50,0	37,5
1998/001932/07	Menzi Projects (Pty) Limited		100,0	75,0
2002/029255/07	Misa Scaffolding (Pty) Limited		50,0	37,5
1991/000401/07	NARE Construction (Pty) Limited		100,0	75,0
1994/008337/06	Northern Toll Road Construction Limited		24,0	18,0
1997/015975/07	Rebar Company (Pty) Limited		33,3	25,0
1995/009602/07	Regent Street Developments (Pty) Limited		50,0	37,5
81/00025/07	Reinforcing and Allied Industries (Namibia) (Pty) Limited	Namibia	100,0	75,0
1966/005453/07	Reinforcing Fixing Services (Pty) Limited		33,3	24,8
89/472	Ridgeway Construction (Pty) Limited	Botswana	100,0	75,0
87/189	Ridgeway Construction (Lesotho) (Pty) Limited	Lesotho	100,0	75,0
1978/003880/07	RPP Developments (Pty) Limited		100,0	75,0
1958/001568/07	Sivukile Contractors (Pty) Limited		29,1	21,8
101/1980	Sizeze Pipes Limited	Swaziland	100,0	75,0
1985/001489/07	Steeledag (Pty) Limited		65,0	48,8
1988/013937/07	Steeledale Fixing Systems (Pty) Limited		32,0	24,0
1951/003338/06	Steeledale Group Limited		100,0	75,0
38765	Steeledale Monarch Zambia Limited	Zambia	80,0	60,0
1986/000415/07	Toll Highway Development Company (Pty) Limited		100,0	75,0
1996/013593/07	Transfab Engineering (Pty) Limited		50,0	37,5
2001/017592/07	Wedelin Investments 46 (Pty) Limited		60,0	45,0
2001/000387/07	Grinaker-LTA Properties (Pty) Limited		75,0	75,0
1965/003046/07	H.R.N.G. Properties Share Block (Pty) Limited		100,0	75,0
1974/000635/07	Ottery Share Block (Pty) Limited		100,0	75,0
1958/003000/07	Trojan Share Block (Pty) Limited		100,0	75,0
2000/025312/07	Grinaker-LTA Intellectual Property (Pty) Limited		75,0	75,0
2004/003554/07	Fraser & Chalmers Siyakha (Pty) Limited		74,9	56,2
2003/016205/07	Lenings DEC Rail Services (Pty) Limited		70,0	52,5

Shareholders' diary

FINANCIAL YEAR-END	30 June 2005
ANNUAL GENERAL MEETING	Friday, 28 October 2005
REPORTS AND PROFIT STATEMENTS	Published
Half-yearly interim report	Monday, 6 March 2005
Results announcement	Monday, 11 September 2005
Annual financial statements	end September

DIVIDEND

Ordinary shares – declared	Friday, 9 September 2005
Last date to trade shares cum dividend	Friday, 14 October 2005
Shares trade ex dividend from	Monday, 17 October 2005
Record date	Friday, 21 October 2005
Payment date	Monday, 24 October 2005

Shareholders' analysis

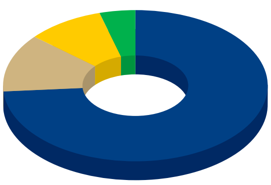
Ordinary shares at 30 June 2005

ORDINARY SHARES AT 30 JUNE 2005

	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	3 135	195 748 006	49,41%	262	103 816 091	26,21%	3 397	299 564 097	75,62%
Directors and officers of the company and its subsidiaries	4	563 561	0,14%				4	563 561	0,14%
Other (anything that falls outside the scope for description of these mentioned above)	3	96 018 250	24,24%				3	96 018 250	24,24%
Total	3 142	292 329 817	73,79%	262	103 816 091	26,21%	3 404	396 145 908	100,00%

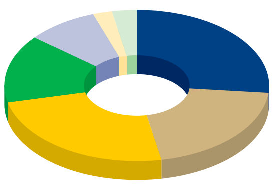
** Based on information provided by the company's registrars*

Geographic spread



- *South Africa 73,79%*
- *United Kingdom 12,42%*
- *United States of America 9,42%*
- *Other 4,37%*

Owner breakdown



- *Pension funds 26,55%*
- *Investment companies 20,46%*
- *Banks 24,40%*
- *Unit trusts 14,55%*
- *Insurance companies 8,70%*
- *Employees and other 2,33%*
- *Private investors 3,01%*

Notice of annual general meeting

Notice is hereby given that the sixty first annual general meeting of members of Aveng Limited (the "company") will be held at Block B, 204 Rivonia Road, Morningside on Friday, 28 October 2005 at 12:00 for the following purposes:

1. To receive and consider the Company's annual financial statements for the year ended 30 June 2005;
2. To re-elect Mr DR Gammie who retires in accordance with the company's articles of association and being eligible offers himself for re-election;
3. To re-elect Mr HDK Jones who retires in accordance with the company's articles of association and being eligible offers himself for re-election;
4. To re-elect Mr DG Robinson, appointed 3 January 2005, who retires in accordance with the company's articles of association and being eligible offers himself for re-election;
5. To re-elect Ms WE Lucas-Bull, appointed 3 January 2005, who retires in accordance with the company's articles of association and being eligible offers herself for re-election;
6. To consider and, if deemed fit, to pass with or without modification, the following resolutions:

ORDINARY RESOLUTION NO 1

"Resolved as an ordinary resolution that:

1. the annual fees payable to the non-executive directors be increased by 6%, in accordance with the table below, with effect from 1 October 2005 from R102 900 per annum to R109 000 per annum (rounded to the nearest R1 000);
2. the annual 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 boards and audit committees of subsidiaries and attending meetings of such boards, be increased by 6%, with effect from 1 October 2005 (rounded to the nearest R1 000), in accordance with the table below.

Directors' fees	**2005**	2006
Audit committee – Aveng	**80 000**	85 000
– subsidiaries	**25 000**	27 000
Board chairman	**56 700**	60 000
Deputy chairman	**42 000**	45 000
Board fee – Aveng	**102 900**	109 000
– subsidiaries	**102 900**	109 000
Chairman fee – nomination committee	**9 250**	10 000
– remuneration committee	**9 250**	10 000
Nomination committee fee	**15 400**	16 000
Remuneration committee fee	**15 400**	16 000
Tender risk evaluation committee fee	**20 500**	22 000

3. the fees paid to Mr RB Savage in respect of his participation in the affairs of the groups' subsidiary company boards, in the amount of R205 800 for the year ended 30 June 2005 be ratified and approved.

ORDINARY RESOLUTION NO 2

"Resolved as an ordinary resolution that the directors be and are hereby authorised to allot and issue 71 307 597 ordinary shares in the company, which will constitute approximately 18% of the current total issued ordinary share capital of the company, to holders of the R1 billion, 6,125% guaranteed convertible bonds due 2012 ("bonds"), as may be required for the conversion of the bonds into ordinary shares in accordance with their terms and further provided that in order to be effective for the purposes of the Listing Requirements of the JSE Limited, this resolution must be passed by 75% of the votes exercisable by shareholders present in person or by proxy at the annual general meeting at which this resolution is considered."

ORDINARY RESOLUTION NO 3

"Resolved as an ordinary resolution that subject to ordinary resolution No 2, to be considered at the annual general meeting at which this resolution is considered, being passed, such number of shares in the authorised but unissued share capital of the company as may be required for purposes of the conversion of the R1 billion, 6,125% guaranteed convertible bonds, due 17 March 2012, ("bonds") into 71 307 597 ordinary shares in accordance with their terms and which is expected not to exceed 18% of the current total issued ordinary share capital of the company, be and they are hereby placed under the control of the directors of the company who are hereby authorised, as a specific authority, to allot and issue such shares in accordance with the conversion rights attaching to the bonds."

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

Notice of annual general meeting (continued)

Completed proxy forms should be forwarded to reach the transfer secretaries of the company by not later than 12:00 on Thursday, 27 October 2005.

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.

By order of the board

CM Bishop
Company secretary

Morningside, Sandton
9 September 2005

Change of address:
Members are requested to notify any change of address to:
Computershare Investor Services 2004 (Proprietary) Limited
PO Box 61051
Marshalltown, 2107
South Africa

Form of proxy

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

For use at the sixty-first annual general meeting of the company to be held at Block B, 204 Rivonia Road, Morningside, Sandton, 2057 on Friday, 28 October 2005 at 12:00, or any adjournment thereof ("the annual general meeting").

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

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

I/We

(NAME IN BLOCK LETTERS)

of

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

1. of or failing him

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.

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

	For	Against	Abstain
1. To re-elect Mr DR Gammie as a director			
2. To re-elect Mr HDK Jones as a director			
3. To re-elect Mr DG Robinson as a director			
4. To re-elect Ms WE Lucas-Bull as a director			
5. Ordinary resolution No 1 – Fees of directors			
6. Ordinary resolution No 2 – Allotment and issue of ordinary shares in respect of the guaranteed convertible bond			
7. Ordinary resolution No 3 – 71 307 597 unissued shares, representing approximately 18% of the issued share capital, placed under the control of the directors to satisfy the requirements of the convertible bond (subject to passing of ordinary resolution No 2)			

Signed at on 2005

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, and 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 with or posted to the company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown, 2107, South Africa), to be received by not later than 12:00 on Thursday, 27 October 2005.

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

Corporate information

SECRETARY
CM Bishop

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Sandton, 2057
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South Africa
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COMPANY REGISTRATION NUMBER
1944/018119/06

SHARE CODES
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ISIN: ZAE 000018081

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Barclays Bank PLC
Commerzbank AG
Crédit Agricole Indosuez
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited

CORPORATE LEGAL ADVISORS
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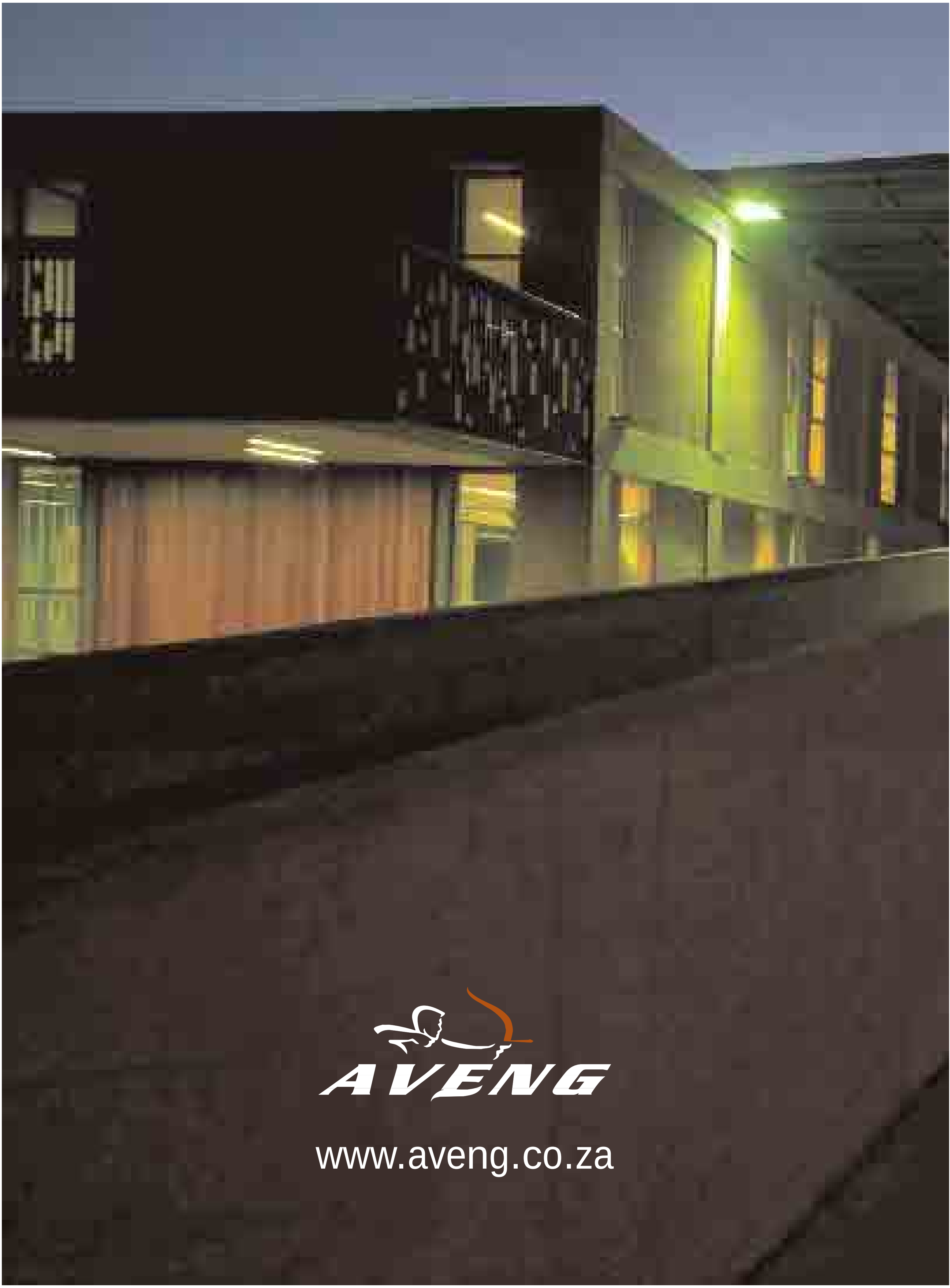
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