Building a proud legacy

THE AVENG GROUP

ANNUAL REPORT **2008**

Contents

positioned for sustainable **long-term** value creation

building a legacy of which **future generations** will be proud

safety is a core value of the **Aveng Group**

This symbol highlights key safety information throughout this report.

Cover picture: An aerial view of the Sishen site on which Grinaker-LTA and Moolmans were active during the year.

THE AVENG GROUP

HOME WITHOUT HARM

EVERYONE EVERYDAY

Safety is paramount, never to be compromised in the pursuit of any objective.

Aveng boasts a proud South African heritage going back more than a century to a small construction company owned by James Thompson on the corner of Main and Rissik Streets in Johannesburg. Since then, Aveng companies have played a major role in the development of the infrastructure in selected areas of the developing world. We are fiercely proud of the many landmark buildings, roads, bridges, dams and power stations that today form the backbone of the economies of many developing world countries. Last year our employees added real value to people's lives in 26 countries. That is the sort of legacy we like to leave.

Proud of our legacy

1939

1889

Where it all began – James Thompson's first premises on the corner of Main and Rissik Streets, Johannesburg

Supreme Court, Bloemfontein

Anglo American headquarters, 44 Main Street, Johannesburg

corporate timeline

1889
James Thompson opens for business in Johannesburg.

1931
Lewis Construction (Pty) Limited starts trading in South Africa.

1935
Ole Grinaker, a Norwegian Civil Engineer, forms O. Grinaker (Pty) Limited in South Africa.

1951
Steeledale starts in the business of cutting and bending steel and trading as a steel merchant.

1958
Grinaker establishes a railway sleeper factory in Brakpan – today trading as Infraset.

1960
Malcolm McConnell and Jim Dowell form McConnell Dowell in New Zealand.

1963
Amalgamated Construction & Contracting Company Limited (AMCO) established by the Anglo American Corporation.

1969

Northcliff water tower, Johannesburg

Standard Bank building, Johannesburg

Gillooly's interchange, Bedfordview

1964
Grinaker Construction Limited, through Grinaker Holdings Limited, lists on the JSE.

1965
Lewis Construction, James Thompson, Steeledale and AMCO merge to form LTA Limited. LTA lists on the JSE.

1975
LTA acquires a controlling interest in Moolmans.

1977
Anglovaal acquires a controlling interest in Trident Steel.

1980
Moolmans becomes a wholly owned subsidiary of LTA.

1981
Grinaker becomes part of the Anglovaal group.

1982
McConnell Dowell lists in New Zealand.

1980

OR Tambo Airport terminal building, Johannesburg

Cahora Bassa hydro-electric scheme, Mozambique

Koeberg nuclear power station, Western Cape

1984

Grinaker acquires the Dura group and forms Duraset.

1986

LTA's process engineering activities consolidated into LTA Process Engineering – now trading as E²PC Engineering & Projects Company.

1987

McConnell Dowell lists in Australia.

1991

LTA acquires the business of Lennings Rail Services.

1996

Grinaker Construction unbundles from Grinaker Holdings and lists on the JSE.

1998

Trident Steel becomes a wholly owned subsidiary of Anglovaal and subsequently Aveng.

- *Aveng unbundled out of the Anglovaal group.*
- *Aveng acquires a 45,65% interest in Alpha Limited (whose name was subsequently changed to Holcim SA (Proprietary) Limited.*
- *LTA acquires a 63,8% interest in McConnell Dowell.*

1999

- *Grinaker becomes a wholly owned subsidiary of Aveng and delists.*
- *Aveng lists on the JSE.*

2008


Nelson Mandela bridge, Johannesburg


Montecasino, Johannesburg


The 765 kilometre gas pipeline from Temane in Mozambique to Secunda.

2000
- *LTA becomes a wholly owned subsidiary of Aveng and delists.*
- *Grinaker and LTA merge to become Grinaker-LTA.*
- *Aveng disposes of its interest in Bearing Man.*

2001
Baldwins automotive businesses acquired and integrated into Trident Steel.

2003
McConnell Dowell becomes a wholly owned subsidiary of Aveng and delists.

2004
Aveng concludes the construction industry's first BEE transaction with a TisoGroup consortium.

2006
Aveng secures R1 billion LSE-listed corporate bond.

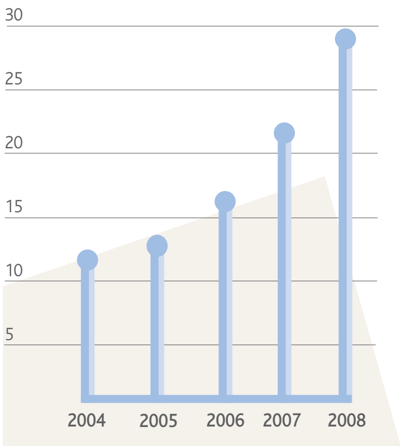
2007
Aveng disposes of its 45,65% interest in Holcim SA.

2008
R3,6 billion returned to shareholders.

Financial highlights

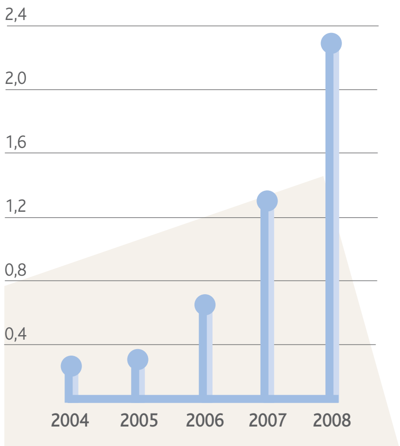
	2008 Rm	2007 Rm	% change	2008 USDm	2007 USDm
FINANCIAL RESULTS					
Revenue	**29 622**	22 093	34%	**4 518**	3 068
Operating profit (2007 – excluding Holcim profit on sale)	**2 424**	1 295	87%	**370**	180
Headline earnings	**2 290**	1 337	71%	**349**	186
ORDINARY SHARE PERFORMANCE (cents per share)					
Headline earnings	**591,4**	343,5	72%	**90,2**	47,7
Diluted headline earnings	**535,7**	289,6	85%	**81,7**	40,2
Dividend – Number 9 ordinary	**145,0**	85,0	71%	**22,1**	11,8
– Number 10 special	**145,0**			**22,1**	
CASH FLOW					
Net cash generated by operations	**4 687**	2 686	74%	**715**	373
EXCHANGE RATE					
Rand to USD – Closing rate	**7,88**	7,09	11%		
– Average rate	**6,56**	7,20	(9%)		
Rand to AUD – Closing rate	**7,58**	6,03	26%		
– Average rate	**6,56**	5,67	17%		

Revenue
R billion



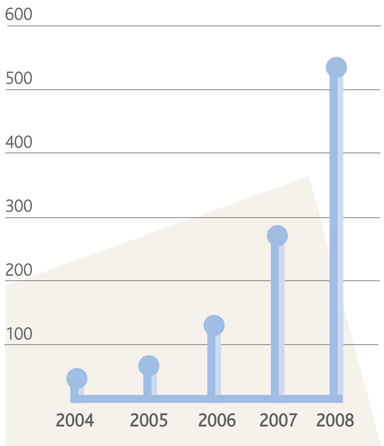
R29,6 billion
34% increase on 2007

Headline earnings
R billion



R2,3 billion
71% increase on 2007

Diluted headline earnings
cents per share



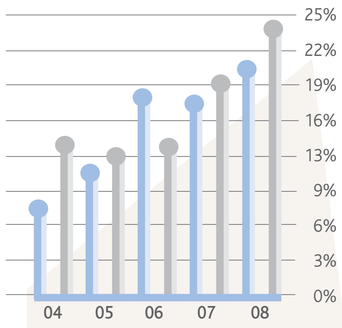
535,7 cents
85% increase on 2007

Financial objectives

1. Return on average equity (%)

	Average	2004	2005	2006	2007	2008
CPIX	5,5	4,8	3,9	4,3	5,4	9,3
Target	17,5	14,8	13,9	14,3	20,4	24,3
Actual	15,8	8,1	12,1	18,9	18,4	21,3

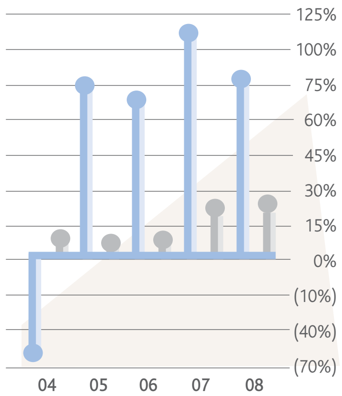
Excluding the Holcim transaction, the return on the equity in 2007 would have been 31%



■ Actual ■ Target
Target: CPIX + 15%

2. Growth in diluted headline earnings per share (%)

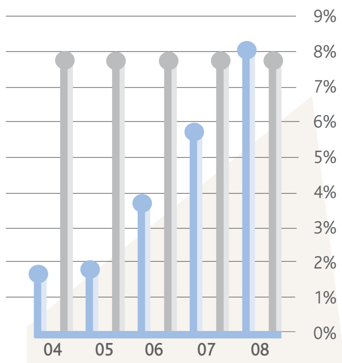
	Average	2004	2005	2006	2007	2008
CPIX	5,5	4,8	3,9	4,3	5,4	9,3
Target	19,5	14,8	13,9	14,3	25,4	29,3
Actual	59,4	(60,1)	75,8	74,6	121,7	85,0



■ Actual ■ Target
Target: CPIX + 20%

3. Earnings before interest and taxation (EBIT margin)

	Average	2004	2005	2006	2007	2008
Target	8,0	8,0	8,0	8,0	8,0	8,0
Actual	4,4	1,9	2,0	3,9	5,9	8,2



■ Actual ■ Target
Target: 8%

Strategy

Balance revenue between

- Higher risk construction and engineering activities and the lower risk materials, products and services operations
- Construction and engineering activities within South Africa and internationally

Expand our product/service footprint

By offering more comprehensive and technically demanding solutions across the value chain to selected clients primarily in the following sectors:

- Infrastructure
- Energy
- Mining
- Transportation

Aveng's strategy rests on four pillars, two externally focused and two internally focused

Balance decentralised/ centralised structure

Business unit structure with customer-facing decision-making as low as practicable, while centralising

- Risk management policy and process
- Relevant support services
- Strategy and strategic business development
- Safety policy and process
- Communication/marketing
- Human resources policy and process

Winning the war for talent

The objective is for Aveng to be the employer of choice in its sector by investing in:

- Training, development and mentorship programmes
- Winning prestigious projects
- Providing challenge and reward
- Developing a pro-active human resources function
- Encouraging a performance-driven organisation
- Driving transformation

Awards and highlights

Aveng and its subsidiaries are members of many industry bodies and participate in industry associations worldwide. During the year under review, group companies won a number of industry and customer awards for outstanding performance including:

- **Ratings agency Standard & Poors** identified the Aveng Group as one of five South African companies that could emerge as challengers to global blue-chip companies.
- **Aveng qualified for the 2007 SRI Index** and was also identified as one of the 14 best performers by meeting the relevant environmental criteria, as well as all relevant core indicators in the social and governance areas.
- **Aveng achieved** a significant accomplishment with its ranking of first in the Financial Mail Top Empowerment Companies 2008 survey within the basic industries sector of the JSE, and 20th in the overall survey with a total BEE score of 65,59%. Aveng was also ranked the top construction company in the 2008 survey.
- **Grinaker-LTA** received several category awards in the Construction World's Best Projects Awards for 2007. The Grinaker-LTA/Interbeton Soccer City Joint Venture was the winner in the category for Civil Engineering and Building Constructors for their Soccer City Stadium 2010 contract.
- **McConnell Dowell** received the National Australian Contractor Excellence Award for the Southern Regional Water Pipeline Alliance.
- **McConnell Dowell South East Asia Pte Limited** won the Singapore Workplace Safety and Health Award 2008 in the Safety and Health Award Recognition for Projects category for their work on the Helios Bulk Liquid Storage and Blending Facility project.
- **Grinaker-LTA Civil Engineering** was awarded the NOSA 5 star and ISO 9001 certification. Karrena Africa was awarded NOSCAR status.
- **Grinaker-LTA Roads & Earthworks** recorded 1 million manhours without a disabling injury at the Goedgevonden Colliery.
- **Grinaker-LTA Building** achieved a 26 month or 6 million manhour fatality free milestone.
- **Grinaker-LTA Civil Engineering** achieved 2 million manhours without a lost-time injury on the BKM project outside Sishen as well as 1 million hours without a disabling injury on the Coega Container Terminal works.

Group at a glance

THE AVENG GROUP

100% | 75% | 75%

McConnell Dowell Corporation Limited

Managing director: David Robinson
Financial director: Dale Morrison

Civil and marine
Electrical
Mechanical
Pipelines
Tunnelling

Grinaker -LTA

Managing director: Neil Cloete
Financial director: Brian Barrow

Building
Civil engineering
Concessions
Mechanical and electrical
Mining
Property development
Roads and earthworks

Engineering & Projects Company

Managing director: Frank Saieva
Financial director: Alistair Neely

Minerals processing and industrial
Sulphuric acid and gas handling
Chemical and petrochemical
Environmental services
Power and energy
Metallurgical operations

Construction and Engineering

	2008 Rm	2007 Rm	% change
Revenue	18 716,6	13 217,5	41,6
Operating profit	964,2	430,0	124,2
Assets	6 154,6	3 735,2	64,8
Capex	754,3	563,2	33,9

R18,7 billion

Revenue: 41,6% increase in 2008

The group's Construction and Engineering grouping is made up of Grinaker-LTA, McConnell Dowell and E+PC Engineering & Projects Company.

Grinaker-LTA operates primarily in southern Africa with business units in building, civil engineering, mechanical and electrical, mining, property development and roads and earthworks. Projects undertaken include power stations, casinos, shopping malls, property developments, sports stadia, pipelines, dams, marine and harbour works, mine development, airports and highway construction and rehabilitation and a wide range of other commercial and industrial installations.

McConnell Dowell Corporation Limited is an Australian-based engineering, construction and maintenance company operating predominantly in the Eastern Time Zone with business units in civil and marine, mechanical, electrical, pipelines and tunnelling and underground services. The company operates throughout Australia, New Zealand, the Pacific Islands, South East Asia and the Middle East.

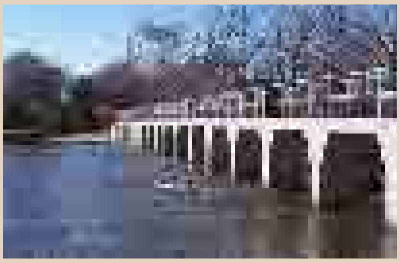
E+PC offers engineering, design and project delivery services as well as operation and maintenance of metallurgical processing plants. E+PC operates primarily in sub-Saharan Africa.

75% | 75% | 75%

Moolmans

Managing director: Brian Wilmot
Financial director: Peter Schumann

Opencast mining operations in southern and West Africa



Aveng Manufacturing

Managing director: Doug Keet
Financial director: Peter Horsfield

Steeledale: Beneficiation of steel reinforcing bars and mesh for concrete structures

Infraset: Concrete products for the infrastructure, landscaping and railway markets

Duraset: Steel and concrete products primarily for the mining and geotechnical industries

LRS LENNINGS RAIL SERVICES THE AVENG GROUP: Rail construction and maintenance services

Trident Steel

Managing director: Richard Martin
Financial director: Craig Werner

Steel merchanting
Service centres
Trident Sterling Tube
Trident Speciality Steel

Opencast Mining

The Opencast Mining segment is Moolmans, which provides opencast mining services to major mining groups across the African continent.

	2008 Rm	2007 Rm	% change
Revenue	2 397,1	1 765,3	35,8
Operating profit	189,5	92,5	104,9
Assets	2 085,7	1 238,3	68,4
Capex	782,9	224,8	248,3

R2,4 billion

Revenue: 35,8% increase in 2008

Manufacturing and Processing

	2008 Rm	2007 Rm	% change
Revenue	8 503,2	7 068,3	20,3
Operating profit	1 409,1	1 000,8	40,8
Assets	4 406,9	3 301,2	33,5
Capex	231,4	196,3	17,9

R8,5 billion

Revenue: 20,3% increase in 2008

The Manufacturing and Processing cluster comprises the Aveng Manufacturing business units of Steeledale, Infraset, Duraset and Lennings Rail Services and the companies in the Trident Steel group.

Steeledale is involved in the beneficiation of steel reinforcing bars and mesh for concrete structures. Infraset manufactures concrete products for the infrastructure, landscaping and railway markets. Duraset has a range of engineering competencies in the mining, geotechnical, civil and mechanical disciplines, focused on developing and providing mining and geotechnical solutions for its clients. Lennings Rail Services provides rail construction and maintenance services for South Africa's transport utility, Transnet, and other rail customers.

Trident Steel is a steel merchant and processor, which services the construction, motor and manufacturing markets.

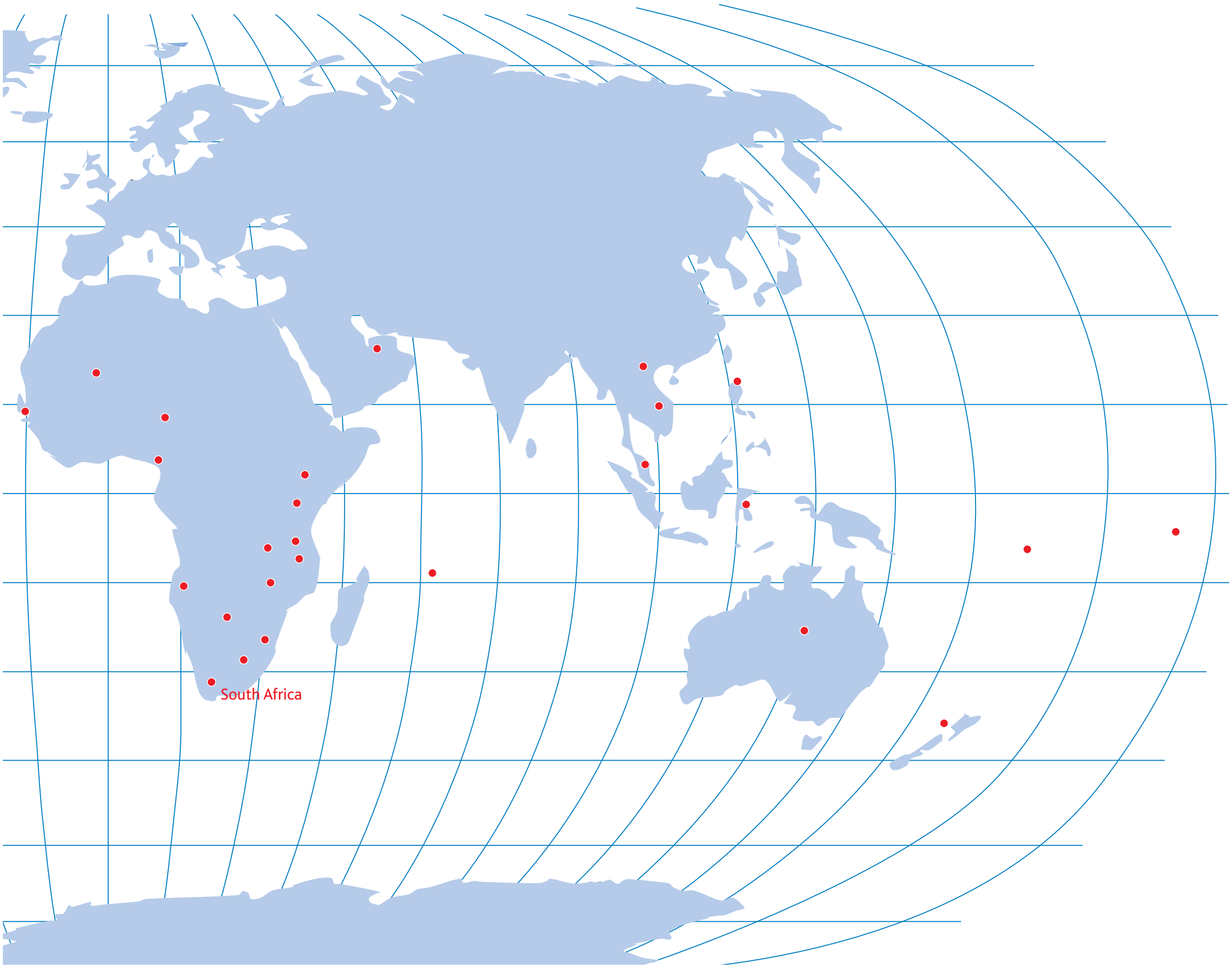
Five-year financial review

	Years ended 30 June 2008 Rm	2007 Rm	2006 Rm	2005 Rm	2004* Rm
Consolidated balance sheet					
Property, plant and equipment	3 513	2 533	2 083	1 858	1 891
Goodwill and other intangibles	823	780	760	754	718
Investments	108	173	471	691	555
Deferred tax	680	477	344	169	66
Inventories and receivables	7 393	5 660	4 838	4 638	3 905
Cash and cash equivalents	9 491	9 886	1 585	858	746
Total assets	22 008	19 509	10 081	8 968	7 881
Deferred tax	324	291	131	28	28
Payables	10 552	6 625	4 707	4 059	3 256
Interest-bearing borrowings	602	1 604	1 719	2 023	2 097
Total liabilities	11 478	8 520	6 557	6 110	5 381
Net assets	10 530	10 989	3 525	2 858	2 500
Total ordinary shareholders' funds	10 517	10 984	3 521	2 849	2 495
Minority interests	13	5	4	9	5
Total shareholders' funds	10 530	10 989	3 525	2 858	2 500
Consolidated income statement					
Revenue	29 622	22 093	16 054	13 535	11 740
Operating profit before depreciation	3 077	1 755	966	654	620
Depreciation	653	459	338	384	393
Operating profit before amortisation and non-trading	2 424	1 295	628	270	227
Amortisation of goodwill					(46)
Non-trading items	11	6 147	(15)	23	20
Operating profit	2 436	7 441	613	292	201
Share of profits and losses from associates and joint ventures	19	426	249	271	184
Income from investments	946	241	88	82	66
Operating income	3 400	8 108	950	644	451
Interest paid	80	155	162	242	281
Profit before taxation	3 321	7 954	788	403	170
Taxation	1 011	468	198	55	(19)
Profit for the period	2 309	7 485	589	348	189
Attributable to					
Equity holders of Aveng Limited	2 301	7 483	588	346	188
Minorities	8	2	2	2	1
Profit for the period	2 309	7 484	589	348	189
Headline earnings adjustment	(11)	(6 146)	16	(23)	27
Headline earnings	2 290	1 337	603	323	215
Consolidated cash flow statement					
Cash available from operating activities	4 969	2 394	1 205	342	435
Dividends paid	(331)	(148)	(90)	(54)	(124)
Net cash from operating activities	4 638	2 246	1 115	288	311
Net cash realised/(utilised) in investing activities	(1 413)	6 070	(205)	(151)	(299)
Net cash (utilised)/realised from financing activities	(3 678)	(150)	(225)	861	(55)
Net increase/(decrease) in cash and cash equivalents	(453)	8 166	685	998	(43)

	Years ended 30 June 2008	2007	2006	2005	2004*
SHARE PERFORMANCE (cents per share)					
Headline earnings	591,4	343,5	154,9	83,0	55,2
Diluted headline earnings	535,7	289,6	144,9	83,0	47,2
Earnings	594,2	1 922,5	151,0	88,9	48,5
Diluted earnings	538,3	1 567,1	141,5	88,9	41,5
Cash flow	1 413,6	738,8	397,2	166,3	207,6
Net asset value	2 639,4	2 772,7	888,8	719,2	629,9
Dividend	145,0	85,0	38,0	23,0	14,0
Dividend – special	145,0				
Closing share price	5 800	4 995	2 145	1 235	740
Returns and productivity					
Borrowings – (decrease)/increase in net borrowings (Rm)	(607,0)	(8 416,0)	(1 031,0)	(186,0)	37
Borrowings – net debt to equity (%)	(84,4)	(75,4)	3,8	40,8	54,0
CPIX (%)	9,3	5,4	4,3	3,9	4,8
Current ratio (times)	1,5	2,2	1,2	1,2	1,0
Dividend cover (times)	4,0	4,0	4,0	3,5	3,9
Effective tax rate before non-trading items and associated companies (%)	30,7	33,9	36,7	41,5	n/a
Margin – gross (%)	17,3	16,4	14,4	14,0	14,4
– ebit (%)	8,2	5,9	3,9	2,0	1,9
– ebitda (%)	10,4	7,9	6,0	4,8	5,3
Net interest cover (times)	(2,8)	(20,1)	11,9	3,6	2,0
Property, plant and equipment – expansion (Rm)	923,6	434,8	405,6	261,8	244,6
– replacement (Rm)	865,1	556,5	354,9	206,5	168,5
Return on average capital employed (%)	28,6	22,0	19,1	13,1	10,0
Return on average equity (%)	21,3	18,4	18,9	12,1	8,1
Revenue per employee (R'000)	1 168,0	919,9	655,6	627,1	600,9
Total liabilities as a percentage of total shareholders' equity (%)	109,0	77,5	186,0	213,8	215,2
Total shareholders' funds to total assets (%)	47,8	56,3	35,0	31,9	31,7
Number of permanent employees at year-end	25 361	24 018	24 488	21 582	19 538
Number of shares (million)					
In issue	398,5	396,1	396,1	396,1	396,1
Weighted average	387,3	389,2	389,2	389,2	389,2
Diluted weighted average	428,2	481,1	454,7	389,2	454,7
Stock exchange performance (cents per share)					
Market value per share					
– at year-end	5 800	4 995	2 145	1 235	740
– highest	6 830	5 348	2 517	1 344	995
– lowest	4 567	2 100	1 225	700	703
– volume weighted average price	5 761	3 629	2 262	1 080	821
Earnings yield (%)	6,9	4,4	5,2	5,6	12,4
Dividend yield (%)	1,5	0,8	1,1	1,1	4,1
Market capitalisation at closing prices (Rm)	23 111,8	19 787,5	8 497,3	4 892,4	2 931,1
Price earnings ratio at year-end	14,5	22,7	19,2	18,0	8,1
Value of shares traded (Rm)	23 695,2	11 033,5	7 128,5	3 114,0	2 002,9
Number of shares traded (million)	411,3	304,0	315,2	288,4	244,0
Average price per share traded (cents)	5 747	3 568	1 897	1 080	821
Percentage of market capitalisation traded (%)	102,5	55,8	83,9	63,7	68,3
Liquidity (%)	107,8	79,8	82,7	72,8	61,6
Weekly rand volume (Rm)	476	221	143	60	38
Rand to AUD					
Closing	7,58	6,03	5,30	5,09	4,33
Average	6,56	5,67	4,83	4,67	4,86
Rand to USD					
Closing	7,88	7,09	7,25	6,68	6,28
Average	6,56	7,20	6,47	6,23	6,86

**The financial years ended 30 June 2004 and prior have not been restated to comply with International Financial Reporting Standards for the purposes of this review.*

Geographical spread



American Samoa
Australia
Botswana
Fiji
Ghana
Guinea
Indonesia
Laos
Lesotho
Malawi
Mali
Mauritius
Mozambique
Namibia
New Zealand
Nigeria
Philippines
Rwanda
Singapore
South Africa
Swaziland
Tanzania
Thailand
United Arab Emirates
Zambia
Zimbabwe

Code of business conduct

- The **law** will not be violated when conducting business for or on behalf of the group.
- **Safety** is paramount, never to be compromised in the pursuit of any other objective.
- Aveng has a zero-tolerance policy on **bribery** and any unethical payments to clients or business associates will result in disciplinary action. Efforts to manipulate the markets in which the group is active, including collusion with competitors, will be dealt with similarly.
- 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 an 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, their right to freedom of association and to 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. 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.

Board of directors

Executive directors

Roger Jardine (42)

*BSc (Physics), MSc (Radiological Physics) – **Chief executive officer***

Chairman of the executive and tender risk evaluation committees

Roger Jardine was national co-ordinator of science and technology policy in the department of economic planning of the African National Congress from 1992 to 1995. In 1995 he became the director general of the department of arts, culture, science and technology. He was chairman of the board of the CSIR and the Nuclear Energy Corporation between 1999 and 2005. In 1999 Roger joined Kagiso Media as chief executive officer and in 2006 became the chief operating officer. Roger joined Aveng Limited as chief executive officer on 7 July 2008.

Dennis Gammie (54)

*CA(SA) – **Financial director***

Member of the executive and tender risk evaluation committees

10 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, Aveng (Africa) Limited, McConnell Dowell Corporation Limited and Trident Steel Holdings (Pty) Limited.

Juba Mashaba (42)

*BA, LLB – **Group human resources director***

Member of the executive committee

1 year's service

Juba's HR career started in 1995 with Eskom as a group HR manager. In 1997 he was appointed human resources director of Simba (Pty) Limited, which role was expanded in 2004 to include the PepsiCo businesses in sub-Sahara Africa. In 2002 he was awarded the Frito Lay Regional President's Award for successfully managing the labour relations environment during a turbulent period. In 2004 Juba was appointed to the board of Arcelor Mittal (South Africa) as executive director, HR. He also served on the human resources and nominations committee, the transformation committee, as well as the safety, health and environment committee of the Arcelor Mittal (South Africa) board.

He was appointed group HR director at Aveng Limited in October 2007 and is also a director of Aveng (Africa) Limited and Trident Steel Holdings (Pty) Limited. He completed his BA (Law) and LLB from the University of Swaziland and the Human Resources Executive Programme from the University of Michigan Business School.

David Robinson (54)

*BE (Civil), MIE Aust, CP Eng, FAICD – **Chief executive officer of McConnell Dowell Corporation Limited***

Member of the executive and tender risk evaluation committees

30 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 to the position of chief executive officer for McConnell Dowell Corporation Limited in October 2000. He is a member of the Institution of Engineers, Australia, Certified Practising Engineer and a Fellow of the 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.

Non-executive directors

Angus Band (56)

*BA, B ACC, CA(SA) – **Independent non-executive director***

Chairman of the board and member of the audit and risk, remuneration and nomination, transformation and tender risk evaluation committees

Angus joined AVI Limited as an executive director in 1997 and was appointed managing director of National Brands Limited in 1998 and group chief executive officer of AVI Limited in 1999. He was previously chief financial officer of Telkom SA Limited and commercial director of PG Bison Limited. Angus retired as CEO of AVI and was appointed non-executive chairman in October 2005 and also serves on the boards of Consol Holdings Limited, Consol Glass (Pty) Limited and Liberty Group Limited. He was appointed to the Aveng board in July 2006 and is also a director of Aveng (Africa) Limited, Trident Steel Holdings (Pty) Limited and McConnell Dowell Corporation Limited.

Roger Jardine

Dennis Gammie

Juba Mashaba

David Robinson

Angus Band

Non-executive directors continued

James Hersov (43)

*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 AVI 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 AVI Limited. James was one of the founding directors of Aveng, having joined the board in 1999.

Rick Hogben (62)

*BCom – **Independent non-executive director***

Chairman of the remuneration and nomination committee and a member of the transformation committee

Rick Hogben worked for The South African Breweries for 24 years, holding senior executive positions in both general and financial management, including the then Shoe Corporation of Africa and the beer division of SAB, before being appointed chairman of Appletiser. After joining Afrox in 1994, Rick started a number of greenfields healthcare businesses, before becoming CEO of Afrox Healthcare Limited, a listed private healthcare group. In 2007 Rick retired as the CEO of African Oxygen Limited, having been in this position for six years. He acts as a consultant to British Telecoms on healthcare matters. Rick was appointed to the Aveng board in September 2007.

Vincent Mntambo (51)

*BJuris, LLB, LLM (Yale) – **Independent non-executive director***

Chairman of the transformation committee and a member of the remuneration and nomination committee

Vincent Mntambo is chairman of ASG Consulting Solutions. He was previously senior lecturer at the University of Natal, executive director of the Independent Mediation Services of South Africa and director general of the Gauteng Provincial Government. He is a director of Exxaro Resources Limited, Eyesizwe Mining (Pty) Limited and a non-executive director of SA Tourism. Vincent was appointed to the Aveng board in July 2001.

Myles Ruck (53)

*B Bus Sc (Actuarial Science), PMD (Harvard) – **Independent non-executive director***

Member of the audit and risk and tender risk evaluation committees

Myles joined Standard Merchant Bank in 1985. He was appointed deputy managing director of Standard Corporate and Merchant Bank in 1996 and managing director in 1998. In 2002 Myles was appointed to the Standard Bank Group Limited board as deputy chief executive. Myles was appointed chief executive of the Liberty Group in 2003 and retired from that position in 2006. Myles currently serves on the boards of Mr Price Group, Shanduka Group, Standard Bank Group Limited, The Standard Bank of South Africa Limited, Standard Bank Argentina SA and Thesele Group. Myles was appointed to the Aveng board in August 2006.

Nkululeko Sowazi (45)

*MA (UCLA) – **Non-executive director***

Member of the tender risk evaluation committee

Nkululeko is the executive chairman of the TisoGroup, an investment holding company with interests in the power, natural resources and investment banking sectors. He is currently a director of Exxaro Resources Limited as well as Trident Steel Holdings (Pty) Limited, Aveng (Africa) Limited, African Explosives Limited and Alstom SA (Pty) Limited. Nkululeko is also chairman of Idwala Holdings (Pty) Limited, The Home Loan Guarantee Company and The Financial Markets Trust. Nkululeko was previously executive deputy chairman of African Bank Investments Limited and prior to that managing director of the Mortgage Indemnity Fund (Pty) Limited. He has also served on the boards of Kagiso Trust Investment Company, Kagiso Media and Development Bank of South Africa. Nkululeko was appointed to the Aveng board in March 2007.

Peter Ward (55)

*BCom, CA(SA) – **Independent non-executive director***

Chairman of the audit and risk committee and member of the tender risk evaluation committee

Peter Ward joined Deloitte & Touche in 1973, was appointed an audit partner in 1983 and a group leader audit in 1993. Peter was appointed business unit leader of Deloitte Forensic and Dispute Services Division in 1999 and retired from Deloitte in May 2007. Peter is also an independent non-executive director of Adcorp Holdings Limited, Hollard Holdings (Proprietary) Limited, The Hollard Insurance Company Limited and Imperial Bank Limited. Peter was appointed to the Aveng board in July 2007.

James Hersov

Rick Hogben

Vincent Mntambo

Myles Ruck

Nkululeko Sowazi

Peter Ward

Chairman's report

Introduction

In buoyant trading conditions the Aveng Group delivered a strong performance for the year ended 30 June 2008, underpinned by improved results from each of the operating groups. The group was able to extract operating leverage from the 34% increase in revenues, with overheads escalating by only 9%, and consequently lifted operating profit (excluding non-trading items) by 87%. The operating profit margin improved from 5,9% to 8,2%, which exceeded the medium-term target of 8% that was set two years ago. Diluted headline earnings per share rose by 85% to 535,7 cents.

While the financial performance is clearly evident in the results, the group also made good progress in ensuring that it is positioned for sustainable long-term value creation. The board of directors has formally adopted five key performance drivers for the group, namely safety, growth, continuous improvement, winning the talent war and transformation. These are key to the group's ability to deliver on its vision to build a legacy of which future generations will be proud. We will therefore review the year by monitoring our progress in each area.

Business environment

Despite weakening global economic growth, demand remained strong in the construction, mining and engineering sector in the economies where Aveng primarily operates, namely southern Africa, Australasia and the Pacific. This activity has largely been driven by the ongoing public sector infrastructure investment programmes and the demand for commodities. These conditions are likely to continue for some years as there is a general need to deal with the infrastructure spending backlog in many of the countries in which the group operates. In addition, the demand for commodities such as coal and iron ore seems to be stable at current high levels, driven largely by the growth of China and India.

South Africa

The South African economy's transition towards slower growth since mid-2007 was triggered by tighter consumer credit and higher interest rates and subsequently exacerbated by rampant fuel costs and rising food prices. The resultant reduction in discretionary income flowed through to lower demand for residential housing, decreasing new vehicle sales and dwindling consumer demand. In addition, a loss of consumer confidence followed the Eskom power crisis in January 2008, with a substantial drop-off in residential property projects. However, large precinct integrated developments are resulting in downstream residential activity in specific nodes.

Major disruptions in economic activity resulted from the power crisis and business confidence was also negatively impacted. Retail-related construction suffered from both the reduction in consumer spending as well as the limitations placed by Eskom on new power supplies. This has delayed a number of retail developments. As a result, the investment focus in the retail environment has moved to refurbishments and upgrades and this is expected to continue, at least until Eskom is able to guarantee power for new projects.

Against the tougher economic backdrop, the public sector's infrastructure investment programme supported the economic growth rate. Infrastructure spending from the private sector

Angus Band
Chairman

remains solid, with mining companies investing in increased production. In particular, demand for coal in South Africa as well as from India and China is driving investment in that sector. Strong demand for platinum is also driving investment activity.

The Government's planned extensive infrastructure spending up to 2013 is driving growth in the construction and engineering sector. This includes, to mention a few projects, Eskom's R343 billion power generation upgrade programme (excluding its plans for nuclear power generation), Transnet's R78 billion modernisation projects as well as South African National Roads Agency Limited's R40 billion national road infrastructure upgrade programme. The Airports Company of South Africa is also investing R22 billion to upgrade its airports over the same time horizon. Projects extend in duration well beyond the high profile 2010 Soccer World Cup.

Australasia and the Pacific

In Australasia and the Pacific the trading environment also remains positive with the engineering and construction spend in 2007 in our target markets, based around the group's core capabilities, in the order of US$180 billion.

In Australia, there is increasing activity in transport, with the next phase of significant investment scheduled for after 2010, including publicly funded construction in a number of regions and construction of new airport runways in Brisbane and Perth. A number of railway projects are also projected, both in the mining industry and passenger rail services. Investments in dams, desalination plants and water recycling initiatives across the country continue. The ongoing trend of mineral investments, specifically in Western Australia, to accommodate increased iron ore production and export, is creating opportunities for marine construction. The Australian government is also increasing its spending on social and economic infrastructure after years of underinvestment.

In New Zealand, transport represents 28% of infrastructure investments. Investment in energy infrastructure was slow to expand after deregulation, but there has been a substantial increase in applications for generation projects, especially wind power. The Singapore Government is also planning major upgrades to its water recycling plants and other water-related infrastructure. A number of major heavy industry and mining projects are planned as is a review of the transport system with a focus on mass transport.

Raw materials

While the demand-side fundamentals are in place for the industry, shortages of some raw materials are resulting in inflationary cost pressures. In addition, increasing raw material prices and, in some instances, the necessity of turning to more expensive imports to ensure reliable supply, is putting pressure on project costs. In our tender risk management processes, we evaluate the anticipated escalation and ensure, where practically possible, that the contract terms offer sufficient protection against material cost escalations.

Skills

In addition to raw material cost pressures, the global scarcity of experienced and qualified people is driving salaries and wages ever higher. The Aveng Group has adopted a holistic

Chairman's report continued

approach to adapt to this environment, with our "winning the war for talent" strategy. In addition, we take a tactical approach to alleviate our needs in the short term and, for example, recruit internationally. We have successfully entered joint ventures on specific projects to provide complementary skills. An example of this is the group's very successful partnership with Interbeton, part of the Royal BAM Group from Holland, on both the Soccer City and Nelson Mandela stadia.

Safety

Safety, as a core value of the Aveng Group, is paramount in all our operations and we do not believe that it should ever be compromised in the pursuit of any objective. During the year, the operations continued to focus on improving their safety procedures relating to both their businesses generally and within individual projects. Additional training initiatives were introduced, communication programmes heightened as well as the safety management structure strengthened. Under the safety slogan: **"HOME WITHOUT HARM, EVERYONE EVERYDAY"**, the group's culture of safety awareness is becoming truly inculcated into our daily activities.

The group's disabling frequency rate (DIFR) which measures the lost-time due to injuries per 200 000 manhours worked showed a pleasing decrease to 0,59 against the short-term target of 0,5. McConnell Dowell and E+PC, both of which grew in excess of 40% last year, recorded excellent DIFRs of 0,19 and 0,20 respectively. Group companies achieved good safety records on specific projects as well as industry recognition for specific operations.

While the Aveng Manufacturing and Trident Steel figures are too high, the majority of the injuries were relatively minor and resulted from the handling of heavy raw materials.

Safety programmes and procedures are conducted and managed in a rigorous manner. Unfortunately 10 people were fatally injured in separate incidents at our African operations (2007: four people). We believe every single fatality is unacceptable and avoidable and therefore investigate each incident thoroughly to ensure that we take full responsibility and introduce appropriate, additional safety measures to avoid any recurrences. For detailed information relating to the group's health and safety policies, programmes and training initiatives see the sustainability report on page 87.

Growth

The Group's continued progress in delivering profitable growth is evident in the key indicators tabled below:

- Revenue grew by 34% to R29,6 billion
- Operating profit (excluding non-trading items) increased by 87% to R2,4 billion, reflecting an operating margin of 8,2%
- Diluted headline earnings per share rose by 85% to 535,7 cents, with the Holcim disposal being in effect for the full period
- Capital expenditure of R1,8 billion
- Net cash of R8,9 billion, after share buyback of R3,6 billion.

Last year, the group communicated its intention to deepen its footprint in current areas of operation to deliver long-term growth. To this end, the management team evaluated a number of acquisition targets during the year and will continue to do so, especially given sellers' more realistic price expectations. The group completed the following two small but strategically important acquisitions after the year-end:

- Subject to final regulatory approval, E+PC acquired Keyplan, a specialist water management and handling solutions company. It holds a leadership position in the market for the provision of engineering services and projects in the area of water management in South Africa. The acquisition broadens E+PC's value proposition, spearheading its entry into a new market.
- With effect from 1 July 2008, McConnell Dowell acquired a majority shareholding in the Built Environs Group, which is based in South Australia and focuses on commercial construction, engineering, interior fit-out and civil construction. McConnell Dowell has a well-established working relationship with Built Environs having worked on the Common User Facility Project in joint venture. The acquisition brings new capabilities in the commercial construction sector as well as increased capability in the active South Australian construction market.

During the year under review, the group's capital expenditure amounted to R1,8 billion, more than half of which was associated with increasing capacity to take advantage of the ongoing growth opportunities in the market. Based on these positive prospects, the operating companies in the group will continue to make project-specific capital investments to maximise their profitability and future sustainability. Capital expenditure in the order of R2,0 billion has been budgeted for 2009.

Continuous improvement

Each of the operations in the Aveng Group showed continuous improvement across all the specific performance metrics that are applicable to their operations. This supported the excellent financial performance of the group as a whole. The concept of continuous improvement as a discipline is now well-established and forms part of the key performance areas for each management team. Initiatives as an example ranged from procurement to operational efficiencies and risk management. The group made further progress in refining and implementing best practice risk management processes and procedures which included further developments in project and business risk and the initiation of the portfolio and risk audit processes. The board determined appropriate project risk tolerance levels and policies, which were integrated into the day-to-day activities, and compliance with these is regularly monitored. For detailed information relating to the group's risk management see the sustainability report on page 50.

Transformation

The Aveng Group's vision with regard to transformation is to actively promote skills development, employment equity and enterprise development and thereby reducing opportunity barriers and contributing to an environment where there are more equitable opportunities for all South Africans. Aveng recognises that the industry is faced with the challenge of transforming against the backdrop of a limited pool of black skills and therefore transformation efforts have been complemented by an increased focus on training and development.

Chairman's report continued

In April 2008, Aveng's group-wide commitment to transformation was recognised with the ranking as top transformation company within the basic industries sector of the JSE in the Financial Mail Top Empowerment Companies Survey. The group was ranked 20th in the overall survey. The ranking was underpinned by Aveng (Africa), whose BBBEE rating improved from a Level 6 in 2007 to a Level 5 this year. During the year, the group continued to focus on attracting highly talented black executives with successful appointments made at all levels.

The Aveng Group and all its operations continued to make substantial Corporate Social Investments, as detailed on page 91.

Winning the talent war

Positioning Aveng as an employer of choice in the construction and engineering industry was identified as a vital element of the vision of growing the business as well as building a proud legacy. The group is acutely aware that inadequate skills to deliver on our commitments are a real constraint to growth. The skills constraint in South Africa has various aspects. Firstly, the country has a shortage of technical skills, in particular artisans and engineers, to deliver on projects. Secondly, the inadequate supply of experienced artisans, technicians and engineers is a global phenomenon which is exacerbated in South Africa by an ageing population of experienced leaders. Aveng's response has been to launch the "winning the war for talent" initiative. This was established to consolidate the group's medium-term objective of ensuring a strong pipeline of future leaders across all operations. There is no "quick fix" to resolving the skills constraints in the industry and Aveng is committed to these initiatives for the long term. The group's programme covers every aspect of the typical employee life cycle.

Across the organisation, remuneration practices were evaluated and adapted to allow for greater flexibility of compensation to take into account the varying employee profiles. A two-year cash-settled incentive bonus scheme was introduced during the year to reward outperformance and encourage retention of skills.

The ongoing focus is on creating a productive working environment. The results of the culture surveys conducted annually have demonstrated excellent progress in aligning the group's vision and values with those of its employees. In January 2008, the Aveng Leadership Development Programme (LDP) was successfully launched to provide managers with appropriate leadership and behavioural skills to effectively manage and develop employees. The course has been tailored for entry, middle and senior management levels in the organisation. During the year under review, 380 managers attended the programme. Aveng developed and is in the process of rolling out a process for performance and succession management at the top tier of each operating unit. Mentorship programmes have also been identified as a crucial element of training and development.

For detailed information relating to the group's extensive training and development initiatives see the sustainability report on page 85.

Operational review

Construction and Engineering

This cluster, comprising Grinaker-LTA, E+PC and McConnell Dowell, lifted revenue by 42% to R18,7 billion (2007: R13,2 billion), and contributed 63% of total group revenue. Profitability continued to improve and its contribution to operating profit was R964 million, an increase of 124% over the prior year. The operating margin improved from 3,3% to 5,2%.

Grinaker-LTA showed solid growth as the buoyant market and better internal project selection processes enabled all business units to deliver improved performances. The company's operating profit more than doubled, demonstrating further progress along its recovery trajectory and this was supported by strong cash flow. Grinaker-LTA continued to invest heavily in plant and equipment to ensure that it has adequate capacity to deliver on its order book.

E+PC reported excellent revenue growth with a commensurate increase in profit as it deepened its existing client relationships and also secured work from new clients. E+PC's overall project performance was excellent despite increased raw material and personnel costs.

McConnell Dowell maintained its strong performance within all of its operating geographies and the majority of its business units reported significant revenue growth while operating profit doubled. The Civil and Marine, Tunnelling and Pipeline business units delivered excellent performances, but results from the Mechanical and Electrical, Electrix and DMDME in the Middle East (50% owned) business units were disappointing. This was a result of losses on single projects in each operation, which have been fully provided for in the current results. McConnell Dowell's profitability was also associated with excellent operating cash flow during the year. The company continued to invest in additional capital equipment and its human resource capability, thereby ensuring its ability to deliver, to its required standards, on its order book.

Opencast Mining

Moolmans traded well with a 36% increase in revenue to R2,4 billion (2007: R1,8 billion), representing 8% of group revenue. Despite heavy pressure on operating expenses and substantial increases in other commodity based costs, such as fuel, tyres and spares, Moolmans successfully increased profitability by 105% to R189,5 million (2007: R92,5 million), as continuous improvement initiatives in procurement, risk and efficiencies paid off. Moolmans continued its recapitalisation programme, which will be completed in 2009. Moolmans is on track to exceed its return on capital target of 20%.

Manufacturing and Processing

The infrastructure investment boom, particularly by the public sector and mining houses, continued to benefit this cluster which consists of Trident Steel and the Aveng Manufacturing group of companies (Infraset, Duraset, Steeledale and Lennings Rail Services). Revenue increased by 20% to R8,5 billion (2007: R7,1 billion), representing 29% of group revenue. The cluster captured the benefits of

Chairman's report continued

high activity levels, with an increase of 41% in operating profit to R1,4 billion (2007: R1,0 billion) which was a margin of 16,6% up from the 14,2% achieved in the prior year.

Trident Steel, despite modest volume growth, delivered an excellent performance. Tight cost control together with the impact of higher global steel prices contributed to improved profitability. The company benefited from the material increase in steel prices increases since the beginning of 2008 as well as increasing its mix of sales in favour of more added value processing. The company achieved efficiencies with further investments to modernise its plant as well as optimisation of its existing operations. The 20% decrease in domestic new vehicle sales dampened volumes sold to the automotive industry.

The Aveng Manufacturing operating group benefited from the infrastructure boom, delivering strong volume growth. Its aim of being the lowest cost producer in all operations was realised during the year, as higher volumes were accompanied by limited increases in overhead costs. Capital expenditure to modernise equipment across all the factories should deliver further cost benefits in the future. More stringent application of safety regulations in the mining industry fed into demand for Duraset's products while Steeledale was ideally placed to participate in large infrastructure projects. Lennings Rail Services focused on diversification into the private sector to broaden its client base away from the public sector. Infraset, which has some exposure to consumer-related spending, maintained its competitive edge in the market.

Corporate governance

Aveng, its operating groups and business units all support the multi-industry and multi-national anti-corruption initiative to strengthen efforts to counter bribery and corruption. As a signatory of the World Economic Forum's Partnering Against Corruption Initiative (PACI), the Aveng Group developed a group-wide Anti Corruption Framework (ACF) which was being rolled out across the group's operations at the time of going to print. The framework is based on the PACI principles and is underpinned by the group's commitment to ensure the ethical behaviour of all our employees, in all facets of their business, at all times. This framework is complementary to the code of business conduct which has been subscribed to for many years.

During the year under review, the Competition Commission turned its attention to addressing issues of anti-competitive behaviour in the broader construction industry. Aveng is supportive of these initiatives. The impact on the group has to date been as follows:

- The Commission is investigating conduct in relation to concrete products manufactured by the Infraset business unit and has identified certain conduct in relation to steel mesh products which comprise a small operation within the Steeledale business unit.
- The Commission recommended against a merger by Steeledale, a division of Aveng (Africa) Limited, and has prohibited three other associated mergers. Aveng (Africa) has subsequently withdrawn its application.

- Trident Steel was cited in the Commission's complaint initiation statement in relation to a broader ongoing investigation into the steel industry. To date, the Commission has not contacted Trident Steel in respect of this matter.

In anticipation of the Commission's intention to investigate the broader building materials' industry, the group commissioned an internal compliance review and educational programme using external legal advisers, which are ongoing. The CEO has met with the Commission to communicate the group's full co-operation.

Board of directors

Carl Grim retired on 31 March 2008 after his 10-year tenure as chief executive officer of Aveng Limited. He was appointed at the point of the company's unbundling from AVI Limited and its subsequent listing on the JSE. We thank him for the substantial role that he has played in building Aveng into the successful group that it is today and wish him well in his retirement.

Roger Jardine joined the board as chief executive officer with effect from 7 July 2008. The board of directors is confident that Roger's management experience and leadership skills will complement the group's strong operational management, both at its operations and the corporate office. On behalf of the board, I welcome Roger to the team and look forward to working with him.

Juba Mashaba joined the Aveng Group board as the human resources director with effect from 1 October 2007. With people at the core of Aveng's operating success, Juba plays a critical role in the future of the organisation, focusing on developing this strategic asset.

Richard Savage reached the mandatory retirement age for non-executive directors and retired from the board on 11 July 2008. Richard joined the board in August 1998 and was appointed chairman in June 2001, a position he held until my appointment as chairman in September 2007. The board would like to thank Richard for the significant contribution he has made to Aveng's success during his six-year tenure as chairman of the company.

Brian Steele also reached the mandatory retirement age of 65 for non-executive directors and retired from the board with effect from 20 June 2008. Brian joined the board in January 2003 and has been chairman of the company's audit and risk committee since September 2004. The board is grateful for his commitment and valuable counsel during his tenure. Peter Ward succeeded Brian as chairman of the audit and risk committee on 21 June 2008.

Leah Gcabashe stepped down as non-executive of the board on 24 January 2008, for personal reasons. We thank Leah for her contribution to the affairs of the company over the past four years.

Having assumed the role of executive chairman from 1 April 2008, following Carl Grim's retirement, I returned to my role as non-executive chairman on 7 July 2008 after Roger Jardine's appointment as chief executive officer.

Chairman's report continued

Prospects

The infrastructure investment landscape remains very positive, with opportunities extending well beyond 2010, especially in the power, roads and transport environments in all of our markets. In addition, higher commodity prices should continue to fuel demand for infrastructure projects from mining houses. In addition to its R343 billion capacity expansion budget to 2013, Eskom is expected to spend up to R1 trillion in adding nuclear energy capacity in the next 10 years. The Aveng Group has brought to bear on this opportunity the inherent strengths of our consortium which comprises Areva, EDF, Bouygues and Alstom as well as those of all our operating companies. In our view our consortium presented a compelling bid for the new nuclear power plant, the outcome of which will be announced imminently. While we are cautiously optimistic about our prospects, we are in any event confident that these projects will feed into substantial downstream opportunities for the entire industry.

The Aveng Group's growth prospects are confirmed by the two-year order book of R25,8 billion which reflects a 36% increase compared to our R19 billion order book in June 2007. Only 7,3% of the total order book relates to work associated with the 2010 Soccer World Cup stadia.

Grinaker-LTA's total pipeline is valued at R9,5 billion, with work on hand for Civil Engineering, Roads and Earthworks and Mining valued at R4,2 billion and contracts worth R2,5 billion on the books for Building and Property Development.

Leveraging its good performance in 2008 with a solid core of contracts and projects and the strong pipeline of opportunities, E+PC is positioned to maintain its growth in the year ahead and increase the value of projects under management from the current level of R6,0 billion. Work on hand is valued at R500 million.

McConnell Dowell has a total two-year order book of R11,5 billion, of which Pipelines represent R8,5 billion with Civils and Marine's work on hand at R2,2 billion. The company is poised to deliver further growth, having made significant investments to ensure capacity for growth during the year.

Moolmans has a two-year order book of R4,3 billion, with its contracted pipeline of up to R7,6 billion going out to five years. With recent investments to extend its fleet, as well as the focus on skills development, Moolmans has the capacity to secure additional new opencast mining opportunities. The outlook remains positive, underpinned by ongoing strength in the commodity sector across the African continent and elsewhere.

Although the rate of steel price increases since the start of 2008 is unlikely to persist, prices are not expected to contract. In addition, the market remains strong with the pipeline of infrastructure projects providing good visibility for the year ahead and beyond. As a result, Trident should continue to perform well while Aveng Manufacturing is well positioned to benefit from the general infrastructure spend by both the public and private sectors.

In the 2009 financial year, the return of R3,6 billion to shareholders will have a material effect on the comparative interest income. The group will utilise its cash resources to fund organic growth, while continuing to evaluate acquisitions to enhance its value proposition, especially given the more realistic valuations which have resulted from the tighter economic environment.

The Aveng Group is on track to deliver material earnings growth as our order book is strong, our operations are well tuned.

Appreciation

The progress made in 2008 is a true reflection of our combined efforts during the year. I extend my gratitude to each and every person who has contributed to Aveng's success:

- our clients who continued to show confidence in our ability to deliver their projects;
- our employees who have gone the extra mile to make sure that we deliver to the best of our abilities;
- our suppliers, bankers and investors who worked with us throughout the year; and
- my colleagues on the board who are always constructive and supportive.

It is our vision to leave a proud legacy that all employees, their families and future generations can be fiercely proud of. It is my belief that in 2008 we took great strides towards this ambitious target. I am confident that in 2009, we will build on what we have done to date and I look forward to continuing down this path with all of you.

AWB Band
Chairman

successfully
managing its
**recent strong
growth rate**

	2008 Rm	2007 Rm
Revenue	9 457,8	5 782,2
Capital expenditure	493,8	354,2
Major markets	Australasia and Pacific	Australasia and Pacific
Employees	4 685	3 664

Performance

McConnell Dowell had a record financial year with turnover growth of 64% in 2008 to R9,5 billion. Operating profit of R647 million represents growth of 98%, demonstrating the company's success in managing its recent strong growth rate. The margin was 6,8%, which compared with 5,7% in 2007, and the cash generation remained strong.

In order to increase capacity for the significant growth in all McConnell Dowell's geographic areas and business units, substantial expansion capital expenditure of R494 million was incurred, which is an investment in the future and underpins the success of its projects.

The performance of the different McConnell Dowell business units can be highlighted as follows:

- Pipelines recorded a good year for the company off the back of large water infrastructure pipelines where it has been responding to Australia's drought conditions. The business unit won the Infrastructure Partnerships Australian Project Excellence Award for the AUD$1,2 billion Southern Region Water Pipeline. Pipelines has a significant prospect list for the 2009 financial year, with a welcome return to pipeline projects in the oil and gas sector. During the period, a significant gas pipeline was secured in the Northern Territory, where it has not worked for many years.
- Mechanical's performance was disappointing, despite a positive industry outlook. In 2008, the business unit successfully completed the 448 000 cubic metre Bulk Liquid Blending and Storage Facility at Jurong Island, Singapore. It recently secured substantial fabrication and erection packages for the Exxon Mobil Refinery Expansion in Singapore. The company is confident that the prospects in Australia, Thailand and Singapore will drive a turnaround in 2009.
- Civil and Marine delivered an excellent performance for the year under review. The value of work secured significantly exceeded budget, with extensive prospects in Western Australia, Victoria, Singapore, New Zealand and the United Arab Emirates in the coming year. Of its current projects the majority are related to marine. Civil and Marine secured a number of civil industry awards in 2008 for the RCC Meander Dam Project, Tasmania; the Bakewell Underpass Project, South Australia and the Pilbara Iron Ore Wharf in Western Australia, which bears testament to its engineering ability to deliver the right solutions for clients.
- The Tunnelling business unit performed well during the year. Good progress continued with its operations at the Bogong Southern Hydro, Victoria, as well as the New Zealand contractors' Pike River Incline, the latter attracting awards for excellence. The business unit has a good forward order book of project opportunities throughout Australia, New Zealand and Asia.
- The Electrix business unit had a lean year in its financial performance due to a once-off project issue. The future pipeline of opportunities looks promising.
- DMDME, of which McConnell Dowell owns 50%, had a challenging year. Work on the Baku-Tbilisi-Ceyhan pipeline in the Caspian region was completed. There are indications of significant prospects in the United Arab Emirates and surrounding regions, and the company is investigating the feasibility of expanding its marine capability.

Review of operations continued

excellent **safety record** maintained

McConnell Dowell's performance in its regional areas of operation was as follows:

- The Australian operations provided over 70% of McConnell Dowell's total revenue with all states showing growth and expansion in mining infrastructure, water infrastructure, power and electrical, and generally heavy infrastructure.
- Operations in Singapore once again grew significantly with the company responsible for the majority of the marine work associated with petroleum and petrochemical developments. Significant contracts associated with two casino resort projects are currently under construction in Singapore, and a substantial petroleum refinery expansion has been awarded to McConnell Dowell.
- In Thailand the company continued working in gold and copper mines in Laos, and was recently awarded a new industrial project in Thailand. During the year, a steel and pipe fabrication facility was set up to service the Thailand export market.
- Indonesian operations have grown, largely through clients from other regions requesting McConnell Dowell to construct their facilities. Locally, work also continued in the mining and the marine facilities areas.
- The Batam facility in Indonesia increased during the year. Heavy structural steel fabrication, pipe spooling and precast concrete work were all successfully completed, and exported to projects in Singapore as well as to Australia.
- The Philippines operations were successfully re-established and have subsequently been awarded a new hydro project.
- New Zealand continued to grow, working on a number of ocean outfalls, coal mining developments in the power and electrical industry as well as general infrastructure.
- In the Middle East, results have been disappointing given the availability of work in the region. However, McConnell Dowell has increased its presence and aims to take advantage of the extensive ongoing infrastructure spend.

Progress and achievements

McConnell Dowell's growth rate has been significant over the last few years. The rapid increase in the cost of materials, in particular fuel, steel, cement and copper, and the rising value of the Australian dollar were challenges that were successfully dealt with during the year. A shortage of resources and skilled personnel is also a major issue currently facing the industry in McConnell

Dowell's regional operations, and the company continues to invest heavily in training and developing of employees.

Despite these challenges, the company increased its workforce in line with the growth in revenue. The employees have done an excellent job in dealing with the many issues and challenges facing the industry, delivering on clients' projects to the specified quality, safety, time and budget deliverables.

McConnell Dowell maintained its strong safety track record, with its DIFR remaining constant at 0,19 for the year under review. However, its LTIFR ratio for the year deteriorated with an LTIFR of 1,75 on 17 million manhours worked compared to 0,95 last year. Although these results are in line with or better than industry results, the company has intensified its efforts to improve safety practices going forward.

As a start to escalating safety efforts, in June 2008 McConnell Dowell stopped all projects for a halfday review and discussion between the entire workforce and project management. The intent was to critically review each project's approach to safety management and to get buy-in from all employees and contractors on site. The process was positively received and a number of initiatives have emerged which will be implemented.

During the year, the group refreshed the McConnell Dowell brand. The new brand has given a contemporary look to the group and depicts the Contractor the group aspires to be, that is, one that continues to meet the challenge and one with the ability to create the right solutions for our clients.

David Robinson
Chief executive officer: McConnell Dowell

operating profit up by 215%

	2008 Rm	2007 Rm
Revenue	8 783,1	7 416,0
Capital expenditure	239,4	202,0
Major markets	Southern Africa	Southern Africa
Employees	10 887	10 998

Performance

Grinaker-LTA's revenue increased by 18% to R8,7 billion (2007: R7,4 billion) for 2008. The operating group made further progress along its recovery trajectory with operating profit up by 215%. While the buoyant market supported profitable growth, Grinaker-LTA also benefited from historic investments to increase capacity as well as its better project selection process and the business unit's focus on larger and more complex ventures. All business units contributed to the profitability with excellent growth from the Civil Engineering, Building and Mining business units. Roads and Earthworks showed a solid turnaround, while the investment in increased capacity within the Mechanical and Electrical business augurs positively for 2009 after a poor 2008.

Grinaker-LTA generated strong cash flow, bearing testimony to the quality of project turnaround and delivery while indicating the further potential to enhance profitability in 2009.

Building delivered an excellent performance. The decision to focus on larger and more complex projects contributed to these results as the business unit was able to leverage its capacity. The quality of earnings was confirmed as the business unit was the strongest contributor to cash flow for Grinaker-LTA. The strategic decision to exit the upmarket luxury accommodation market 18 months ago paid off as activity in the residential market turned down. In its pursuit of new business opportunities during the year, the Building business unit focused on large contracts, with notable wins including Heineken's first brewery in South Africa valued at R350 million, a new technology facility in Midrand, worth more than R750 million and a R318 million new forensic science laboratory for the Department of Public Works in Cape Town. The unit also successfully completed the Fairlands Office Park as well as the Silver Star Casino with a combined value of some R1,5 billion. The business unit's reputation for building retail centres continues to grow with the award of the R479 million contract for the construction of the Bridge City shopping centre in KwaZulu-Natal, and the R400 million refurbishment of the Eastgate Shopping Centre in Johannesburg.

The substantial increase in revenue reported by Civil Engineering was driven largely by the business unit's focus on leveraging its extensive capacity to deliver mega-contracts, particularly in the public sector. Profitability improved as the business unit benefited from economies of scale. Good execution during the period enabled it to further strengthen client relationships. Construction work on the Soccer City Stadium outside Soweto and the Nelson Mandela Stadium in Port Elizabeth is progressing well. Work at Soccer City is on schedule for handover in June 2009 with 20 000 of the 94 700 seats having been installed and the first section of the roof erected in June 2008. Construction of the Nelson Mandela Stadium remains on track for completion on schedule in March 2009, however, the construction of the roof is complex and remains a risk on the project.

During the year, the Civil Engineering business unit secured the main civil works package for the Medupi Power Station in joint venture. It is the first new coal-fired power station to be built in 20 years and, with a planned generation capacity of approximately 4 500 MW, it will be the largest air-cooled coal-fired plant in the world on completion.

The mining business unit benefited from the ongoing boom in the resource sector as mining companies initiated capital projects to increase production capacity. Having attracted a number of highly skilled individuals in the recent past, the business unit enjoyed increased activity levels, resulting in solid revenue growth. In order to participate in the myriad of growth opportunities in the mining sector, the business

Review of operations continued

remarkable improvement in the **positive culture** of the organisation

unit also diversified its offering to cater for its clients service and engineering requirements, supplementing existing skills in shaft sinking, tunnelling and contract mining. Significant contracts won during the year include the R200 million shaft sinking contract at Anglo American's Zondagsfontein mine, situated near Witbank, and a R225 million contract for the sinking of the 495 metre deep shaft at Great Basin Gold's Burnstone mine outside Balfour.

Although the Mechanical and Engineering business unit recorded an improved performance, it did not meet expectations, reflecting the lag experienced by a number of players globally, compared to the overall buoyancy of construction and engineering. The business unit also made progress refocusing its activities on its core competencies, where it has a defined differentiator in the market. Its rented manufacturing facility at Saldahna is world class and, in the medium term, the business unit is well placed to participate in the continued infrastructure boom in South Africa, particularly power, oil and gas projects.

The new Roads and Earthworks management team successfully turned the business around in 2008, a milestone being the completion of most unprofitable contracts. Having introduced efficiencies during the year after an analysis of its overall plant utilisation, Roads and Earthworks is poised to show further improvements in profitability. During the year it was awarded two substantial projects on South African National Roads Agency Limited's (SANRAL's) Gauteng Freeway Improvement Project including improvements to the N3 freeway between Geldenhuys and Buccleuch and the N1 freeway from Buccleuch to Brakfontein. The scope of work includes significant upgrades as well as the construction of new interchanges. The business unit is well positioned and has the capacity to further participate in and benefit from SANRAL's programme to upgrade the national road grid with a total budget of R20 billion in the next three years.

Progress and achievements

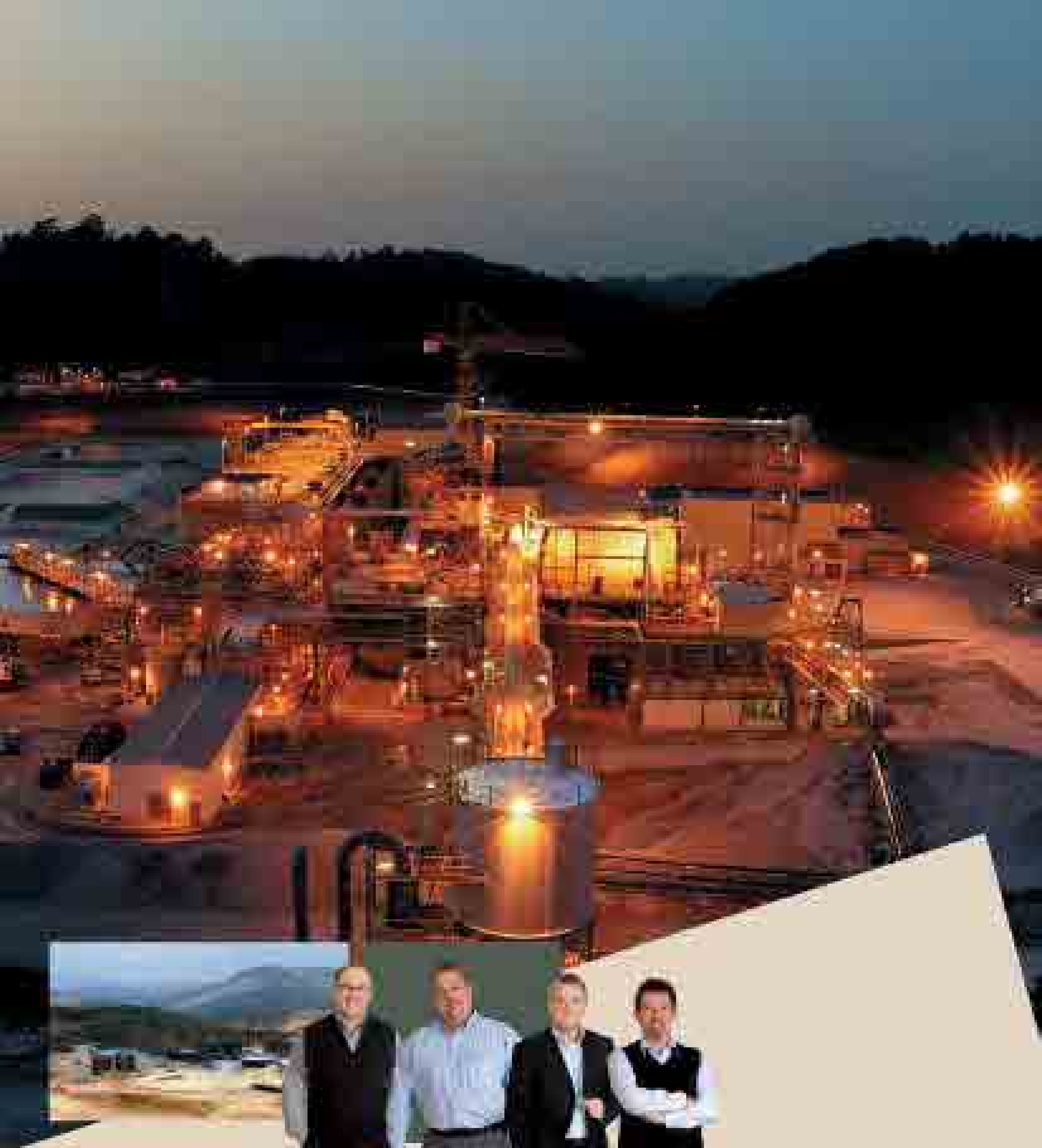
Grinaker-LTA aligned itself with the Aveng Group's five strategic themes, including "winning the war for talent". During the year, considerable efforts were made to enhance the employee value proposition and bring about a cultural change in the organisation. A realignment of the remuneration strategy enabled the company to retain its pool of senior leaders and a number of high-level appointments were concluded. The operating group also took part in several international recruitment initiatives. For the second consecutive year, Grinaker-LTA conducted an assessment of its culture, comparing its employees' personal values to those of the company's current and its aspirational values. The results reflect a remarkable improvement in the positive culture of the organisation, which has been associated with a palpable improvement of morale and the company's ability to retain skills. A number of managers from Grinaker-LTA attended the Aveng Group's Leadership Development Programme. The company invested approximately R17,2 million in training and development programmes during the financial year.

With the decentralisation of the Aveng Group's continuous improvement initiatives, Grinaker-LTA established operational efficiency units in each business unit with a set metric ratio to benchmark against world standards. Procurement practices were identified as an opportunity to enhance efficiencies, and procedures developed by Grinaker-LTA are being implemented at business unit level. Specific wins include a system for more efficient use of plant within Roads and Earthworks, better procurement and supply chain agreements within Mining, which is a model now being rolled out in the group. In addition, the DSE facility expansion required operational efficiencies to be taken into consideration in respect of workshop flow.

During the year, the company's health and safety initiatives were further prioritised with the appointment, at executive level, of a dedicated SHEQ manager to consolidate and monitor the efforts of all business units. In addition, the "HOME WITHOUT HARM, EVERYONE EVERYDAY" adage was registered and adopted throughout the company to fully align Grinaker-LTA's safety efforts with the Aveng Group's. Safety practices were standardised across the company and a more rigorous approach to reporting was adopted. These initiatives contributed to the improved safety performance of Grinaker-LTA, as reflected by the 0,56 DIFR ratio, which is well below the industry average. Although all business units achieved improved safety records on a number of projects. Grinaker-LTA suffered four fatalities during the year. The circumstances surrounding each incident have been scrutinised in detail to ensure that all safety procedures are adhered to at all times and that where breaches have occurred, processes can be improved.

Grinaker-LTA, with capital expenditure of R239 million during 2008, ensured that it has capacity to take on additional projects in 2009. About half of the capital expenditure related to equipment for Building and Civil Engineering to cater for the increased order book. The Mechanical and Electrical structural steel fabrication facility was also upgraded and equipment purchased to increase capacity in Mining and Roads and Earthworks. The company will also ensure its ability to grow by continuing to build its intellectual capital and through its partnerships.

Neil Cloete
Managing director: Grinaker-LTA



value of projects managed for clients **increased to R6 billion**

[illegible]

	2008 Rm	2007 Rm
Revenue	421,8	287,1
Capital expenditure	21,1	7,0
Major markets	Sub-Saharan Africa	Sub-Saharan Africa
Employees	565	436

Performance

E+PC showed revenue growth of 47% to R421 million with commensurate profit growth as it extended its existing client relationships as well as secured work from new clients. The extended demand for resources benefited E+PC, as mining projects continue to be developed. Due to high commodity prices, previously uneconomic projects have the potential to be profitable and E+PC has seen an increased demand for feasibility assessments among its clients. The value of projects managed for clients increased to R6 billion (2007: R4 billion), which is not included in the order book. The operating group's overall project performance was good despite tough conditions, mostly related to escalating costs.

Progress and achievements

The shortage of qualified and experienced engineers and technical personnel is an ongoing challenge which has no short-term solution, especially given the international demand for people. E+PC, however, was successful in growing its resource pool by 50% during the year, based on its talent management initiatives that included compelling employment propositions to employees and its exposure to leading projects. The company has made significant investments in training and development initiatives which have paid off with a marked decrease in staff turnover.

Having substantially increased its resource pool during the year, E+PC reorganised its business to take advantage of various market opportunities, which involved some restructuring. E+PC will continue to pursue opportunities to expand its footprint and offering, particularly through strengthening its partnerships with leading technology suppliers.

At year-end, E+PC moved into new premises in Woodmead, Sandton, which was necessitated by the current workload and growth of the company, as well as the reorganisation. Regional offices have also been opened during the last year in Centurion and Cape Town.

Notable projects during the year include the following:

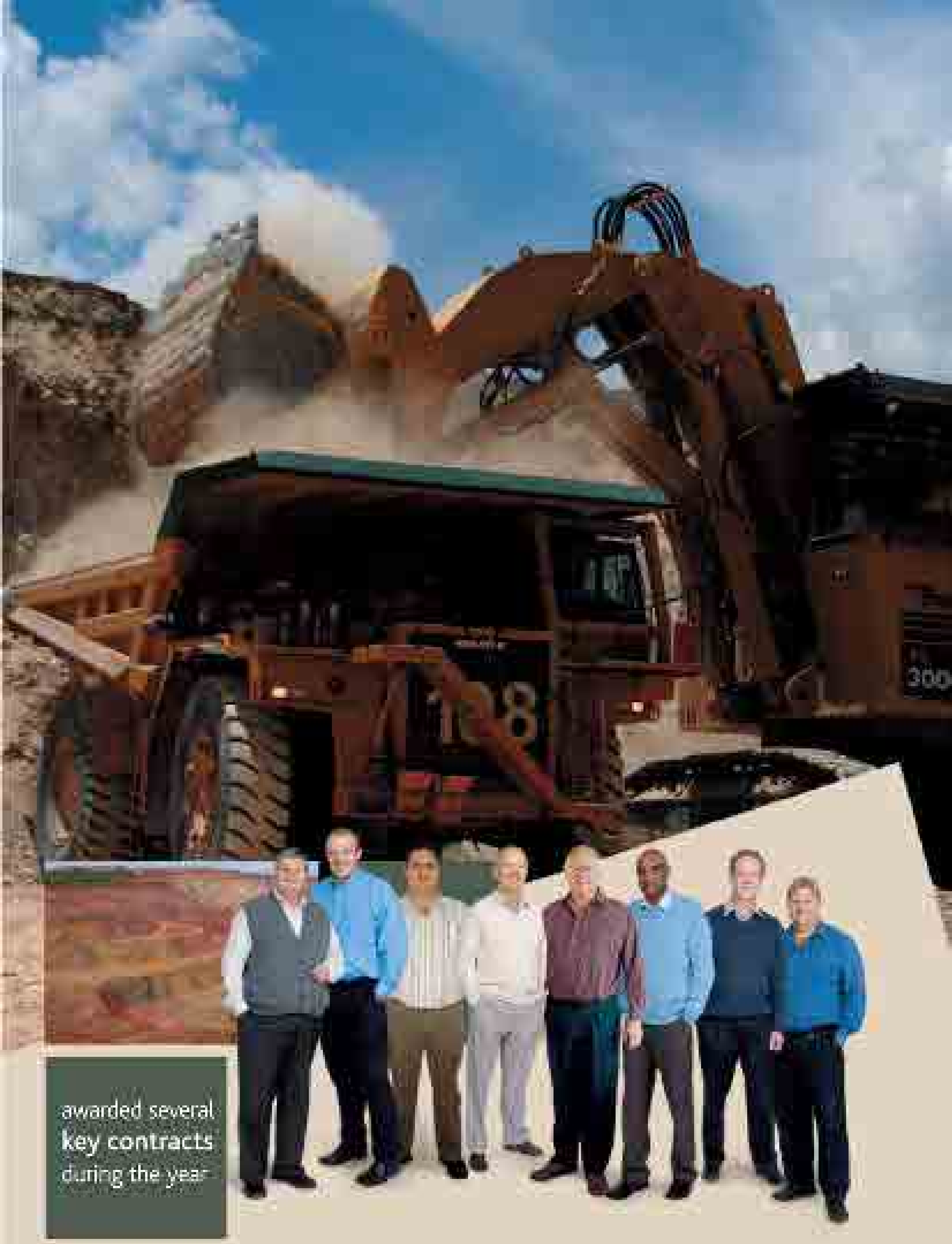
- The Afrisam Roodepoort Expansion project to the value of R471 million commenced in 2007 with completion towards the end of 2008.
- The completion of the approximately US$150 million Goldfields Tarkwa CIL Expansion project in Ghana is planned for end 2008. E+PC started the feasibility work in 2006 and provided the process design, engineering, procurement and management (including construction management) for the project.
- The Kayelekera Uranium Project in the Karonga District of Malawi to the value of some US$160 million is being managed for Paladin Energy Limited and will be completed in 2009. E+PC is responsible for all process engineering design, all engineering, procurement and overall project management that includes on-site construction management.

E+PC maintained its excellent health and safety track record with a DIFR of 0,20 for the financial year and achieved four million disabling free manhours across the sites it operates on behalf of clients in 2008. Ongoing awareness campaigns supporting the E+PC and Aveng Group safety values and themes contributed to the good performance in 2008. The company is in the process of implementing the ISO 18001 standard which should be completed by February 2009.

The operations segment of the business continues to show good growth after a period of stagnation and is positioned to sustain its growth rate going forward. Two additional operations contracts were added during 2008, with a further four projects currently in development, which should come on stream during 2009.

Well developed plans that will strengthen E+PC's technology base and also diversify some its service offerings will be rolled out during the next few years, commencing in 2009.

Frank Saeiva
Managing director: E+PC



awarded several
key contracts
during the year

	2008 Rm	2007 Rm
Revenue	2 397,1	1 765,3
Capital expenditure	782,9	224,8
Major markets	West Africa and South Africa	West Africa and South Africa
Employees	3 700	3 457

Opencast mining is, by nature, heavily capital intensive and investments are made upfront. The result is longer lead times to maximise returns. In order to provide a clearer view of our opencast mining operations' performance and prospects, the Aveng Group has, with its 2008 financial results, disclosed these activities separately for the first time.

Performance

Moolmans traded well with a 36% increase in revenue to R2,4 billion. High activity across the resources sector continued to benefit Moolmans' opencast mining operations during the year under review. The coal sector showed substantial growth as a result of the energy requirements in South Africa, with the advent of junior miners who have obtained new-order mining rights also supporting the industry. Demand for commodities from across Africa continued, which was associated with a higher number of enquiries and an increasing number of prospective mining opportunities for Moolmans. Moolmans concluded several new client engagements, as well as growth in its existing contracts.

Despite heavy pressure on operating expenses, as well as substantial increases in other commodity-based costs, Moolmans successfully increased operating profit by 105% to R189,8 million (2007: R86,5 million) which represents an operating margin of 7,9%. The company's ongoing focus on continuous improvement initiatives extended to a rigorous exercise to further optimise equipment utilisation and enhance efforts to counteract these cost pressures.

Progress and achievements

Moolmans was awarded several key contracts during the year. The contract at the Tati Nickel Mine in Botswana was renewed in June 2008 for five years. Reflecting heightened activity in the coal sector, the company concluded two engagements, namely at the Kendal Colliery and Anglo Coal's Kriel Pit 5 Reserve, both in Mpumalanga.

The Mowana Copper Project in Botswana was successfully established during the first half of the year and is now in full production, while the Yatela Gold Mine contract in Mali, which was started in May 2000, was successfully completed at the end of June 2008.

Recapitalising of the southern African fleet has already started bearing fruit with the successful negotiation of new contracts. Moolmans' capital expenditure for the year, amounting to R783 million, enabled the operating group to increase capacity in line with the new business opportunities as well as refreshing the fleet with new equipment to improve business efficiencies. Moolmans anticipates high levels of capital expenditure during the 2009 financial year as it continues with its investment programme. This capitalisation will place the operating group in a position to exceed its targeted return on capital of 20% in the medium term.

Moolmans continued to focus on enhancing its safety record through ongoing training, awareness campaigns and audits. All its sites are NOSA 5-Star accredited. The benefits were reflected in a DIFR of 0,15 despite an unfortunate fatality at one of its client sites. In its ongoing pursuit of improvements in its safety record, Moolmans will continue to refine its systems going forward.

The company continues to selectively pursue new business, applying its resources to opportunities which meet its risk/return objectives. Moolmans' ongoing focus on efficiencies, alignment of its workforce and its commitment to risk management, together with its increased capacity, positions the company to increase output. This approach will enable the company to make further progress towards delivering superior returns in the medium term.

Brian Wilmot

Managing director: Moolmans

revenue up
by 28% to R3,1 billion

Executive management team [illegible]

Aveng Manufacturing

LENNINGS RAIL SERVICES

THE AVENG GROUP

	2008 Rm	2007 Rm
Revenue	3 149,1	2 452,1
Capital expenditure	148,5	126,8
Major markets	Southern Africa	Southern Africa
Employees	3 952	3 669

Performance

Revenue grew by 28% to R3,1 billion (2007: R2,5 billion) as this operating group continued to benefit from strong demand in the civil engineering environment, driven largely by the public sector. Although certain steel and cement products exposed to the residential market experienced a downturn in demand, this was balanced by strong activity in the infrastructure sector. While demand from the mining sector remains strong, the increased focus on safety within this industry is also increasing the opportunity for Aveng Manufacturing.

The focus on being the lowest cost producer in all operations came through during the year as higher volumes were supported by minimal increases in overhead costs and stable margins were recorded despite material increases in input costs. The good financial performance was successfully translated into strong cash flow from all business units for the period.

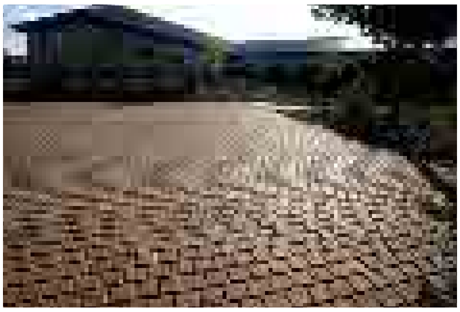
During the year, certain raw materials including steel, cement and aggregates were in short supply. However, through more sophisticated planning and strategic importing Aveng Manufacturing minimised the impact.

As a result of improved prospects in the industry, competition is on the increase, with local start-ups as well as international entrants into the reinforcing steel and railway sleeper markets. Although the impact to date has been limited, due to the buoyancy of the market we believe that Aveng Manufacturing, with its lowest cost producer advantages, has solid protection against competitive pressures.

Infraset performed well in all of its divisions, namely railway, infrastructure and landscaping products, as infrastructure spending remained buoyant. Although the business unit has some consumer exposure, any negative effects during the year were countered by the extremely high demand in the infrastructure environment. Although the new roof tile factory, which was commissioned in 2007, was impacted by lower consumer demand, it is still running to expectation. Infraset completed several capital projects to improve output and efficiencies. In addition, it cemented its competitive advantage during the year with investments to increase the level of mechanisation.

Steeledale also delivered an excellent performance, producing significantly higher volumes of reinforced steel. Although increased competition in its market niche put pressure on gross margins, the business unit successfully defended its overall profitability through efficiency initiatives. Facilitated by its consistent and reliable supply chain relationships as well as its careful planning, Steeledale consistently met its customers' supply requirements, despite raw material shortages. With work on hand throughout the country at record levels, the outlook is positive. The business unit achieved a Level 4 BBBEE rating.

Review of operations continued



higher volumes supported by **minimal overhead** cost increases

Substantial infrastructure investment in the mining sector, especially coal and platinum, was the driver for good growth in Duraset, which manufactures and supplies a wide range of products and services for the mining and geotechnical industries. The mining industry was also placed under increased scrutiny for its safety practices during the year, feeding into additional demand for safety critical products which are Duraset's core competency. The export division continues to increase its target markets supported by the extended boom in resources.

Lennings Rail Services performed ahead of expectations with an improvement in operating profit and strong cash flows. Its results were supported by strong plate-laying activity. During the year, the business unit focused on expanding its client base to guarantee its positioning for the anticipated increase in rail-related projects in the private sector. Lenning DEC Rail Services achieved a Level 4 BBBEE rating.

Progress and achievements

Aveng Manufacturing extended its lowest cost producer advantage, which included capital investments amounting to R145 million. These related to commissioning new and technologically advanced equipment across all the factories as well as expanding production capacity. As a result, the operating group's production facilities are poised to deliver increased volumes as well as further cost benefits in the future.

Although the operating group enjoys a reputation as employer of choice in the industry, its factories are not immune to the skills shortages which plague the entire industry. Due to its good incentive schemes, Aveng Manufacturing retained most of its skilled employees. However, increased volumes exacerbated artisan shortages and the operating group accelerated its investment in training programmes. The industry-wide training initiatives are starting to bear fruit.

Aveng Manufacturing heightened its focus on safety during the year, making progress in entrenching a culture of "safety first" across its workforce. Reporting of near misses has been introduced to increase employee participation and support the culture change. Incentive schemes were implemented at all business units to reward positive behaviour and achievement of safety targets. With the prioritisation of safety awareness in all operations, safety campaigns were revised and the "HOME WITHOUT HARM, EVERYONE EVERYDAY" slogan was adopted and is now reflected on all relevant communications. The operating group suffered two fatalities during the year. Detailed investigations were conducted and key learnings disseminated throughout the operating group. Additional preventative measures have been put in place to prevent future incidents. While Aveng Manufacturing's DIFR ratio deteriorated for the year, this was aggravated by higher activity levels and skills shortages. However, the DIFR has reduced month-on-month since raising the profile of safety measures throughout the organisation. The operating group has set itself the target of a substantial reduction in incidents and near misses in the year ahead.

Doug Keet

Managing director: Aveng Manufacturing

excellent
performance
for 2008

Executive management team [illegible]

TRIDENT STEEL

	2008 Rm	2007 Rm
Revenue	5 334,1	4 615,3
Capital expenditure	82,9	69,5
Major markets	Southern Africa	Southern Africa
Employees	1 777	1 653

Performance

Trident Steel delivered an excellent performance for 2008, with revenue growth of 16% to R5,3 billion (2007: R4,6 billion). Although demand had slackened during the first half of the year with lower tonnages due to industry strike action and slower automotive industry demand, activity levels caught up in the second six months and total volumes were up for the period under review despite the 20% decrease in domestic new vehicle sales which dampened volumes to the automotive industry. The increase in the steel price of between 60% and 70% during the last four months of the financial year also boosted revenue as prices were gradually passed through to customers, but impacted the cost of replacing stock.

The industry's ability to service the market was impacted by a domestic steel shortage which limited sales in the second half, although this is expected to ease into the new financial year as the major supplier brings capacity back on stream. Trident benefited from the material increase in steel prices since the beginning of 2008 as well as improved mix of sales in favour of more added-value processing, but the cost of stock increased in line with steel price increases, affecting working capital.

Progress and achievements

Trident Steel focused on pursuing profitable growth opportunities, as opposed to chasing volumes to push revenue at weaker margins. With numerous opportunities due to heightened demand, Trident Steel adopted a selective approach in order to maintain the high service and quality levels which its customers are accustomed to. The company limited exports in order to satisfy requirements of its local clients.

Customers' buying patterns were affected by the frequent price increases, with surge buying to secure their required volumes at lower prices. Although these peak periods of demand strained Trident Steel's dispatch functions, the company was able to meet its clients' service level expectations.

The company continued to review its operations to identify opportunities to increase capacity. Capital expenditure amounting to R83 million during the year included upgrades at Trident Sterling Tube. A new tube mill was ordered to increase capacity and will be commissioned in the first half of the 2009 financial year. Efficiency benefits were achieved through the reconfiguration of the Trident Speciality Steel processing facility.

Having had one fatality in the 26 years since its inception in 1972, Trident Steel unfortunately suffered three fatalities during the year under review. Although the company had previously embarked on a process to formalise its health and safety programme with the employment of a dedicated SHERQ manager, the fatalities galvanised the company into further action. An independent third party has been engaged to conduct full risk assessments and review Trident Steel's policies, with the full involvement of the workforce. The Group value of "HOME WITHOUT HARM, EVERYONE EVERYDAY" is being rolled out as the cornerstone of inculcating a safety culture across Trident.

Trident Steel has a track record spanning more than 30 years, during which it has shown consistent and profitable growth, despite the volatile steel industry, and the company is well placed to maintain this trend.

Richard Martin
Managing director: Trident Steel

Director of finance commentary

Operating performance

The Aveng Group reported revenue of R29,6 billion, which represents an increase of 34% on the previous year. The growth was supported by improved results from each operating area in the group as high levels of infrastructure investment persisted in all areas of our domestic and international construction markets. The proportion of revenue derived from outside South Africa was 44%, which compares to 40% in 2007 which provided further currency diversification for the Group.

Operating profit (excluding the profit on the Holcim sale) increased by 87% to R2,4 billion. The operating profit margin before amortisation and non-trading items (EBIT margin) improved from 5,9% in 2007 to 8,2% in the review period, achieving the medium-term target of 8,0% communicated two years ago.

Interest

The group received net interest of R853 million, compared to R74 million in the previous year. This was due to higher average cash balances and higher effective interest rates over the period. The group's fixed long-term borrowings decreased by R885 million to R243 million at June 2008.

Taxation

An effective tax rate of 30,7% was reported on profit before tax, excluding non-trading items and income from associates and joint ventures. The difference between the effective tax rate and the South African corporate tax rate arose mainly as a result of the group's foreign operations.

Share buyback

In February 2008, the company entered into a scheme of arrangement in terms of section 311 of the Companies Act, which resulted in the acquisition by Aveng and Richtrau No 191 (Pty) Limited, a wholly owned subsidiary of Aveng, of a *pro rata* portion of each shareholders' shares, comprising approximately 12,3% of the then issued share capital of Aveng at a price of R61,58 on the operative date of 25 February 2008. A total of 59 494 871 shares were repurchased, at a total consideration of R3,6 billion.

Convertible bond

In February 2008, holders of R808 million of the R1 billion outstanding 6,125% guaranteed convertible bonds due in 2012 gave notice to convert the principal amount of each bond into ordinary shares in the ordinary share capital of the company at a conversion price of R14,88 per share, in accordance with the terms and conditions of the bonds. As a result, Aveng issued 54 301 071 ordinary shares to the relevant bondholders to fulfil its obligations. In April 2008, holders of a further R112 million convertible bonds gave notice to convert on the same basis, giving rise to a further issue of 7 526 881 ordinary shares to the relevant bondholders.

The close-out date for the conversion of the remaining R80 million convertible bonds (seven-year 6,125% convertible bond) into equity is 17 March 2012. The weighted average number of shares includes approximately 5,4 million shares in anticipation of the conversion of Aveng's convertible bond on or after 17 March 2009.

The terms of the convertible bond provide for an adjustment of the conversion ratio for annual growth in dividend above a threshold of 15%. The conversion price is adjusted when the dividend paid results in a movement of more than 1%.

Diluted weighted number of shares

The diluted weighted average number of shares of 428 162 288 includes 5,4 million shares to allow for the

Dennis Gammie
Director: Finance

conversion of the remaining convertible bonds into equity. The consolidation of the Aveng Limited Share Incentive Trust, which holds 6,1 million (2007: 6,9 million shares) Aveng Limited shares, effectively reduces the number of shares in issue.

Weighted average shares		387 293 937
Dilutive items:		
– Convertible bond	5 376 344	
– Contingency issuable shares	35 492 007	
Diluted weighted average number of shares (30 June 2008)		428 162 288

Headline earnings per share

Headline earnings and earnings per share increased by 72% to 591,4 cents (2007: 343,5 cents) and 594,2 cents (2007: 344,7 cents excluding the impact of the Holcim disposal), respectively.

Shareholders' funds

Share capital showed a net movement of R0,1 million during the period, reflecting the share buyback of 59,5 million shares at par value of 5 cents and the issue of 61,8 million shares at par value of 5 cents relating to the conversion of bonds into equity. Total shareowners' funds, however, decreased by R459 million to R10,5 billion, mainly as a result of the return of R3,6 billion to shareholders.

Cash flow

Cash generated by operating activities of R5,6 billion shows an improvement over 2007 of R2,9 billion. The strong cash flow was underpinned by the continued good performance of all group operations and the recovery of Grinaker-LTA together with excellent working capital and cash management. As a result of some major supplier credit terms being tightened, with further tightening to come and the impact on stock levels of the increases in the steel prices, net working capital days retracted from a negative 28 days to a negative 14 days.

Cash flow earnings per share of 1 414 cents reflected an increase of 91% compared to the 739 cents at June 2007 (based on the same number of shares in issue).

Cash and borrowings

Interest-bearing borrowings excludes the R11,2 million equity portion of the convertible bond. The remaining R73,2 million will continue to increase over the duration of the bond to reflect borrowings of R80 million in 2012, when the instrument matures. Additional information is set out in note 11.4 to the annual financial statements.

The group closed the year with a net cash position of R8,9 billion, compared to R8,3 billion in 2007, despite the R3,6 billion share repurchase concluded during the year. Upfront payments received from customers for work still to be executed amounted to R1,9 billion, a portion of which will be retained as profit by the group on successful completion of these projects. It is our long-term intention to have an average net debt to equity of approximately 20% through the cycle excluding upfront payments and cash held in Australia.

In determining the funding requirements, cognisance will also be taken of potential acquisition opportunities that may arise in the year ahead as sellers' expectations have become more realistic in the current economic climate. The group does, however, anticipate that the tighter economic environment may result in lower levels of upfront payments across the construction industry in the medium term, which will drive a more onerous working capital cycle in the years ahead.

Director of finance commentary continued

Capital expenditure

The Aveng Group maintained its intensive capital expenditure programme during the year to ensure sufficient capacity to deliver on its commitments and participate in the industry growth. Total capital expenditure amounted to R1,8 billion (2007: R1,0 billion), of which R0,9 billion related to expansion capital expenditure and R0,9 billion to replacement capital expenditure. The net outflow of cash on capital expenditure amounted to R1,5 billion compared to R0,9 billion in 2007. Depreciation amounted to R653 million, which was substantially ahead of the prior year's R459 million. Based on current opportunities for the period to June 2009, gross capital expenditure should be around R2,0 billion.

Disputes

The dispute continues with Aquarius Platinum (South Africa) (Proprietary) Limited in respect of the Marikana contract which was rescinded by Aquarius in December 2005. A court date has been set for early in 2009 to establish whether a valid contract was in place.

Proceedings continue on the Grinaker LTA Building division contract to build 100 houses in Gabon. The houses were duly built by means of finance provided by a local financial institution which is now seeking restitution in the amount of €15,5 million (R142 million), due to an alleged default by the government of Gabon.

Dividend

Aveng's policy is to maintain a dividend payout ratio of approximately 25% of headline earnings, distributed to shareholders as a single payment each year. On Friday, 5 September 2008 the board declared the following dividends:

- Ordinary dividend number 9 – 145 cents (2007: 85 cents) per share.
- Special dividend number 10 – 145 cents per share.

Shareholders' analysis

The Aveng share continued to be actively traded during the 2008 financial year, reflecting high levels of investor appetite to participate in buoyant construction markets. More than 411 million shares traded, representing a value traded of approximately R23,7 billion, at an average price of R57,47 per share, resulting in 103% of the market capitalisation being traded in the financial year with a liquidity of 108%.

The Aveng share price closed at R58,00 on 30 June 2008, an increase of 16,1% from its price of R49,95 on 30 June 2007.

Future priorities

During the year, the group met its medium-term targets to achieve operating margins in excess of 8,0%, thereby delivering enhanced value to shareholders. The group has now moved into a more acquisitive phase and will continue to evaluate opportunities to strengthen its value proposition with acquisitions that are earnings accretive within no longer than three years. The tighter global economic environment has resulted in an increase in the number of opportunities meeting our investment criteria and, with cash on the balance sheet, would be consummated more readily.

Dennis Gammie
Director: Finance

Introduction

At the centre of all activities, the Aveng Group remains committed to contributing to, and investing in, South Africa's prosperity, growth and development through sustainable business practices. The group believes that sustainable development underpins sound business growth. By addressing the country's transformation challenges, behaving responsibly and respectfully towards both present and future stakeholders, embracing social investment and nurturing the environment, the group seeks to enhance its own long-term commercial success as well as the prosperity of all of the countries in which it operates. To this end, Aveng voluntarily incorporates economic, social and environmental concerns into business practices and decision-making to enable it to make a real and sustainable difference.

The King Code, the Global Reporting Initiative (GRI), the standards set by the JSE Limited's Socially Responsible Investment (SRI) Index and the group's own code of business conduct are the cornerstones of Aveng's approach to sustainable development. Aveng endorses the King Code's recommendations for integrated sustainability reporting and has adopted its triple bottom line approach in reporting to stakeholders. In 2004, Aveng was one of the founding constituents of the SRI Index and the group was recognised as one of 14 best performers in the 2007 SRI review process. Aveng's objective is to be profitable in a responsible and accountable manner to the broader society and communities it serves while nurturing and respecting the environment in which it operates. The group makes a concerted effort to communicate openly with its stakeholders and is committed to transparency. The group has defined its stakeholders and determined the most effective and strategic methods of communicating key issues to them.

The Aveng Group confirmed the continued relevance of its sustainability reporting process. This process enabled alignment between the EIRIS surveys which are utlised by the JSE to assess the companies for the JSE SRI Index with the group focus and strategy. The process included setting improved targets for reporting, which will be fully implemented by 2010. These improved targets relate in the majority to environmental record keeping and reporting for the following:

- Energy utilisation
- Water consumption
- Emissions, effluents and wastes.

Contributing to a sustainable economy

The Aveng Group accepts that its ability to act as a responsible corporate citizen is directly influenced by its financial performance and as such is dedicated to building an economically sustainable business. A key component of economic sustainability has been identified as contributing meaningfully to the country's transformation challenges. It is mindful that its BBBEE strategies, encompassed in its sustainability policy, must also make sound business and economic sense. The meeting of the requirements of the Construction Charter is considered integral to economic sustainability.

In keeping with the Aveng Group's absolute commitment to ethical business practices, the Aveng anti-corruption framework was developed during the year and rolled out into the operations subsequent to the year-end.

Sustainability report continued

Contributing to a sustainable environment

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 in which it operates. The group considers that limiting its environmental impact is vital to the well-being of the communities and ecosystems in which it operates, for the benefit of present and future generations. 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 are or may have a significant direct environmental impact.

Contributing to a sustainable workforce

The Aveng Group sustainability policy incorporates a core set of guiding principles to address social issues, which are similarly implemented in all the underlying operations of the group to provide a working environment that attracts and retains talented employees. These include a safe and healthy place to work, employment equity, training and development, communication as well as support to those affected by HIV and Aids. The code of business conduct includes measures to support an ethical culture across the organisation. During the year, the board of directors reviewed the code to ensure its continued relevance.

Contributing to sustainable communities

In its operations worldwide, Aveng is mindful of the potential positive and negative impacts it has on the communities in which it operates. The Aveng Group is aware that the creation of wealth brings broader responsibilities to the communities it serves and within which it operates. The group recognises the far-reaching nature of its duties by assisting in wider social upliftment and contributing to nation building through a social investment programme that has partnering and enablement as its core philosophies. Through its Corporate Social Investment (CSI) programmes, the group strives to assist the wider community. Every year Aveng contributes 1% of the prior year's headline earnings to deserving community investment projects. The Aveng Community Investment Trust, which is responsible for the group's CSI initiatives, focuses principally on education and job creation initiatives primarily for the benefit of individuals and communities within the broader construction industry. Individual operations within Aveng also contribute substantial time and support to CSI programmes.

For further information on the group's sustainability and associated policies and framework, visit www.aveng.co.za.

Risk management

Risk

The management of risk is critically important to the ongoing success of the group and is an inherent part of doing business. The definition of "risk" used in the group is *"The likelihood of something occurring which will have an impact or consequence on objectives"*. The principles of risk management followed by the group are as follows:

- Systematic and structured
- Address uncertainty and its causes
- Part of decision-making
- Add benefit and value
- Be a transparent and all-inclusive process
- Dynamic, iterative and responsive to change.

The Aveng risk management process provides for both a top-down and bottom-up approach. The top-down focus provides the overall strategic framework and direction and defines the business imperatives and takes cognisance of the strategic macro risks facing the group. These risks will be those that could cause severe financial loss, fundamentally undermine the competitive position of the company or impact adversely on the market sectors in which we operate. This process is in its initial stage and does not provide all the necessary controls and focus at present. The review and analysis of strategic risks will receive detailed attention commencing in 2009 to ensure that it is providing the requisite focus and control.

In the current market the following are considered to be the top strategic risks facing the group:

- The talent war and retention of skilled staff
- Regulatory and compliance
- Commodity price escalation
- Client capacity and financial stability
- Political, geopolitical and legislative stability
- Inability to innovate or benefit from or make use of technological advances
- The impact of environmental legislation and radical greening requirements
- Downturn in the global economy affecting the demand for commodities
- The development of client capacities up and down the value chain
- Inability to expand our strategic footprint in selected markets.

In parallel, a bottom-up project analysis is undertaken on a project-by-project basis. This evaluates the project compliance to the strategic focus of the group and the relevant operating group or business unit. Once this hurdle has been successfully passed, a full analysis of all the inherent risks are undertaken. The risk experienced by the group is continually monitored to evaluate new and emerging risks, so as to ensure that future actions can be reviewed and focused appropriately on an ongoing basis.

At the current time the following are considered to be the top project risks facing the group:

- Training and development of suitably qualified project staff and skilled personnel
- Attraction and retention of project staff and skilled resources
- The ability and capacity of the group to combine across the value chain to provide a differentiated solution and generate innovative ideas and collaborate to provide a more holistic service to clients
- Contract models with particular reference to change and dispute resolution clauses
- The appropriate risk sharing on the project between the contractor and the client
- Escalation of prices and the long lead time of certain goods and commodities required on the projects
- Change management and the appropriate control of the direct and secondary impacts of change on the project
- Client management, capacity of the clients and the level of infrastructure project decision-making

Sustainability report continued

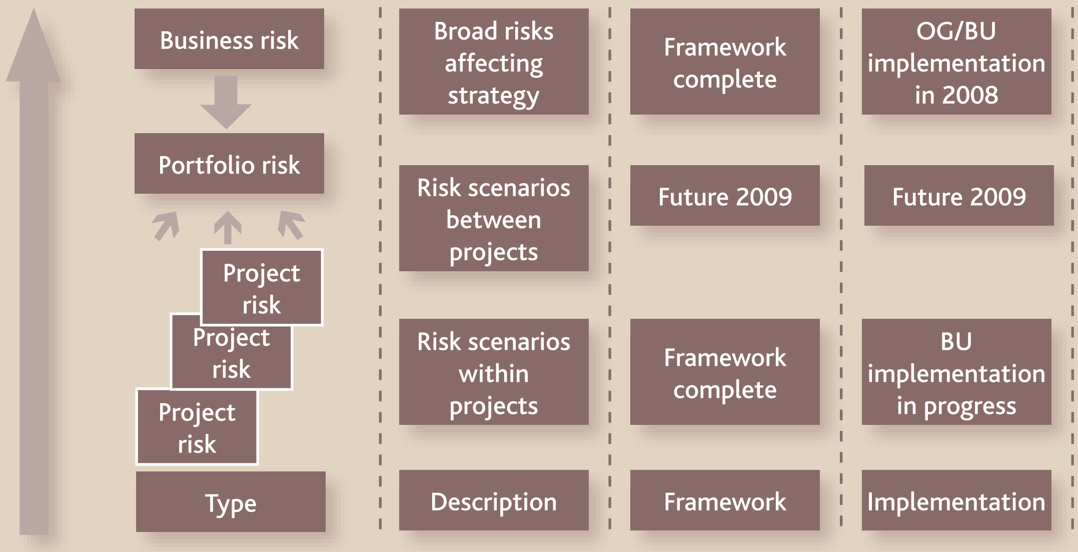
- Payment and the availability of suitable financing for infrastructure development
- Political and legislative stability in the project's area of operation
- The impact of environmental legislation in the project's area of operation
- The potential impact of competition legislation on the structure of the contracting industry.

The risk profile of any project or process is critical and full consideration is given at all levels to the mitigation, control, transfer and pricing of risk. Following this analysis, consideration is given to ensure that the risk reward ratio is appropriate and that the returns expected are commensurate with the risk assumed.

The board has during the year under review determined the appropriate project risk tolerance levels and policy and communicated these to line management. These risk tolerance levels take cognisance of the impact of the relative size of the project as well as its individual risk evaluation to ensure that an even-handed approach is followed in the analysis of risk to the group. These processes have been integrated into the day-to-day activities, and compliance with these requirements is regularly monitored.

The Aveng operational risk management process and implementation progress to date is summarised in the matrix below:

Risk matrix



Risk audit 2008/9

Business risk

A *'business'* is regarded to be individually and collectively every division, business unit and operating group within the group structure. The effective management of the group's business risks is dependent on all personnel taking responsibility and accountability for risk in their areas of operation. Risks are currently 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.

In considering risks within the group's control, the board seeks to identify risk areas that could potentially have a major impact on the group. The group has utilised the COSO subjective framework to assist them in achieving their business objectives within the operating groups and business units. The framework takes cognisance of the individual business imperatives and defines the risks in terms of their probability and impact. The process is dynamic and strives to provide a balance between realising opportunities for gain while minimising adverse impacts.

The components of business risk management include internal and external environment, objective setting, event identification, risk assessment, risk response, control activities and information and communication. The broad risk areas covered include global, geopolitical, societal, technological, reputational, ownership, country, legal and regulatory compliance, human resources and industrial relations, safety, health and the environment, economic cycle, currency and payment, contracting, manufacturing, weather and commodity price risks. A detailed analysis is undertaken which includes their probability of occurrence, impact and possible mitigation, or quantification of the financial implications. 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. As a result of this analysis residual risk is determined and the necessary controls and their contribution are determined.

The process is in the full implementation phase at Aveng Manufacturing and work-in-progress at Moolmans, E+PC and Grinaker-LTA. The preliminary phase of the implementation has commenced at Trident Steel.

The business risk framework will be expanded in 2009 to provide the relevant monitoring and audit functions.

Project risk

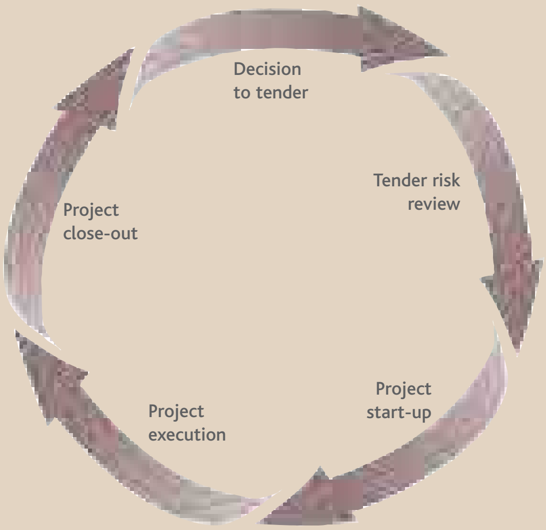
Over the past decade, the construction risk profile has changed dramatically, with many large customers successfully passing significant additional risk onto the contractor with no commensurate increase in return.

Internationally, the industry is responding through comprehensive analysis, as well as mitigation and control of project risk to ensure that overall project risk is within acceptable tolerance levels.

The risks associated with projects are potentially the biggest risks faced by the group. Accordingly, these risks undergo detailed evaluation to ensure that appropriate control measures are instituted at all levels.

Sustainability report continued

The process associated with project risk can be broken down into five key areas, each with its own unique challenges and focus. These are:



The decision-to-tender process reviews the project's strategic alignment with the relevant strategy and determines the macro risk profile of the project to determine the necessary approval authority level.

The tender risk process quantifies the project risks, defines the appropriate mitigation measures required and evaluates any necessary contingencies that may need to be considered to mitigate risk appropriately.

The project start-up process re-evaluates the project's overall risk profile and defines suitable control measures (KPIs) to be implemented to mitigate these risks.

The project execution risk process ensures that the KPIs are monitored and updated as any new risks may become apparent as a result of any changes or variations.
The project close-out phase ensures that the appropriate lessons learned are evaluated and disseminated.

The process as outlined above provides for continual learning and improvement in all phases of the project.

The process is well established for the "decision to tender" and "tender" phases and is in an advanced stage of implementation for the other phases. The implementation will be completed in all operations in 2009.

Portfolio risk

Work on the portfolio risk assessment process has commenced. This will focus on the impact of strategic risks on the operations and their impact on the businesses, companies and the group. This framework is expected to be introduced into the operations in late 2009. Evaluations of potential tools are at present being undertaken to ensure that the modelling processes will be effective and the interface requirements will not be too complex to use to facilitate use of the process in scenario planning.

Risk audit

The financial internal audit system in the group is well established. The risk audit system will leverage on the existing audit infrastructure to avoid duplication of effort and augment the functionality of the existing system in terms of auditing the project, as well as business and the future portfolio risk analysis.

This process will form an integrated audit process considering financial, commercial, safety, quality, programme, risk and other issues on a project or business. The process will include reviews and focus on learning's and appropriate feedback and controls to close out any shortfalls in specific areas whilst also transferring excellence across the group. The process is at an advanced stage of development and implementation has commenced. The development and implementation will be completed in all operations in 2009.

Corporate governance

Aveng believes 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 that of the JSE, this is noted and reasons 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 meeting the needs of all stakeholders.

Integrity

Organisational and personal integrity is one of Aveng's core values. The group's code of business conduct is set out on page 15 and is formally committed to annual review 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, appropriate 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.

Ethical behaviour

Aveng is committed to a policy that requires ethical behaviour of all its employees in all facets of their business at all times. It is the group's stated intent to demonstrate, commit to and entrench a culture of zero-tolerance to unethical behaviour. Unethical behaviour includes bribery, corruption and facilitation payments and may include certain gifts, hospitality, expenses and sponsorships, as well as charitable and political contributions made by the group.

Aveng, its operating groups and business units support the multi-industry and multi-national anti-corruption initiative to strengthen efforts to counter bribery and corruption. This

Sustainability report continued

Initiative was launched by the Engineering & Construction, Energy, and Mining & Metals Governors of the World Economic Forum, in co-operation with Transparency International and the Basel Institute on Governance.

These principles have been developed into a broad framework by the World Economic Forum called the Partnering Against Corruption Initiative (PACI) – principles for countering bribery to which Aveng is a signatory. These principles call for a commitment to two fundamental actions, namely:

1. a zero-tolerance policy towards bribery; and
2. development of a practical and effective implementation programme.

The anti-corruption framework developed by Aveng takes cognisance of the World Economic Forum Programme Against Corruption Initiative, the relevant legislation and the Corporate Code of Conduct. The framework covers the code of conduct, legislation, commitments, definitions, guidance, framework policies, controls and training required for the effective implementation of the group's anti-corruption framework.

The roll-out of the complete anti-corruption framework will occur during 2008. This will be followed by the requisite communication and training, production of information brochures for all employees and the implementation of the appropriate control, evaluation and audit systems.

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 11 directors. Six are independent non-executive, one non-executive and four executive directors. Their details appear on pages 16 and 17.

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

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. Executive directors are required to retire from the board at age 60. In terms of the company's articles of association, non-executive directors are required to retire from the board upon reaching 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 the shareholders at least once every three years. Non-executive directors can serve a maximum of three terms. Reappointment of non-executive directors is not automatic. The appointment of directors is based on recommendations of the remuneration and nomination committee and approved by the board. In terms of the company's articles of association, newly appointed directors are then required to stand for re-election at the next annual general meeting.

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 the 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 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.

In terms of the board's charter, the board is required to annually evaluate its own performance and that of each member of the board. The board's committees are also required to evaluate their performance as well as the performance of each member. The board has previously carried out these processes but is concerned about their effectiveness. As a result, the board is reviewing its evaluation processes in order to optimise the effectiveness thereof, and this new procedure will be applied for the 2009 financial year. The board as well as the committees have, however, formally reviewed their compliance with the respective mandates and are satisfied that they have materially fulfilled their obligations in terms of the charters for the 2008 financial year.

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 periods, 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 of 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

Sustainability report continued

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 the 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.

Chairman, chief executive and company secretary

The chairman is re-elected annually in June for a period of one year. The chairman serves as a 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.

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

Historically, the chairman of the board has been an independent non-executive director with no executive functions. However, from 1 April 2008 to 7 July 2008, the chairman, Angus Band, acted in an executive capacity pending the appointment of a chief executive officer to replace Carl Grim, who retired on 31 March 2008.

Board committees

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
Remuneration and nomination committee
Tender risk evaluation committee
Transformation committee.

The chairman of each of these committees reports verbally to the board and minutes of the committee meetings are circulated to directors. These committees in no way diminish the responsibility of the board.

The record of attendance by each member of the respective committees at the meetings of the committees during the year under review is reflected on pages 64 to 66 of this report.

Audit and risk committee

The committee's charter, which is aligned with the Companies Act Amendment, 2006, has been approved by the board and lists the primary purposes of the committee as:

- to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. It provides a forum for discussing internal control issues for developing relevant recommendations for consideration by the board;

- to assist the board in the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting;
- to review and assess the integrity of the internal control systems;
- to ensure that risk processes are in place; and
- to monitor the external auditors in terms of their qualifications to act as the company's auditors and to approve their fees for their services.

The committee will review the financial reporting processes in the company and its South African subsidiaries, the systems for internal control and the management of financial risks, the audit processes and the group's procedures for monitoring compliance with the Companies Act and other applicable statutory laws and regulations, and the group's own code of business conduct. The committee reviews regular reports over issues raised at the audit and risk committee meetings of its wholly owned Australian subsidiary, McConnell Dowell Corporation Limited, in order to ensure that issues are dealt with in terms of the Aveng charter, where appropriate.

The committee's scope and responsibilities are set out in detail in the charter and deal with issues relating to the external auditors and the annual audit, including authorisation for non-audit services, the financial statements, internal control and internal audit, risk management and organisational integrity and ethics.

The committee ensures that all matters contained in its charter are appropriately dealt with at the various meetings during the course of the financial period. The committee is satisfied that full compliance in terms of the Companies Act Amendment, 2006, has been achieved and that the material requirements of its charter have been addressed.

Membership

Members: PK Ward (Chairman), AWB Band, JR Hersov and MJD Ruck

The committee currently comprises four members, which is one more than would normally be the case. James Hersov completes three terms on the committee and will be retiring from the board and the committee at the company's annual general meeting in October 2008. During the year under review, the committee was chaired by Brian Steele, an independent non-executive director. Brian has reached the mandatory retirement age for non-executive directors and has been succeeded as chairman of the committee by Peter Ward, who is also an independent non-executive director.

All the members of this committee are independent non-executive directors and are financially literate and experienced in their fields.

The chief executive officer, the financial director, internal audit manager and the external auditors are in attendance at each meeting. Other members of staff attend as required. Executive attendees are not present during periodic discussions with the external auditors on executive openness and co-operation. The committee meets four times a year and the minutes of these meetings are included in the quarterly board papers.

Sustainability report continued

Internal audit

The directors are responsible for the group's system of internal control and the ongoing review of its effectiveness. This system of control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The internal audit and risk review structure is centralised and constantly examines and evaluates the appropriateness of the system of internal control, risk management and governance.

An important objective of internal audit is to assist management in the effective discharge of their responsibilities. 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 audit committee.

The internal audit manager has an indirect reporting line to the chairman of the audit and risk committee.

External audit

The external auditors regularly review the 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.

The external auditors attend the audit and risk committee meetings of Aveng. They are required to demonstrate a high level of ethical commitment and ensure that their professional independence is not impaired.

PK Ward
Chairman

Remuneration and nomination committee

The committee's charter has been approved by the board and lists the committee's primary purposes as:

- to ensure that the company's directors and senior executives are competitively rewarded for their individual contribution to the company's overall performance;
- to demonstrate to all stakeholders in the business that the remuneration of the senior executive members of the company is set by a committee of board members who have no personal interests in the outcome of their decisions and who will give due regard to the interests of the shareholders and to the financial and commercial health of the company; and
- to demonstrate to stakeholders that due consideration has been given to the appointment of directors to the board and that board performance is regularly reviewed.

In pursuit of these goals, the committee ensures that the following basic elements are in place and functioning throughout the group:

- The existence of a pay policy governing basic pay, benefits and short-, medium- and long-term remuneration.
- The existence and maintenance of a performance management process that correlates with the company's short-, medium- and long-term goals.
- The existence of a succession planning system throughout the group and in particular for senior management.
- The existence of a formal process for the appointment of non-executive directors.

The committee's scope and responsibilities are detailed in the charter and include:

1. Executive salary reviews

The committee reviews the salaries of the chief executive officer, executive directors, members of the Aveng executive committee and senior management, which includes the direct reports to the Aveng executive committee members. In reviewing the executives' salaries, the committee takes into account market competitiveness based on market survey data, internal pay equity as well as the performance of the various executives.

2. Variable pay reviews

2.1 Short-term incentive review

The committee reviews and approves the short-term incentives to be paid to executive and senior management annually in September after the audited results for the prior year have been released. Going forward, the committee will also approve the short-term incentive targets for the new financial year. The targets consist of both financial and non-financial key performance indicators (KPIs) with the non-financial KPIs being currently based on the group's five strategic themes of safety, winning the talent war, transformation, operational efficiency and growth.

2.2 Long-term incentives

The long-term incentives for most senior managers are in the form of a deferred cash bonus and for the most senior executives a combination of deferred cash bonuses and Aveng Limited share options. The committee approves any long-term incentive design for executive and senior management across the group, as well as payments or share option grants to the CEO, executive directors, Aveng executive committee members and their direct reports in terms of the rules of the long-term incentive plan.

3. Performance management

A common performance management process is to be developed and rolled out during the course of the 2008/2009 financial year to govern the performance and development of executive and senior management. This process will, *inter alia*, ensure that the performance

Sustainability report continued

targets that are set for the CEO, executive directors and senior executives are effectively cascaded to their respective direct reports and that there is regular review of performance throughout the year.

4. **Common grading system**
   Significant progress has been made with the implementation of a common grading system for all salaried employees in South Africa.

5. **Succession planning**
   A succession planning process is being developed to enable the committee to review succession plans for the executive and senior management positions in the group.

6. **Non-executive director remuneration**
   The committee reviews the fees of the company's non-executive directors and, based on market benchmarks and other relevant considerations, makes recommendations to the board. Once approved by the board, the recommendations are put forward at the annual general meeting of the company's shareholders for approval.

Membership

Members : RL Hogben (Chairman), AWB Band and VZ Mntambo

With effect from 1 January 2008, the remuneration and nomination committees were amalgamated into one committee under the chairmanship of Rick Hogben, an independent non-executive director. All the members of the committee are independent non-executive directors. Meetings of the committee are attended by the chief executive officer, Roger Jardine, and the human resources director, Juba Mashaba.

The King II report recommends that the chairman of the board chairs the committee dealing with board nomination issues.

As the chairman of the board is a member of the committee which considers nomination issues, Aveng is satisfied with the structure of the committee and the processes in place for the appointment of directors.

RL Hogben
Chairman

Tender risk evaluation committee

The systematic risk assessment process is the foundation of the group's management philosophy. The process ensures that the risk associated with opportunities are identified, evaluated and managed at the appropriate level in the organisation.

The primary purposes of the committee are to:
- review risk aspects of the tenders that present significant potential risk to the group either as a result of the size, complexity or geographical location;
- approve capital expenditure required for major projects; and
- provide the operating groups with a framework with closely defined parameters within which bids can be submitted or contracts negotiated.

The construction risk profile has, over time, changed dramatically with many large clients looking to pass significant additional risk onto the contractor with no commensurate increase in return. The group has in place a risk management framework which provides for these risks to be evaluated in detail and the appropriate control measures instituted at all levels.

The risk review process commences with each operating division's executive committee. The decision to tender as well as tender authority levels are specified in the Aveng limits of authority. The decision to tender is taken at the defined authority level, based on the project's size, its complexity and degree of fit with the strategic focus of the operation and group, existing group experience and technical capability. The decision to move the review process to a higher level is based on a clearly defined set of size and complexity criteria. Smaller and less complex projects are reviewed at business unit or operating group level. Large and complex or high-risk projects are reviewed by the group risk manager and then presented by the operating group management to the committee.

Membership

Members: WR Jardine (Chairman), AWB Band, DR Gammie, DG Robinson, MJD Ruck, NL Sowazi and PK Ward

Meetings are attended by the group risk manager and an outside construction expert with some 40 years' experience in the industry. As a result of the buoyant state of the industry and the number of major projects coming to the market, the committee met on 21 occasions during the year under review. As meetings cannot be planned well in advance, members of the committee attend meetings whenever they are able to do so. With effect from 1 October 2008, non-executive directors on the committee will be paid on a 'per meeting' basis.

WR Jardine
Chairman

Transformation committee

Aveng is committed to the philosophy of transformation. Aveng promotes the transformation of the sector to address BBBEE, enhance capacity and increase productivity to meet world best practice. It will strive to stay ahead of its competitors in fields of BBBEE compliance in the knowledge that to do so will result in a competitive advantage for the group.

The committee, which was established on 1 January 2008, has a charter that has been approved by the board and lists the primary purposes of the committee as:

- to pro-actively review management actions and efforts to comply with relevant legislation and charters, including the review and recommendation, for approval by the board, of policies, strategies and plans for management implementation, to ensure that the company complies with the Construction Charter;
- to guide, monitor, review and evaluate Aveng's decisions and progress on transformation with specific reference to the key elements of the Construction Charter scorecard; and
- to evaluate and formulate recommendations on major BBBEE initiatives.

The committee will ensure that the key elements of the Construction Charter scorecard are advanced, namely ownership, management control, skills development, employment equity, preferential procurement, enterprise development and socio-economic development. Targets in respect of each of these elements have been set for Aveng's South African subsidiaries and will be monitored on an ongoing basis.

Membership

Members: VZ Mntambo (Chairman), AWB Band and RL Hogben

All the members of the committee are independent non-executive directors and meet as circumstances dictate, but at least three times a year. Meetings of the committee are attended by the chief executive officer, Roger Jardine, the human resources director, Juba Mashaba, and relevant Aveng senior management.

VZ Mntambo
Chairman

Sustainability report continued

Record of attendance at meetings of the directors for the year ended 30 June 2008

Board meetings

		INDEPENDENT	Scheduled				Ad hoc			
			7 September 2007	7 December 2007	7 March 2008	11 July 2008	14 August 2007	12 February 2008	26 March 2008	12 May 2008
AWB Band	Chairman	•	✓	✓	✓	✓	✓	✓	✓	✓
WR Jardine[1]	Chief executive					✓				
C Grim[2]	Chief executive		✓	✓	✓		✓	✓	✓	
DR Gammie	Executive		✓	✓	✓	✓	✓	✓	✓	✓
L Gcabashe (Ms)[3]	Non-executive	•		✓			✓			
JR Hersov	Non-executive	•	✓		✓	✓	✓	✓	✓	
RL Hogben[4]	Non-executive	•	✓	✓	✓	✓		✓	✓	✓
JJA Mashaba[5]	Executive			✓	✓	✓		✓	✓	✓
VZ Mntambo	Non-executive	•	✓	✓		✓	✓		✓	✓
DG Robinson	Executive		✓	✓	✓	✓	✓	✓		
MJD Ruck	Non-executive	•	✓	✓	✓	✓	✓	✓		✓
RB Savage[6]	Non-executive	•	✓	✓	✓	✓	✓	✓		✓
NL Sowazi	Non-executive		✓	✓	✓	✓	✓			✓
BP Steele[7]	Non-executive	•	✓	✓	✓		✓	✓	✓	✓
PK Ward	Non-executive	•	✓	✓	✓	✓	✓	✓	✓	✓

[1] *Appointed 7 July 2008*
[2] *Resigned 31 March 2008*
[3] *Resigned 24 January 2008*
[4] *Appointed 1 September 2007*
[5] *Appointed 1 October 2007*
[6] *Resigned 11 July 2008*
[7] *Resigned 20 June 2008*

Note: *Ad hoc meetings are generally called at short notice and can result in some directors being unavailable.*

Record of attendance at meetings of board committees for the year ended 30 June 2008

Audit and risk committee

		Independent	6 September 2007	6 December 2007	6 March 2008	10 July 2008
PK Ward[1]	Non-executive chairman	•	✓	✓	✓	✓
AWB Band	Non-executive	•	✓	✓	✓	✓
JR Hersov	Non-executive	•	✓	✓	✓	✓
RL Hogben[2]	Non-executive	•			✓	
MJD Ruck[3]	Non-executive	•	✓	✓		✓
RB Savage[4]	Non-executive	•	✓	✓	✓	✓
BP Steele[5]	Non-executive	•	✓	✓	✓	

[1] *Appointed chairman on 21 June 2008*
[2] *Appointed to the committee 1 January 2008 and then reassigned to the remuneration and nomination committee with effect from 1 April 2008*
[3] *Reassigned to the remuneration and nomination committee with effect from 1 January 2008 and then reappointed to the committee on 1 April 2008*
[4] *Resigned 11 July 2008*
[5] *Resigned 20 June 2008*

Remuneration and nomination committee

		Independent	7 September 2007	7 December 2007	13 June 2008	10 July 2008
RL Hogben[1]	Non-executive chairman	•			✓	✓
AWB Band	Non-executive	•	✓	✓	✓	✓
VZ Mntambo	Non-executive	•	✓	✓		✓
RB Savage[2]	Non-executive	•	✓	✓		✓

[1] *Appointed 1 April 2008*
[2] *Resigned 11 July 2008*

Transformation committee

		Independent	4 March 2008	6 May 2008	9 July 2008
VZ Mntambo	Non-executive chairman	•		✓	✓
AWB Band	Non-executive	•	✓	✓	✓
RL Hogben	Non-executive	•	✓	✓	✓

Note: *This committee was formed on 1 January 2008.*

Sustainability report continued

Record of attendance at meetings of board committees for the year ended 30 June 2008 *(continued)*

Tender risk evaluation committee

	10 July 2007	25 July 2007	7 Sept. 2007	3 Oct. 2007	26 Oct. 2007	13 Nov. 2007	29 Nov. 2007	6 Dec. 2007	14 Jan. 2008	24 Jan. 2008	25 Jan. 2008	11 Feb. 2008	7 Mar. 2008	18 Mar. 2008	27 Mar. 2008	9 April 2008	15 April 2008	24 April 2008	8 May 2008	29 May 2008	13 June 2008
C Grim[1]	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓						
AWB Band	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
DR Gammie		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
DG Robinson			✓										✓								
MJD Ruck[2]									✓	✓	✓	✓				✓	✓			✓	
RB Savage[3]					✓	✓		✓													
NL Sowazi[4]															✓		✓		✓		
BP Steele[5]	✓		✓	✓	✓			✓				✓	✓		✓	✓					
PK Ward[6]											✓	✓	✓	✓	✓	✓	✓	✓		✓	✓

[1] *Resigned 31 March 2008*
[2] *Appointed 1 January 2008*
[3] *Resigned 11 July 2008*
[4] *Appointed 1 January 2008*
[5] *Resigned 20 June 2008*
[6] *Appointed 1 January 2008*

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 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, corporate advertising, website, one-on-one meetings and telephone calls.
Employees	Internal newsletters, intranet site, staff meetings, social gatherings, labour union meetings, employee handbooks, training sessions, performance reviews, e-mail announcements.
Clients	Service and supply contracts, meetings, letters, e-mail updates, account statements, formal functions, personal visits, regular phone calls.
Business partners	Agreements, meetings, letters, e-mail updates.
Major contractors, suppliers and business partners	Contracts and service agreements, meetings, letters, e-mail updates, workshops, industry body meetings, formal functions, personal visits, regular phone calls.
Public and communities in which the group operates	Public relations, financial results, advertisements, website, sponsorships, meetings with community leaders and corporate social investment.
Government, local authorities and regulatory bodies	Tenders, presentations, formal and informal meetings, consultations, representations, seminars, workshops and other regulated formats.

Sustainability report continued

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. 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.

Detailed interim and annual results are issued in the form of written reports, profit announcements in national newspapers, updates on the JSE Limited news service (SENS), formal announcements, media releases, annual general meetings and investor relations presentations. Investors also have access to updated financial information and webcasts of results presentations on the investor relations page on the Aveng website – www.aveng.co.za.

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. As there is substantial interest from international investors in Aveng, senior executives also participate in investment conferences in the United Kingdom and the United States of America.

The group's investor relations programme aims to pro-actively 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.

In addition, the chief executive and financial director endeavour to make themselves available to shareholders, the media and other stakeholders, and encourage direct discussion with the board and management, except during closed periods.

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.

The group's annual report for the past five years has been ranked in the "Excellent" category in the Ernst and Young Inc.'s survey, "Excellence in Corporate Reporting". This is an external confirmation that the group's goal of high-quality financial and non-financial reporting is being achieved. The ranking is seen as an acknowledgement of the considerable effort that is put into the group's reporting and disclosures, and gives reassurance that the current level of voluntary disclosure is acceptable.

Aveng acknowledges that it is accountable to a wide group of stakeholders, including its employees, the communities affected by its operations, its clients and business partners. For this reason, in the past three 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.

Examples of significant stakeholder engagements during the year include the following:

- Investor presentations were held for both interim and year-end results, as well as a site visit to the Soccer City and Orlando Stadium construction sites in October 2007 with more than 40 investors.
- Investors and analysts were invited to an open day with the management teams of Grinaker-LTA, Moolmans and E+PC in May 2008.
- The Aveng Group hosted several members of the media as well as the students of the Mastery Academy of Construction from CIDA City Campus and industry leaders to a site visit to the Soccer City and Orlando Stadium construction sites in May 2008. The group handed over a donation of R3 million to the CIDA City Campus in support of the crucial role that the institution is playing in developing skills for the country.
- Grinaker-LTA engaged extensively with local government, provincial government, sport and recreation, the Minister of Labour, CCMA national offices, trade unions, mainly relating to the construction of the 2010 World Cup stadia.
- All operating groups maintained active participation in industry summits and conferences, including presentation of technical papers, employers' organisations, such as SAFCEC, CIDB, NBF, NBI, Business Trust, MBSA, CTCC, SEIFSA, SAISC and other industrial bodies while Grinaker-LTA also engaged with FIFA.

  The company also engaged with the Department of Education in supporting their FET initiatives and has continued to provide financial support to the University of the Witwatersrand's engineering and architecture faculties.
- In keeping with its commitment to supporting skills development, Grinaker-LTA worked closely with the Construction CETA, MERSETA and the Department of Labour.
- The Aveng Group (excluding McConnell Dowell) makes use of cultural transformation tools to assess the culture of the organisation. These tools compare the employee's personal values to the company's current values and finally to the values that are desired in order for the organisation to be high performing. The tools were used for two consecutive years and the improvement in the positive culture of the organisation has been remarkable as indicated by the 2008 results.
- The Aveng Manufacturing group of companies engaged with the Department of Mineral Affairs on mine safety, SIMRAC.
- In ensuring that their products meet safety and quality standards, group companies also engaged with SANAS committees.
- E+PC worked in close collaboration with an external consultant to define its culture and value systems in the interests of enhancing its employee value proposition.

Sustainability report continued

Contributing to a sustainable economy

Aveng's capacity to act as a responsible corporate citizen is directly influenced by its financial performance. The group is dedicated to building and maintaining a robust, enduring business for the benefit of all its stakeholders and the South African economy and society. Aveng is committed to keeping accurate and reliable records that fairly reflect all business transactions in terms of the International Financial Reporting Standards, to ensure that the group is able to properly manage its affairs and meet its legal, financial and reporting obligations.

Wealth creation

Aveng strives to contribute positively to the development of society and the South African economy, through the creation of wealth and aims to improve its financial performance year-on-year to achieve excellent growth in all aspects of the business and increased wealth for its stakeholders and the communities in which it operates.

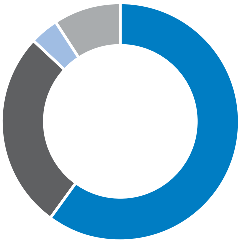
The value added statement is a measure of the wealth created by the group during the year under review. It equates to the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. The statement shows the total wealth created and how it was distributed.

Value added statement for the group

at 30 June 2008

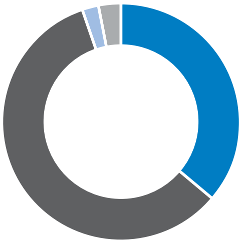
	2008 Rm	2007 Rm
Revenue	29 621,6	22 093,3
Net cost of products and services	19 716,3	8 721,2
Value added by operations	9 905,3	13 372,1
Income from investments and interest	946,0	240,7
Total value added	10 851,3	13 612,8
Applied as follows to:		
Employees as salaries, wages and other benefits	6 467,2	4 897,7
Providers of capital – financing costs	79,8	155,0
– dividends	330,8	147,9
The state as direct taxes	1 011,4	468,2
Total value distributed	7 889,2	5 668,8
Reinvested in the group – amortisation and depreciation	652,9	459,4
– reserves retained	2 309,2	7 484,6
Total value added	10 851,3	13 612,8

2008



Employee costs	60%
Retained for future growth	27%
Capital providers	4%
Taxation	9%

2007

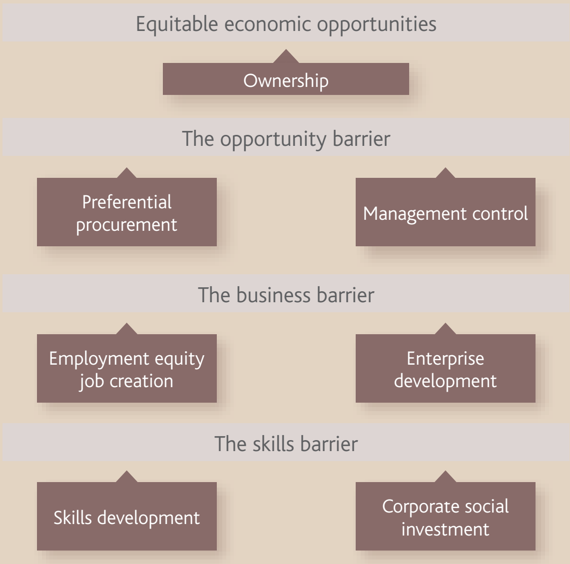


Employee costs	37%
Retained for future growth	58%
Capital providers	2%
Taxation	3%

Transformation

Strategy

The group has evaluated the approach to BBBEE and has embraced the seven pillars of BBBEE as defined in both the Construction Charter and the DTi codes of good practice. In summary, Aveng sees the broad-based BEE approach as follows:



Aveng, after due consideration, has defined a clear vision in the transformation process. This vision is as follows:

"Aveng seeks to actively promote skills development, employment equity and enterprise development and in so doing reduce opportunity barriers to contribute to an environment where there are more equitable economic opportunities for all South Africans."

Group transformation

Aveng is committed to the philosophy of transformation. In order to promote transformation of the sector, enhance capacity and increase productivity, Aveng has established a transformation committee (see page 63).

In order to achieve this transformation, a clear line of responsibility and champions for the process have been defined and implemented. This includes a clear definition of levels of responsibility and ultimately who holds responsibility for specific actions at each level in the group.

Targets have been developed for Aveng (Africa) and Trident Steel for all seven pillars of BBBEE with subtargets for the operating groups in Aveng (Africa). These targets have been developed for the period to 2014. The targets reflect various interim targets and are designed to ensure that by 2014 both Aveng (Africa) and Trident Steel will be Level 3 or 110% contributors to BBBEE. In addition, Aveng has set itself the target to be a 100% contributor in Aveng (Africa) by 2010 and in Trident Steel by 2011 for both the Construction Charter and the DTi code of good practice. These organisations initially were verified in 2007. Aveng (Africa) was accredited as a Level 5 or 80% contributor and Trident Steel a Level 7 or 50% contributor to BBBEE. Verification of their BBBEE status will be undertaken on an annual basis to ensure we are meeting or exceeding our stated objectives. The verification for 2008 is currently in progress and the reports are expected in September 2008.

Sustainability report continued

Ownership

Aveng led the way in the construction and steel industries by being the first significant group to conclude a high-level black economic empowerment transaction in February 2005. The Qakazana Consortium, a broad-based consortium led by TisoGroup, holds a 25% interest in Aveng (Africa) Limited (comprising Grinaker-LTA, E+PC, Moolmans and Aveng Manufacturing) and Trident Steel Holdings (Pty) Limited.

The nature of the transaction gives TisoGroup both the incentive and the opportunity to contribute strategically and operationally to the business. The consortium has two seats on each of the boards of Aveng (Africa) and Trident Steel.

In addition, as at 28 December 2007, the black ownership in the Aveng Group is 10,19% and the mandated investments are 77,77%.

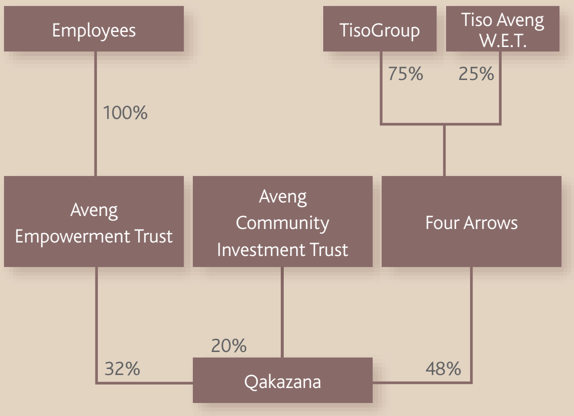
Further, the group's BEE effective ownership credentials will be strengthened by its support for a substantial BEE transaction through the sale of the 46% stake in Holcim (Africa). It is anticipated that Trident Steel and Aveng (Africa) will exceed the targets for the ownership element of the BBBEE.

The targets set in the DTi code of good practice of 25%+1 vote and the Construction Charter of 30% are expected to be exceeded in both Aveng (Africa) and Trident Steel in the near future.

McConnell Dowell Corporation is excluded from the ownership evaluations in terms of the DTi codes as it is an offshore company based in Australia.

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 in excess of 60% of the profits of the deal will go to broad-based community groups. This contribution to broad-based groups is an important component of the transaction to Aveng.



The members of the Qakazana Consortium are as follows:

- TisoGroup
  TisoGroup is focused on natural resources and related goods and services, and investment banking. It is headed up by Nkululeko Sowazi and David Adomakoh.
- Aveng Community Investment Trust
  The trust is overseen by independent trustees, and Aveng has registered the trust as a public benefit organisation and has a section 18A certification for tax exemption.

  Details of the group's corporate social investment initiatives are contained on page 91.

- Tiso Aveng Women's Empowerment Trust
  The Tiso Aveng Women's Empowerment Trust was established to benefit previously disadvantaged broad-based women's groupings.
- Aveng Empowerment Trust
  The Aveng Empowerment Trust reserves 100% of its equity for permanent employees of Grinaker-LTA, E+PC, Moolmans, Aveng Manufacturing and Trident Steel. The intention is to make allocations of units to each employee in these businesses for the duration of the scheme. Allocations are of equal size for all employees, irrespective of seniority. However, in specific circumstances senior black employees may also be eligible for additional units at the discretion of the trustees. To date, 3 768 500 shares have been issued by the trust to the employees.

Future equity participation opportunities

Currently Aveng does not envisage entering into another empowerment deal on a group level as the Qakazana deal covers its South African footprint. 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, then Tiso will become an Aveng shareholder.

Control

The targets for the relevant companies have been set for the period to 2014.

At present the percentage of black directors on the boards are as follows:

- Aveng Limited – 25% (12,5% using the DTi calculation tool allowing for adjusted recognition for gender(ARG)).
- Aveng (Africa) – 23,1% (11,5% using the DTi calculation tool allowing for ARG).
- Trident Steel – 20% (10% using the DTi calculation tool allowing for ARG).

Employment equity

Employment equity is dealt with in detail in the section on social impact on page 83 of this report.

Skills development

Skills development is dealt with in detail in the section on social impact on page 83 of this report.

Procurement

Aveng has set a target of 55% to 60% of total procurement spend from black enterprises, 8% to 15% for QSEs, QMEs, black-owned and black women-owned enterprises for its operations by 2014. The group is currently on target to achieve these objectives.

Organisational transformation has created the necessary focus to not only improve preferential procurement scores, but to redefine the day-to-day approach towards the award of business to external business partners. This approach communicates the strategic intent and commitment of the group.

Currently the group gives first preference to black-owned companies, followed by black-empowered companies. As far as possible Aveng procures its supplies and services and recruits its workforce from local communities, particularly when operating in remote and rural areas. However, in giving preference to black 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.

Sustainability report continued

In undertaking responsible procurement, supplier sustainability is considered to be a critical success factor. Accordingly, the procurement function across the group places a major emphasis on preferential procurement on the development and mentoring of the supplier, where applicable. This is considered to be a critical factor in demonstrating the group's responsibility towards the transformation of our external business partners and the sector as a whole. Procurement rules and policies are defined to match the criteria of the Construction Charter, the relevant sector codes or the DTi code of good conduct.

A group wide procurement system has been implemented with the necessary processes to enable the reporting on a consolidated level to provide an auditable track record while creating a focus in areas which may require pro-active intervention and support. Individual operating groups and business units operate within this framework when selecting suppliers and vendors that are competent and technically capable with the appropriate BEE credentials to undertake the work.

The programme to accredit all suppliers is ongoing. The questionnaires include all BBBEE aspects of the relevant sector codes, the DTi codes of good practice and the Construction Charter. This process will take some time to complete due to the inability of the relevant suppliers to supply the requisite data.

Enterprise development

Aveng believes that the most value it can add to the process of BBBEE 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 BBBEE 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 partnerships as well as joint ventures between Aveng's operating entities and black-owned companies and entrepreneurs. These activities are an effective way to transfer skills and encourage entrepreneurs to achieve their business goals. To this end the group is developing an enterprise development programme to ensure that the companies developed are where possible sustainable in the long term.

The present enterprise development expenditure in Aveng (Africa) and Trident Steel exceeds the requirements laid down in both the Construction Charter and the DTi codes of good practice.

Partnerships

In Aveng's enterprise development strategy, the first focus area is to establish a company with black shareholders who wish to be actively involved in an empowerment partnership. Typically, the underlying Aveng operation will generally hold a share in the company in the early stages of its development, which may be reduced over a period of time, with black shareholders owning at least 51% of the company. In the final stages, the operating entity will exit the partnership once it is satisfied that the empowerment partner has acquired the necessary skills and will be sustainable in its own right.

As with all new enterprises, there are inevitable business failures, but Aveng prides itself on having predominantly created business success stories. Currently Aveng's enterprise development partnerships cover a wide spectrum of the group's activities in South Africa.

The table below sets out the enterprise development relationships that existed with the group's businesses as at 30 June 2008:

Enterprise development

Year established	Empowerment company	Nature of business	Aveng's effective % interest
2001	Empowa Grinaker-LTA (Pty) Limited	Manufacture and supply of concrete railway sleepers and other concrete products	37,5
2002	Ensimbini Reinforcing (Pty) Limited	Cut, bend and supply of reinforcing steel	15,0
2004	Fraser & Chalmers Siyakha (Pty) Limited	Construction, installation and services in the mechanical, piping electrical and instrumentation disciplines for the petrochemical industry	56,2
2003	Grinaker-LTA Vuselela Spares Supply (Pty) Limited	Market, sell and distribute spares and/or licensed equipment to the mining, chemical, energy and petrochemical industries	36,8
1998	KZN Reinforcing and Fixing Services (Pty) Limited	Fixing and positioning of reinforcing steel on a subcontract basis	25,0
2003	Lennings DEC Rail Services (Pty) Limited	Railway infrastructure development	52,5
2002	Lesedi Tracks (Pty) Limited	Underground rail track construction	18,8
2001	Reinforcing Fixing Services (Pty) Limited	Supply and fixing of reinforcing steel	24,8
2003	Rekaofela Refractory Services (Pty) Limited	Refractory installation and maintenance services	52,5

Sustainability report continued

Joint ventures

In Aveng's enterprise development strategy, the second focus area is entering into numerous joint ventures with local black contractors on a contract-by-contract basis for specific products and services. Generally, where possible, the same partners are used on subsequent works to ensure sustainable development of the enterprises.

The table below lists some major joint ventures in existence with local black partners during the 2008 financial year:

	Joint ventures	
Project	Empowerment company	Aveng joint venture partner
Uitenhage Hospital, Port Elizabeth	Boshard Construction	Grinaker-LTA Building Cape
Tinley Manor Civils – Reservoirs	KZN Concrete Projects	Grinaker-LTA Roads & Earthworks
OR Tambo Airport Secondary Runway	Black Top Surfaces (Pty) Limited	Grinaker-LTA Roads & Earthworks
OR Tambo Airport Yankee Taxiway	Black Top Surfaces (Pty) Limited	Grinaker-LTA Roads & Earthworks
Cape Town Airport	Zebra Bituminous Surfacing CC	Grinaker-LTA Roads & Earthworks
OR Tambo Airport Alpha Taxiway	Black Top Surfaces (Pty) Limited	Grinaker-LTA Roads & Earthworks
OR Tambo Airport Charlie Taxiway	Boitshoko Road Surfacing & Civil Works CC	Grinaker-LTA Roads & Earthworks
Fairmont Hotel Infrastructure	Supermining & Civils (Pty) Limited	Grinaker-LTA Roads & Earthworks
Zimbali Infrastructure, KwaZulu-Natal	Supermining & Civils (Pty) Limited	Grinaker-LTA Roads & Earthworks
Berg River Dam, Franshhoek	Western Cape Empowerment Contractors (consortium of BEE organisations)	Grinaker-LTA Roads & Earthworks
Bethal Kriel Road Rehabilitation	Ulusha Projects (Pty) Limited	Grinaker-LTA Roads & Earthworks
Sea Water Canal	Turnstyle Investments (Pty) Limited	Grinaker-LTA Roads & Earthworks
Ugie Platforms	Supermining & Civils (Pty) Limited	Grinaker-LTA Roads & Earthworks
Mt Fletcher Road Rehabilitation	Toba Civils	Grinaker-LTA Roads & Earthworks
Kimberley Prison	Keren Kula Construction (Pty) Limited	Grinaker-LTA Building Inland
Montecasino Phase II	Sivukile Contractors (Pty) Limited	Grinaker-LTA Building Inland
Civitas Building Upgrade – Pretoria	Keren Kula Construction (Pty) Limited	Grinaker-LTA Building Inland
Gauteng Freeway Improvement Project – Packages C and F	Moseme and Boitshoko Road Surfacing	Grinaker-LTA Roads & Earthworks

Socio-economic development

Corporate social investment is dealt with in detail in the section on social impact on page 91 of this report.

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. Aveng does not assess and quantify its indirect economic impacts. However, some of Aveng's indirect economic benefits are as follows:

- Expenditure on products and services to suppliers amounted to R19,7 billion, which in turn creates opportunities for our suppliers to employ more staff to keep pace with the group's demands.
- The group uses the products and services of a large range of people and companies in many regions around the world. Through its supply chain, the group injects wealth into those communities from which it procures.
- The group also works extensively with contractors and subcontractors on projects across all operations. In this way it supports the growth and development of smaller businesses, injecting wealth into their communities.
- Aveng engages actively with small businesses in the role of mentor through its enterprise-development programmes, offering assistance in growing and developing their businesses, thereby indirectly contributing to the socio-economic development of South Africa.
- The company often constructs infrastructure and other assets which are beneficial to the economy and the communities in which the project is located. For example, the development of alternative, renewal energy sources, the building of wharfs to increase the country's import and export abilities and the construction and maintenance of roads and airport runways to improve transportation services, etc. Projects, including the 2010 FIFA World Cup stadium, Soccer City stadium outside Soweto and Nelson Mandela stadium in Port Elizabeth, have created national pride while also providing much-needed economic and social infrastructure and services.
- New innovations and research and development are supported by the organisation which is of economic benefit to the country. The construction, mining and manufacturing industries are always seeking innovative ways to enhance their products, services and work processes to ensure improved quality, cost-effectiveness, safety and speedier delivery, while also minimising impacts on the environment and society. Research and development to create fresh innovations is regularly conducted by various business units within the group to improve on and develop new products and processes and minimise any negative impacts of its current practices.

Sustainability report continued

Contributing to a sustainable environment

Scope of this report

In line with the Aveng Group's commitment to the continued relevance of its sustainability reporting process as well as the continuous improvement initiative, targets were put in place for all operating groups, relating to environmental record keeping and reporting, that will enable the Aveng Group to comply with best practice by 2010.

The impact of the group's activities on the environment are varied, given the diversity of Aveng's business interests, which include some potentially high impact activities like roads and earthworks, opencast mining, property development and the manufacture of steel products. As such, Aveng remains committed to developing environmental management systems (EMSs) based on ISO 14001 within all the group's operations and elsewhere as appropriate. We also ensure that our clients conduct full EIAs and obtain records of decision where appropriate before we commence our work.

Management and performance

Environmental management systems (EMSs)

Aveng's operating entities continued to make progress towards obtaining ISO 14001 certification across all its operating entities during the year:

- Grinaker-LTA's operations continued to make progress towards ISO 14001 certification, with Building (East) completing the certification process. The certification target date for all the operations is June 2009.
- E+PC is in the midst of preparations to conduct the first baseline audit towards ISO 14001 certification during the 2009 financial year.
- Moolmans generally works according to the standards set by its large multinational mining clients on each of its projects. Customers, such as Anglo, BHP Billiton and Ingwe, are ISO 14001 compliant and, accordingly, Moolmans adheres to their requirements. ISO 14001 certification at other mines, including Phoenix Mine in Botswana and Langer Heinrich Uranium in Namibia, are currently in progress.
- During the year, Trident Steel continued making progress towards obtaining ISO 14001 certification at its Roodekop manufacturing facility.
- McConnell Dowell has an ISO 14001 accreditation, which covers all its operating companies.

We are committed to obtaining globally recognised EMS accreditations, such as ISO 14001, as these provide evidence to our stakeholders that we are conducting our business in an environmentally sustainable manner. In addition, this is becoming essential for companies that need to register for trade licences in foreign countries. Part of these applications contain a qualification process where the companies' environmental impacts, along with other sustainability issues, are evaluated as part of one of the deciding factors for granting the necessary trade licence.

The group's operations that have ISO 14001 certification are able to offer ISO 14001 Environmental Management System training to staff. This training programme provides education, training and awareness which highlights the importance of each individual's role and responsibility to comply with legislative requirements.

Risk assessment

The nature of the group's activities, where contracts are completed on clients' properties, on their behalf, means that EIAs generally fall into the clients' areas of responsibility. However, Aveng operating companies work actively with customers to define the best solution to mitigate the impact on the environment. For more information refer to the risk management report on page 50.

Legal compliance

Aveng maintained its track record of successfully completing significant construction projects throughout the developing world without ever having had a major environmental incident. The group has also never 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. Provision is made in EMSs for clean-ups and funding is set aside in the event of an environmental incident. In addition, the group makes provision for rehabilitation funding on the closure of all quarries and mines.

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

Green procurement

Aveng continued to support green procurement, using its purchasing power to give preference where possible to contractors and suppliers that adopt environmentally responsible practices. The group's environmental policy requires all business units to ensure that subcontractors and suppliers adopt environmentally responsible practices.

In addition, the group encourages the use of environmentally friendly products in the day-to-day activities of its business units.

Impacts

Materials

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

Primary focus areas	Business	Key materials used
Construction and Engineering	Grinaker-LTA , E+PC and McConnell Dowell	Building and construction materials, including bricks, cement, stone and sand, metals, particularly steel, paints, emulsions, polymers and solvents, oils and lubricants, fuel, wood, tar
Opencast Mining	Moolmans	Oils, lubricants and fuel
Manufacturing and Processing	Trident Steel, Infraset, Duraset, Steeledale and Lennings Rail	Steel and alloys, acids, oils and lubricants, packaging materials, carbon, oxygen, nitrogen and LPG gas

Sustainability report continued

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. Although no meaningful data is currently available on the quantities of raw, waste and recycled materials used across the group's operations worldwide, the Aveng Group has laid down targets to report on the treatment of these materials by 2009.

Energy

It has not to date been possible to accurately measure the group's use of electricity due to the geographical and operational diversity of the activities. However, Aveng has set down targets for all operating groups and business units to report energy consumption on energy use (kWh) as well as CO_2 (tons) emission by 2009.

Currently the main sources of energy used by the group are:

- coal and electrical power;
- gas;
- nuclear energy from Eskom in the Western Cape;
- diesel fuel; and
- sources of renewable energy such as biomass alternative fuel.

Over the years the group has undertaken research and development projects on behalf of clients and on its own initiative to investigate alternative sources of energy that are cost-effective, environmentally friendly and sustainable, as well as new initiatives to increase energy efficiency. Some of these initiatives are discussed under the operational examples below. 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.

Operational examples of energy conservation:

- Trident Steel is currently implementing a programme to instal power correction units at the Roodekop site. Energy-efficient lights have been installed with a plan to instal these lights in all the remaining factories.
- Aveng Manufacturing has reduced electricity consumption by at least 10% by redesigning, replacing and renewing electrical motors and switchgear. A full-time electrical engineer was employed. New curing systems, office lights and air-conditioners that automatically switched off at night were also introduced.
- McConnell Dowell implemented sensor switches for all the lights in its Melbourne office.

Water

The scarcity of potable water continues to be a source of concern for South Africa. The ever-present threat of wide-ranging drought has become the responsibility of every South African citizen. 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.

Water is also a major issue for the Australian operations. Government is supporting extensive infrastructure investments to ensure the supply of potable water, while restrictions have also been applied to limit consumption on building sites. During the year under review, none of the group's operations reported any significant discharges to water. Additionally, no water sources and related ecosystems were 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. The group's operations source a substantial amount of their water requirements from municipal and local government water supply systems. Alternate sources of water, such as recycled and borehole water, are used wherever possible providing this does not infringe on any municipal regulation or client 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.

The quantities of water used by the group's operations vary depending on the types of activities being undertaken at any given time. The Group has therefore set down targets for all operating groups and business units to report consumption of water (m^3) by 2009.

Water conservation is an area of major focus at all operations and the group's operations have been involved in many projects and innovations to save water. In particular, severe droughts across Australasia have led to McConnell Dowell's involvement in a number of projects to increase water supply in affected areas.

Biodiversity

The Aveng Group understands that by reporting on the potential impact on land that lies within, contains, or is adjacent to legally protected areas, as well as areas of high biodiversity value outside protected areas, the group can identify certain risks associated with biodiversity associated with its operations. Monitoring which activities are taking place in both protected areas and areas of high biodiversity value outside protected areas will assist the Aveng Group to reduce the risks of impacts. This will make it possible for Aveng to manage impacts on biodiversity or avoid mismanagement. The group realises that failure to adequately manage such impacts may result in reputational damage, delays in obtaining planning permission, and the loss of a social licence to operate.

On our sites we make use of suitably qualified people to advise us and put the necessary strategy, plans and mitigation measures in place to ensure that when we work in sensitive areas we undertake suitable rehabilitation to bring these areas back to the appropriate standards.

Operational examples of biodiversity conservation:

- The Aveng Group installed rain sensors on the irrigation system at the head office to ensure that the system does not activate when it is raining.
- Aveng Manufacturing uses cement admixture that assists with reducing water consumption when mixing the cement. Water is also recycled on the sites.
- In Australia at the Lake Manchester Dam Upgrade in Brisbane, a monitor collected turtles from a plunge pool to ensure their survival.

Emissions, effluents and wastes

Emissions

Aveng operations have measures in place to control emissions into the atmosphere by plant, vehicles and machinery of greenhouse gas, ozone-depleting gas emissions, dust and thermal emissions. The operating groups have been mandated to provide quantitative measures of air emissions (nitrogen oxides, sulphur oxides, volatile organic compound) as well as water emissions (biochemical oxygen demand, chemical oxygen demand) by 2009.

Sustainability report continued

Operational examples of the efficient reduction of emissions:

- E+PC owns technology agreements for processing technologies which minimise emissions of dust and acidic gases (SO_x and NO_x) on processing plants. With its capabilities in the gas-cleaning and sulphuric acid industries, E+PC enables its clients to reduce emissions into the environment. Designing processing plants which minimise dust and noise pollution continues to be a high priority for the business unit. Hazard and operability (HAZOP) studies on designs ensure safe and environmentally efficient processing plants while proper maintenance and annual survey procedures ensure ongoing legislative compliance.
- Aveng Manufacturing has installed an environmentally friendly spray-painting booth and is now monitoring air emissions at most operations.
- Aveng Manufacturing has implemented regular measurement of noise and dust emissions on machines. Filters were installed on silos and specialised sweepers and vacuum cleaners were acquired.
- Trident Steel's laser machines produce toxic dust which is filtered to trap, control and bag the dust. It is disposed of by accredited contractors who have long-standing relationships with the company.
- McConnell Dowell has taken measures to reduce its consumption of fossil fuels contributing to greenhouse gases. It has also initiated a project to increase awareness and the use of biodiesel.

Effluents

During the year under review, none of the group's operations reported any significant effluent discharges to water. By 2009 it will be mandatory for all the operating groups to report in full on this category.

Wastes

Operational examples of the efficient reduction and disposal of wastes:

- The Aveng Group recycles all printer cartridges as well as used paper. The proceeds are used to support nominated charities.
- McConnell Dowell in Australia has implemented a formal waste management programme (KESAB) on a project in Adelaide.
- Grinaker-LTA has implemented a waste management programme at the Jet Park Complex. Paper receptacles were issued to all offices to facilitate the collection of waste which can be recycled. Waste is separated into paper, plastic, bottles and metals.

Contributing to a sustainable workforce

Social impact

Workforce

In the year under review, the group provided employment opportunities to 28 741 people around the world, including 19 495 South Africans. Through job creation, Aveng had a significant benefit to the societies and the economies of the countries in which it operates. Where possible, Aveng procures labour from local communities in the areas where it is working to ensure that the local populations benefit from its operations. Despite the movements in the workforce, the demographics of the group's employees did not change meaningfully from one year to the next.

A snapshot of the workforce as at the end of June 2008 shows that of the total workforce, 16 890 were permanent employees, 8 471 were contract employees and 3 380 were temporary employees.

2008	
Workforce – permanent and contract	
Permanent employees	67%
Contract employees	33%
Geographic split – permanent and contract	
South Africa	69%
Rest of Africa and Middle East	19%
Australasia and South East Asia	12%
Ethnic split (South African workforce)	
Black	73%
Coloured	6%
Indian	2%
White	19%
Gender split – permanent and contract	
Male	91%
Female	9%

Employment equity

Employment equity in relation to Aveng's South African operations comprising Grinaker-LTA, E+PC, Moolmans, the Aveng Manufacturing companies and Trident Steel were as follows on 30 June 2008:

	% previously disadvantaged in occupational group
Occupational group	Actual June 2008
Legislators, senior officials and managers	17
Professionals	32
Technicians and associate professionals	51

The ongoing skills shortage, especially among senior managers with the requisite technical and engineering experience, makes it difficult for the group to currently meet or exceed targets in the top band. Aveng will continue to search for potential candidates, but in the interim, an increased emphasis is placed on training and fast-tracking talented black employees who demonstrate leadership potential, aptitude, commitment and ambition.

Winning the war for talent

The group maintained its commitment to skills development during the year under review. Positioning the Aveng Group in its entirety as an employer of choice in the construction and engineering industry was identified as a vital element to support our vision to grow the business. We are acutely aware that inadequate skills to deliver on our commitments is a real constraint to growth. In our view, the skills constraint in South Africa is the result of various forces. Not only do we have a shortage of technical skills, and in particular artisans and

Sustainability report continued

engineers, to deliver on projects, but the inadequate supply of experienced artisans, technicians and engineers is a global phenomenon which is exacerbated in South Africa by an ageing population of our highly experienced talent.

While training and development initiatives across the group were accelerated, "the winning the talent war" was also adopted by the Aveng Group board of directors as one of five strategic themes which were adopted by the board on 7 December 2007. This demonstrated the group's absolute commitment to ensuring the organisation's sustainable leadership and talent pipeline with the right people at the right place at the right time to equip the group to build capacity and competitive advantage. This year has seen a greater emphasis on group-wide training co-ordination. In this regard the group training committee, which comprises training managers and HR executives from across the group has been meeting on a monthly basis to review and co-ordinate skills training across the group.

The thrust of this strategic theme is to review every aspect of the employee life cycle, from the recruitment and selection processes to induction, development, rewards and including offering a flexible and personalised employment value proposition to current and prospective employees.

During the year and as part of positioning the group to win the war on talent, focus continued to be placed on creating a working environment where employees' and the organisation's cultural values are aligned. The results of the Culture surveys conducted annually demonstrated excellent progress in improving and aligning the operations and our people when compared to last year's results. In January, the Aveng leadership development programme (ALDP) was successfully launched to provide our managers with appropriate leadership and behavioural skills to effectively manage and develop our employees. This is the first time in the history of the group that employees from all the various group companies came together to learn and share experiences. Developed by a specialist consultancy, the course has been tailored for entry level, middle and senior management levels of the organisation and is also aligned to the competency profile and the cultural values that have been adopted by the group. During the year under review, 380 managers attended the programme in 19 separate sessions.

In 2009, the Aveng Group will continue to roll out the "winning the war for talent" initiatives by developing the Aveng executive development programme (EDP) to cater for the development of our senior executives across the group.

Mentorship programmes have also been identified as a crucial element of training and development, particularly in facilitating the transfer of knowledge and experience from elderly professionals and leaders to the younger, emerging talent.

The group has also developed and is in the process of rolling out a performance management process starting with the top three management levels across the group. This will ensure that for the first time in the group there is one consistent manner of managing and reviewing performance with an emphasis on providing support and coaching to improve all our leaders' performance.

A succession management process to ensure that we have sufficient leadership talent in the pipeline to fill all critical positions necessary to sustain our growth will also be developed and implemented during the course of the new financial year.

360˚ reviews were successfully introduced in parts of the group two years ago. The reviews include evaluations of employees' performance by their peers, subordinates and superiors. While these analyses provide valuable feedback on performance, they are also used to identify training and education opportunities for employees.

Training and development

Aveng continues to follow 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 187 bursaries were awarded to full-time students studying at tertiary institutions, of which 46% were awarded to black students. A further 396 people are enrolled in apprenticeship or learnership programmes mainly in technical fields of study such as engineering. In addition, the group once again contributed funding and other resources to CIDA City Campus, a university that offers inexpensive tertiary education to students from disadvantaged backgrounds.

Some of the development opportunities offered by the group include leadership skills, management skills, specific skills training such as quality management, construction skills, diesel mechanics and operator training, health and safety awareness, ABET courses, first aid, HIV/Aids programmes, healthcare programmes, bursaries for formal training and learnerships. The materials and courses have been developed in line with the Construction SETA's guidelines and requirements for apprenticeships and internships. A number of programmes have been accredited and others are in the process of obtaining accreditation.

In the group's operations throughout the world, on-the-job training is often provided to workers sourced from the local population in order to uplift the communities in which it operates by creating employment and transferring skills and experience.

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.

Operational examples of new training initiatives:

In addition to the numerous existing training and development programmes and initiatives in the group which were continued, Aveng implemented a number of new programmes in support of its commitment to growing its pool of skills:

- Grinaker-LTA established Project Training Centres at Soccer City stadium, Rustenburg and Medupi Power Station where it implemented, among others, a competency and career performance management system, a formal mentoring scheme, cadet foreman training scheme as well as establishing a site engineer/commercial in-house training programme.
- The engineering staff at the Orlando Stadium site utilised their free time to assist students at four schools in the vicinity in arousing interest in maths and science and how this applied to construction. Students were assisted in career advice and shown that learning can be exciting and fun.
- Soccer City was also used as the pilot project for the training of the Department of Labour's Health and Safety Inspectors, who, after training with Grinaker-LTA, went out into the field to ensure a safer future for the employees in the industry.
- The Grinaker-LTA/Interbeton joint venture was awarded funding by the Department of Labour's national skills fund to train and obtain employment for 750 people. A training centre was set up and through an accredited BEE training provider teams of previously unemployed people, many of them women, were shown how to be SAFE on a contract and given skills in erecting and maintaining safe access and scaffolding platforms.

Sustainability report continued

- In its Mining business unit, Grinaker-LTA fast-tracked its learner miner programme by taking in students twice a year. A 100% success was achieved within the first intake who qualified in January 2008. Students attending the second intake were set to complete their exams in August 2008. A prerequisite of the course was the completion of the board exam by all students.
- A total of 25 millwright, fitter, boilermaker and electrical apprentices were taken on by Grinaker-LTA at its Elandsfontein Training Centre. While MERSETA accreditation is imminent for the millwright and fitter apprentice, the other components were outsourced to accredited training providers. In addition, 21 mechanical aids were taken on at the training facility.
- The Aveng leadership development programme (ALDP) was launched in January 2008. The ALDP is an accredited tertiary programme aimed at developing leadership and behavioural skills in the group's pipeline of 2 500 managers. The course was designed to develop the group's young talent pipeline and improve cross-group learning and information sharing while encouraging innovation and diversity. The ALDP consists of 31 courses structured from junior to senior management levels on a wide range of topics. To date, 19 groups have participated in the first stream of the four stream programmes to be rolled out for the remainder of the year.
- The Grinaker-LTA Elandsfontein Training Centre was updated, extended and refurbished.
- Altogether 14 apprentices qualified as earthmoving mechanics from January to June 2008 in the Grinaker-LTA Mining business unit.
- Grinaker-LTA's civil engineering business unit was successful in its application to accredit its cadet foreman learnerships programme at an NQF Level 5, which included accreditation of 40 mentors at NQF Level 5, completing the quality manual for the training centre and implementation of an HIV/Aids awareness programme and self-service kiosk.
- Grinaker-LTA's accredited in-house civil engineering training school and the in-house CETA accredited training school in New Germany, KwaZulu-Natal were used to deliver skills and supervisory training.
- Grinaker-LTA's building business unit initiated carpentry training in 2008.
- McConnell Dowell has developed and delivered approximately 50 training programmes which have been developed and conducted. Training conducted during the 2008 financial year focused on management development from entry level to senior management, which included a particularly useful 360˚ review which was used to identify for managers what they should *'continue to do'*, *'stop doing'* and *'start doing'*. This has been used to define action plans that can commence immediately as part of their ongoing professional development. Other training programmes included presentation and communication skills including negotiating skills, influencing skills and effective meeting skills, safety management for engineers and supervisors, contract law and administration, crisis management and estimator training.
- In addition, McConnell Dowell also developed a comprehensive graduate training programme which was very successful. All graduates are also undertaking the professional development programme to gain chartered status.

Industrial relations

At any given time, more than half of the employees of the Aveng Group worldwide are represented by labour unions. Membership of recognised South African trade unions is set out below:

Union	Membership	% of South African permanent and contract employees
National Union of Mineworkers	3 819	22
National Union of Metalworkers of SA	1 490	8
Others	1 515	9
Total	6 824	39

In the year under review, a few illegal strikes took place. Grinaker-LTA lost five days due to unprotected strike action at the Nelson Mandela Stadium in Port Elizabeth and the Cape Town airport. Trident Steel lost eight days to strike action. All stoppages were favourably resolved as a result of agreements reached through negotiations and reinforcement of "peace clauses" and company rights.

Because of the diversity of the operations, geographic spread and the international reach of the Aveng Group, negotiations on different aspects, which include complex bargaining structures, occur with different industry bodies, unions, workforce representatives and individuals throughout the year.

Occupational health and safety

Health and safety

On 7 December 2007, the board of directors formally adopted five key performance areas for the group of which safety is one, heightening the focus on this core value. In all our operations we do not believe that safety should ever be compromised in the pursuit of any objective.

During the year, the operations continued to focus on improving their safety procedures and practices relating to both their businesses and within individual projects. As safety awareness was prioritised across all operations, additional safety training initiatives were also introduced and communication programmes heightened. With the safety slogan, "HOME WITHOUT HARM, EVERYONE EVERYDAY" the group's culture of safety awareness is truly inculcated into our daily activities. The slogan was also submitted for trademark registration and is displayed at every group site to create awareness.

First-aid officers are required at all sites and many of Aveng's operations have established on-site clinics to offer primary and occupational health facilities and other wellness programmes to employees, particularly those without medical aid plans.

Often, on-site clinics are established in conjunction with the contracting client. Where no on-site clinic is available, the group endeavours to enter into agreements with local clinics to take care of employees while they are in the area. Other healthcare services provided include a range of interventions aimed at preventing infectious diseases such as HIV and Aids, tuberculosis, cholera and malaria.

The group's disabling injury frequency rate (DIFR) which measures the lost-time due to injuries per 200 000 manhours worked was 0,59 (2007: 0,67) against our short-term target of 0,5. McConnell Dowell and E+PC, both of which grew significantly, recorded excellent DIFRs of 0,19 and 0,09 respectively. Group companies achieved good safety records on specific projects as well as industry recognition for specific operations.

Despite the heightened focus on safety, 10 people were fatally injured during the year (2007: four people). We believe every single fatality is unacceptable and avoidable and therefore investigate each incident thoroughly to ensure that we take full responsibility and introduce additional measures to eliminate accidents. The group regularly monitors and audits its health and safety performance and identifies corrective actions to improve performance and progress towards the achievement of a DIFR of zero.

Disabling injury frequency rate (DIFR)

	Manhours	Incidents	DIFR
Aveng (Africa)	83 737 224	246	0,59
McConnell Dowell	16 845 025	16	0,19
Trident Steel	4 524 960	61	2,21
Total	**105 107 209**	**312**	**0,59**

Sustainability report continued

Operational examples of operational health and safety initiatives:

- A health and safety committee was established for the whole of the Aveng Group, reporting to the HR director. This committee creates policy for implementation, share experiences as well as report on progress made with implementations in all the operating groups.
- Training in health and safety matters has become an important focus area in all the operating groups with induction training including the necessary health and safety matters for all new employees.
- Safety awareness is heightened on-site with informal discussion and training during toolbox talks at the beginning of each shift.
- Risk assessments are carried out progressively on all projects and on all sites, initially for overall scope of work and then prior to specific tasks.
- McConnell Dowell prepares SHE risk registers and job safety and environment analyses (JSEAs) for all projects which are maintained throughout the project lifetime.
- Moolmans has updated all standard operating procedures, emergency plans and environmental emergency plans to comply with acts and regulations.
- McConnell Dowell has implemented a health and safety management system that is certified to OHSAS 18001 and AS 4801 in Australia. A safety improvement strategic plan is also in place, which will be updated annually.
- Grinaker-LTA's Building East business is ISO 18001 certified.
- Aveng Manufacturing has put several programmes in place based on the findings of individual risk assessments and improvement suggestion systems utilising the NOSA 5-Star CMB 150 N Protocol and 20 Keys programme. The operating groups are focused on the development of a safety-first mindset.
- After assessments, Grinaker-LTA also implemented training relating to behaviour based safety, HIRAC training and legal training (Mine Health and Safety Act).
- Trident Steel is preparing for the ISO 18001 certification which should be completed in 2009.
- All operating groups have set targets to improve health and safety in the business with monthly reports on DIFR indicators.

Awards and highlights

Every year the group achieves some impressive safety awards and achievements. These are some highlights from the year under review:

- Grinaker-LTA Mechanical and Electrical's E&I workshop achieved 1 000 mandays without a disabling or lost-time injury as a result of the high safety standards which involved focused leadership and active participation by the workforce.
- Grinaker-LTA achieved four million manhours without a lost-time injury (LTI) at its Nigerian fabrication facility in Port Harcourt, which focuses on servicing the oil and gas industry.
- In August 2006, Grinaker-LTA Mining reached the one million fatality-free shifts (FFSs) status and further improved on this in September by achieving 1 069 053 FFSs. It took an average of 1 704 employees working 1 473 shifts and 13 255 hours per day to reach the one million shift milestone.
- During the year, the Aveng Manufacturing business units achieved 18 NOSA-related internal accreditations, including two 5-Star gradings and four 4-Star gradings for Steeledale and Lennings Rail.
- Grinaker-LTA Mechanical and Electrical's activities at Secunda underwent an IRCA audit based on the OHAS 18 000 standards during the year. It attained one 5-Star, a 4-Star and two 3-Star ratings. In addition, the business unit achieved two million disabling injury-free manhours on the project.
- Fraser & Chalmers Siyakha achieved 3,5 million disabling injury-free manhours at Sapref in Durban.
- Grinaker-LTA Mechanical and Electrical recorded the milestone of four million disabling injury-free manhours across all its operations during the year.

- Grinaker-LTA Roads and Earthworks achieved 250 000 disabling accident-free manhours from October 2006 to May 2007 on the Nottingham Road N3 project.
- Grinaker-LTA Roads and Earthworks achieved 3,5 million disabling-free manhours over the 20-month period to May 2007 on the Swaziland MR5 and MR6 project.
- McConnell Dowell achieved an award for 300 000 and 100 000 manhours with zero LTI at its PTT Chemicals project in Thailand and Tate and Lyle project in Singapore respectively.
- In excess of some 5,7 million manhours have been worked on projects managed by E+PC over the last 12 months with a DIFR of 0,03.

HIV and Aids

In accordance with the Aveng Group's policy, operations have established HIV and Aids programmes which are run in conjunction with Lifeline Southern Africa. These aim to control, prevent and reduce the impact of HIV and Aids on each member of the group's workforce.

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. Ongoing encouragement for employees to know their status continues and the focus over the past year was to target newly established sites. Lifeline continues to work closely with those employees that test positive and wherever possible place them on the government's antiretroviral programme.

Fully functional committees, peer educators, voluntary counselling and testing facilities have been established. Voluntary counselling and testing (VCT) includes pre-testing and post-testing counselling by suitably trained counsellors. Lifeline maintains the anonymity of employees who undergo voluntary testing, and employees are not obliged to disclose their HIV and Aids status or the results of any VCT provided by the group. Lifeline works closely with those employees that tested positive over a 10-week period and where possible places them on the government antiretroviral programme. To date, the uptake in VCT among employees has been extremely low.

Training of peer educators continues to happen in all the operating groups throughout the year. One-on-one counselling, however, is outsourced in most cases for the purpose of confidentiality.

Voluntary testing opportunities are created at least once a year throughout the group. Voluntary counselling and testing is seen as a key area, and a concerted campaign to increase uptake under the "know our status" banner is being promoted. Moolmans has 80% compliance to testing.

At Aveng Manufacturing an increased support from service providers and peer educators for infected employees has been made a priority. Increased training for supervisors and management in dealing with people living with HIV/Aids has been implemented. The company assists employees in obtaining antiretroviral therapy which is provided free of charge by the State. Where pathological tests are required, the company bears the cost of assisting the employees with transport, logistics and other costs.

Peer educators are active in local communities and various institutions such as Sparrow Village, Kwaggasfontein Home and Haven Care are supported.

The operating groups make free condoms available in most of their working environments.

Grinaker-LTA implemented an HIV/Aids forum within the business units, which comprises organised labour, senior management, training department and health and safety department. The forum implemented detailed programmes in terms of awareness campaigns, national HIV/Aids days, peer

Sustainability report continued

educator training, counsellor training, Lifeline programme and corporate social investments in terms of sponsored clinics, HIV/Aids orphans, Cotlands training programme and Christmas wish lists.

In addition, Grinaker-LTA implemented electronic/touch screens kiosks for individual users on site. The system provides details on information, questions and surveys in terms of HIV/Aids.

E+PC implemented the viewing of HIV/Aids awareness training videos and distributed several awareness posters as well as condoms. Visits by employees to HIV/Aids orphanages and charity drives with the involvement of employees were also rolled out.

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 and 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 to identify any risks to its business.

Employee communication

The Aveng vision of building a legacy that every employee, their families and future generations can be fiercely proud of, as well as the values of accountability and honesty and safety, paved the way for a comprehensive communication roll-outs across the group. This flows from the common sense of purpose which is encouraged across the group, resulting in a stronger focus on two-way communication.

During the year, the group completed a number of communication surveys across all business units, from executive through to junior management levels, to gauge the effectiveness of current communication. These enabled a deeper understanding of the workforce's communication requirements and priorities, and ultimately equipping the group to provide the information needed to cement a conducive and productive working environment. The result was that several additional communication strategies were developed to cover several operating groups' specific needs.

Several newsletters and magazines have been developed across the group that are distributed to clients as well as employees. These newsletters/magazines focus on updating the audiences on project progress, awards received and movers and shakers in the group.

Electronic communication started to play an important role with a few of the operating groups using e-mail news flashes to make announcements in the business. Intranet sites where all relevant and update information is displayed has also been promoted. The importance of face-to-face communication has been realised and all important communication and announcements are made verbally where possible. This will be followed up with announcements distributed on the e-mail system as well as notice boards.

During the year, a communication plan for the roll-out of the anti-corruption framework in the business was developed for distribution and implementation in the latter part of the year.

Contributing to sustainable communities

Expenditure

In 2008, Aveng spent R15,0 million to finance a range of community projects and infrastructure development initiatives in South Africa. This equates to 1,2% of net profit after tax of the 2007 year.

Projects

Group initiatives

Aveng continues to focus on education, infrastructure development and community upliftment within South Africa. A significant portion of the group's social investment funding is allocated to CIDA City Campus, the National Business Initiative and the Business Trust, WWF, TRAC and other relevant educational institutions.

In 2005, the Aveng Group and its South African operations made a commitment to donate funding as well as other resources and skills to the CIDA (Community and Individual Development Association) City Campus in Johannesburg, 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. Today the group employs 14 CIDA graduates.

During the year, CIDA restructured its academic processes to improve standards and the calibre of its graduates. The Foundation College completed its second successful year. Quality and continuous improvement of administrative processes were key focus areas during the year. The CIDA life skills programme, which was launched during the previous year, is sponsored by Aveng and Grinaker-LTA. Several new academic programmes were launched in 2007, including an Academy of Construction at CIDA, which will focus on high-level construction and project management skills. During the year, CIDA took occupation of a new building in Ntemi Piliso Street (formerly West Street), and embarked on extensive upgrades of the building.

In May 2008, a R3 million donation was also made to CIDA at an event where Aveng showcased its projects in preparation for the 2010 Soccer World Cup. This donation demonstrated the Group's commitment to skills development, especially in the construction industry, and was attended by the MACC students.

The Aveng Group endorses the objectives of the National Business Initiative and the Business Trust to create job opportunities in South Africa and increase the 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.

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.

Sustainability report continued

In line with Aveng's CSI focus on education, the company also supports TRAC South Africa, an organisation which encourages and enables school learners to enter careers in science, engineering and technology. The group sponsored the Aveng TRAC Mobile Laboratory which was launched in July 2006 and enabled grade 10 to 12 learners to perform physical science experiments across schools in Gauteng North, Limpopo, North West, Northern Cape and Mpumalanga. The mobile laboratory reaches disadvantaged and geographically dispersed schools which cannot access the University of Pretoria TRAC Lab. Following the success of the previous year, three more mobile units to the value of R650 000 were sponsored. Hands-on assistance was delivered to 1 176 grade 12 pupils, 1 948 grade 11 pupils and 42 educators in the first quarter alone.

Initiatives by individual operations

In addition to work undertaken by the Aveng Community Investment Trust, several smaller *ad hoc* projects are regularly undertaken by individual group operations throughout the world in the communities within which they are working. Aveng does not fully account for all these projects as they are too vast, often not formally reported on and generally involve employee volunteering. These projects generally contribute resource, 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. Employees are encouraged to offer support to the local communities located in close proximity to their operations and the group encourages volunteers to train as HIV and Aids counsellors to assist their communities. Some of the CSI initiatives during the year included the following:

- E^{+}PC made several donations to a various of local institutions as well as site community programmes. Employees are encouraged to get personally involved in the projects. A new strategic focus has been developed for the 2009 financial year.
- Aveng Manufacturing supports the University of Pretoria THRIPP fundamental concrete materials research programme (R300 000 per annum). They are also committed to several bursaries (R320 000 per annum) and donations (R500 000 per annum) for the National Youth Choir, employee children's education assistance scheme, equipment and facilities at Germiston High School (R300 000), East Rand Children's Home, Lesedi enterprise development project (R100 000 per annum) and various smaller projects in local communities where they are operating.
- Aveng Manufacturing is also involved in local communities where there is a significant need for upliftment, assistance with abused and abandoned children, upgrading skills (including teaching staff) and encouragement of tertiary education for children of employees.
- Trident Steel has made several community investments for projects such as READ (R100 000), PROTEC (R80 000) and Living in Hope (Aids) (R108 000).
- 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. During the year, McConnell Dowell made various donations amounting to AUD300 000 to other social causes based on merit. Its criteria for selecting beneficiaries include the repair and restoration of community infrastructure; establishing tree-planting programmes and community recovery events. Distribution of funds is administered by a local recovery committee and no collected funds can be used for administrative purposes.

- Grinaker-LTA has established a programme in 2008 to cater for the countless requests for donations. Requests are evaluated by a committee and donations are made once a quarter.
- Grinaker-LTA/Primestars/Unisa Engineering students lecture programme is a great marketing opportunity to make the public aware that we are deeply committed to the education and training of people in our industry. Grinaker-LTA donated R3,5 million to the programme in August 2008 with the aim to achieve some positive future recruitment successes from this initiative. With this programme, Unisa first-year students will be invited to attend a 10 week revision course in selected subjects, including mathematics and electrical engineering, commencing in early August 2008. These courses, which have been pre-recorded by UNISA lecturers, will be screened to approximately 2 000 students per week in Ster-Kinekor movie theatres across the country.
- Grinaker-LTA also commits donations to projects in the vicinity of their building contracts such as the Johannesburg Children's Home (R19 200) which provides refuge for 64 children of all races who have been found to be in need of care by Childrens Court. Building Inland supports homes by means of the home's adopt-a-child and supports a cottage initiative.
- The following projects were also supported by Grinaker-LTA:
  – Ithemba Rape & Trauma Centre in Benoni (R9 200) works in conjunction with the judiciary to provide evidence for convictions as well as comprehensive care and support for rape survivors within the Ekhurhuleni district.
  – PUSH (persevere until something happens) has been supported by Building Inland since 2006 with the contract at the Walter Sisulu Square of Dedication in Soweto. PUSH's core activities focus on HIV/Aids prevention programmes, VCT, home-based care and a drop-in centre for orphaned and vulnerable children in Eldorado Park and surrounding informal settlements in Soweto.
  – Heavens Nest (R24 600) – A half-way home for children aged six months to approximately 14 years old from abusive homes. We provide for their daily milk needs and have done various upgrades with the support of our staff to the actual home – painting, repairing, regrassing, etc.
  – Go For Gold (R58 600) – An initiative that focuses on children in the disadvantaged communities by providing life skills training and extra tuition in mathematics to prepare them for potential jobs in the construction industry. We have provided monetary sponsorship and in-service training opportunities.

Sustainability report continued

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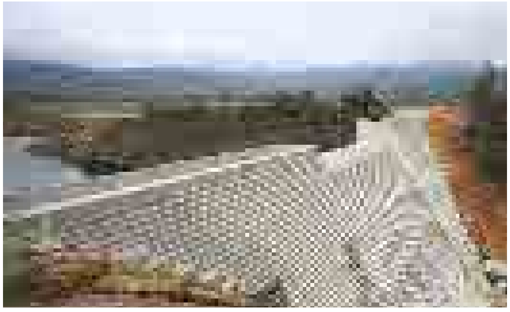
Definitions

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 subordinate debentures.
Cash flow per share	Cash flow from 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 and diluted earnings per share	Headline earnings plus the after-tax cost of the debenture interest divided by the sum of the weighted average number of shares and debentures in issue and the exercisable share options.
Dividend cover	Headline earnings per share divided by the 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.
Ebit	Operating profit before amortisation and non-trading.
Ebitda	Operating profit before depreciation.
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 as detailed in the notes to the financial statements.
Headline earnings and earnings per share	Headline earnings per share 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 associates 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 per ordinary share	Total ordinary shareholders' funds divided by the total number of ordinary 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 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.

Annual financial statements



The annual financial statements and group annual financial statements which appear on pages 99 to 148 were approved by the directors on 5 September 2008 and are signed on their behalf.

AWB Band
Chairman

5 September 2008

WR Jardine
Chief executive officer

5 September 2008

Report of the independent auditors

Report on the financial statements

We have audited the group and company annual financial statements of Aveng Limited, which comprise the directors' report, the balance sheets as at 30 June 2008, the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 99 to 148.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and company as of 30 June 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.

Registered Auditor
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

5 September 2008

Certificate of the company secretary

I, the undersigned, GJ Baxter, in my capacity as company secretary, certify that:

- the company has lodged with the Registrar of Companies all such returns that are required of a pubic company in terms of the Companies Act 1973, as amended; and
- all such returns are true, correct and up to date.

GJ Baxter
Company secretary

Morningside
5 September 2008

Directors' report

Business of the company

Aveng Limited is a South African registered and listed company, included in the Construction and Materials – Heavy Construction sector of the JSE Limited, with interests in construction and steel beneficiation. The company does not have a holding company. Primary subsidiaries include Aveng (Africa) Limited, Trident Steel Holdings (Proprietary) Limited and Aveng Australia Holdings Proprietary Limited. An organisational chart of the group, detailing its primary subsidiaries and associated interests, may be found on pages 10, 11 and 148 of this annual report. Details of directors' interests at 30 June 2008 are detailed in note 29 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 operations 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, except where stated otherwise, and in accordance with International Financial Reporting 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 continue 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 continual 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 mechanism for continual review of the controls and risks are set out in the corporate governance section of the sustainability report on page 55.

Financial

The results of the group's operations for the year are set out in the income statement on page 113.

Details of the movement in issued share capital and reserves are provided below and in the statement of changes in equity on page 114.
The segmental report is set out on page 116.

The consolidated annual financial statements of the group are set out on pages 99 to 148 and the annual financial statements of the company are set out on pages 140 to 147.

Details of earnings are provided on pages 6 and 113.

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 subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

Investments

Information regarding the company's interest in subsidiaries, associates, joint ventures and other available-for-sale investments are set out on pages 148 and 149.

Share capital

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

Consistent with prior years, the trust is consolidated into the group's results for reporting purposes as treasury shares.

The following changes to the number of shares in issue took place during the year under review:

Shares in issue as at 1 July 2007			396 145 908
Less:	Voluntary buyback from shareholders and the delisting of those shares	365 257	
	Section 311 buyback from shareholders and the delisting of those shares	55 360 362	
	Shares acquired in the market and the delisting of those shares	3 769 252	(59 494 871)
Add:	Shares alloted, issued and listed as a result of the conversion of bonds to the value of R920 million		61 827 952
Shares in issue as at 30 June 2008			398 478 989

Directors' report continued

Share capital (continued)

Purchase of own shares

In terms of a general authority obtained at the general meeting of shareholders held on 24 January 2008, the company or its subsidiaries may acquire ordinary shares to a maximum of 20% of the issued ordinary shares. A total of 3 769 252 were acquired in terms of this authority during the year under review. Approval will be sought at the forthcoming annual general meeting on 24 October 2008 to renew this general authority.

Dividend

The following dividends were declared in respect of the year ended 30 June 2008:

– Dividend number 9 of 145 cents per share (2007: 85 cents per share).
– Dividend number 10 (special) of 145 cents per share.

Post-balance sheet events

Subject to regulatory approvals, the group will acquire with effect from 1 July 2008, the entire issued share capital of Keyplan (Pty) Limited, a company which provides engineering services in the water management market in southern Africa. Refer to note 30 on page 139.

With effect from 1 July 2008, McConnell Dowell Corporation Limited acquired the Built Environs Group, a commercial construction and engineering company based in South Australia.

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 by 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.

During the year under review, bonds to the value of R920 million were converted into ordinary shares at R14,88 per share.

Details of the corporate bond are set out in note 11.4 on page 125.

Special resolution adopted by subsidiary company

During the year under review, Richtrau No 191 (Pty) limited, a wholly owned subsidiary of Aveng Limited, passed a special resolution authorising the company to acquire a maximum of 9 578 065 ordinary shares in Aveng Limited pursuant to a scheme of arrangement in terms of section 311 of the Companies Act among Aveng Limited, Richtrau No 191 (Pty) Limited and Aveng Limited's shareholders.

Directorate

The following directorate changes have taken place since the last report:

JJA Mashaba	Appointed 1 October 2007
L Gcabashe (Ms)	Resigned 24 January 2008
C Grim	Resigned 31 March 2008
WR Jardine	Appointed 7 July 2008
RB Savage	Resigned 11 July 2008
BP Steele	Resigned 20 June 2008

Retirement by rotation

In terms of the company's articles of association, Messrs AWB Band, JR Hersov, VZ Mntambo and MJD Ruck retire by rotation at the forthcoming annual general meeting. Mr JR Hersov, having served three terms on the board of directors, is not eligible for re-election. The other directors are eligible and they offer themselves for re-election.

Mr WR Jardine and Mr JJA Mashaba, who were appointed directors on 7 July 2008 and 1 October 2007 respectively, retire in terms of the company's articles of association at the forthcoming annual general meeting. Both are eligible and offer themselves for re-election.

Increase in directors' fees

An ordinary resolution is being proposed to increase the annual fees paid to directors with effect from 1 October 2008. The table below details the proposed individual fees by appointment.

Annual directors' fees		2008 R	2009 R
Audit committee	– Aveng	91 000	100 000
	– subsidiaries	28 000	28 000
Board chairman	– fee	300 000	330 000
Board fee	– Aveng	125 000	137 500
	– SA subsidiaries	117 000	117 000
	– McConnell Dowell		120 000
	Travel allowance		50 000*
Chairman fee	– audit committee	7 000	40 000
	– remuneration and nomination committee	20 000	48 000
	– transformation committee	20 000	30 000
Remuneration and nomination committee		25 000	40 000
Transformation committee		25 000	27 500
Tender risk evaluation committee		28 000	4 000*

**Per meeting attended.*

The fees payable in respect of executive directors are waived.

Shareholders

An analysis of shareholders appears on page 151.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the historical-cost convention, except for certain financial assets and liabilities which are measured at fair value.

The consolidated financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) except when otherwise indicated.

Statement of compliance

The 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 of the previous financial year.

The group has adopted the following new standards, interpretations and amendments during the year. Adoption of these standards, interpretations and amendments did not have any material effect on the financial statements of the group other than giving rise to additional disclosures where necessary.

IFRS 7 – *Financial Instruments: Disclosure*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 – *Presentation of Financial Statements*

This amendment requires the group to make new disclosures to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital. These new disclosures are shown in the capital management note.

Presentation of segment information

During the current year, the presentation of segment information was amended to reflect a more natural grouping of the business units. The primary segments have been changed to Construction and Engineering, Opencast Mining, Manufacturing and Processing and Administration. Comparative information has been restated.

IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions*

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments required.

Basis of consolidation

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, being the dates on which the group obtains or ceases to have control.

Subsidiaries within the group have uniform year-ends.

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.

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

Minority interests represent the portion of profit or loss and net assets not held by the group and presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent-equity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Supplementary information

The group's presentation currency is South African Rand. The supplementary information provided in US$ is translated at the closing rate for the balance sheet and at the average annual rate for the income statement. Equity is stated at historical rates.

Associated companies

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

Accounting policies continued

The group's share of post-acquisition reserves of these 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 any impairment. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised.

In the income statement, profit from associates after tax 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 associate's equity.

Profits and losses resulting from transactions between the group and the associated companies are eliminated to the extent of the interest in the associated companies.

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.

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 trade and other payables.

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 at the balance sheet date. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on enacted or substantially enacted tax rates at the balance sheet date.

Deferred tax is charged to profit or loss 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 profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

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

Defined contribution plans

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. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% or the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

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 on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past-service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past-service cost and unrecognised net actuarial losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Share-based payment

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

Shares and/or options are offered to executives and senior employees at market price, upon recommendation by the remuneration committee.

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

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an adjusted binomial option-pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Aveng Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Accounting policies continued

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional shares in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using an adjusted binomial option-pricing model taking into account the terms and conditions upon which the instruments were granted . This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

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 fair value. Direct costs are only included if the financial instrument is not designated as fair value through profit or loss. Subsequent measurement of these instruments is set out below.

The purchase and sale of financial assets are recognised on the trade date, which is the date that the group commits to purchase or sale of the assets.

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

If there is objective evidence (such as default of the contractual terms) that an impairment loss has been incurred, the amount of the loss for assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The amount of the loss shall be recognised in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Subsequent measurement of financial instruments:

Financial assets and liabilities at fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Gains or losses on market-to-market adjustments are recognised in profit or loss. Derivatives consisting of forward exchange contracts have been classified as fair value through profit or loss in the balance sheet.

Loans and other 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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Financial assets classified as loans and receivables originated by the enterprise consist of:

– amounts owing by subsidiaries;
– trade and other receivables; and
– cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in profit or loss. Financial assets classified as available-for-sale financial assets consist of other investments.

Financial liabilities

Financial liabilities are carried at amortised cost (as described above). Financial liabilities carried on this basis are:

– interest-bearing borrowings;
– trade and other payables;
– accruals; and
– amounts owing to subsidiaries.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option-pricing models.
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.

Derivative financial instruments

The group uses derivative financial instruments, such as foreign exchange contracts, to economically hedge their risks associated with foreign currency fluctuations. These instruments are stated at fair value which is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The group does not apply hedge accounting.

Foreign currency transactions and balances

Transactions denominated in foreign currencies are initially 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. All differences are taken to profit or loss with the

Accounting policies continued

exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken to equity until disposal of the net investment, at which time they are recognised in profit or loss.

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

Foreign entities

Foreign subsidiaries are translated into the presentation currency of Aveng Limited (the South African Rand) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. Equity is stated at historical rates. The exchange differences arising on the translation are taken directly to a separate component of equity.

Any goodwill arising on the acquisition of a foreign operation and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the purchase consideration over the attributable fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but 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 the circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

A cash-generating unit will not be larger than a segment based on the entity's secondary reporting format determinant in accordance with IAS 14 – *Segment Reporting*.

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, or when annual impairment testing for an asset is required, the recoverable amount is estimated as the higher of the net selling price and the value in use.

In determining fair value less costs to sell, an appropriate valuation model is used. In assessing value in use, the expected future cash flows are discounted to the present value using a pre-tax 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. Impairment losses and reversal of impairment losses are separately disclosed in the income statement, above the income before tax subtotal.

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.

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.

Writedowns to net realisable value and inventory losses are expensed in the period in which the writedowns 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.

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

Leases

Group as a lessee

Leases or arrangements which constitute leases in terms of IFRIC 4 – *Determining whether an Arrangement contains a Lease* 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 if there is no reasonable certainty that the group will obtain ownership by the end of the lease. The capital element of future obligations and other leases is included as a liability in the balance sheet. Each lease payment 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.

An operating lease or an arrangement which constitutes an operating lease in terms of IFRIC 4, 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.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement coveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

If IFRIC 4 applies to an arrangement, the lease classification and accounting is done in accordance with IAS 17 – *Leases*.

Group as a lessor

Leases, where the group does not transfer substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 items of property, plant and equipment are depreciated on a straight-line basis over their useful lives to an estimated residual value.

Where significant components of an item have different useful lives to the item itself, these parts are depreciated separately if the component's cost is significant in relation to the cost of the remainder of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a component, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the corporation and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

Accounting policies continued

If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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 of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Provisions

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

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax 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 – *Intangible Assets*, 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. Revenue is measured at the fair value of consideration received, excluding discounts, rebates, and value-added taxation.

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 a percentage of completion 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 is of the opinion the risk of non-collection is minimal.

- Claims: An additional amount that the contractor seeks to collect from the client or other party for reimbursement of costs not included in the contract price or in agreed variations thereto. Revenue is only taken to account when negotiations have reached an advanced stage and it is probable that the claim will be accepted and can be reliably measured.

- Entitlement: Amounts due in respect of changes to the scope of the contract, on instruction by the client or his authorised representative, where inclusion of such amount is awaited in the certification process. Revenue is only taken to account when it is probable that such amount will be approved and can be reliably measured.

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.

Revenue arising from operating leases is recognised on a straight-line basis over the lease term.

Segmental reporting

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

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

Taxation

The rate of the current tax charge is determined using enacted or substantially enacted rates at the balance sheet date.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current or prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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 to be recorded as deferred taxation assets to the extent to which it is probable that group entities will be able to declare future dividends against which unused STC credits will be utilised.

With the current uncertainty regarding STC legislation and the utilisation of STC credits, a decision has been made not to raise deferred taxation assets relating to STC credits on the basis that it is not reasonably certain that Aveng Limited will be in a position to utilise these credits in the future.

Revenues, expenses and assets are recognised net of value-added tax except for:

- where the value-added tax incurred on a purchase of assets or services is not recoverable from the Receiver of Revenue, in which case the value-added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value-added tax included.

The net amount of value-added tax recoverable from, or payable to, the Receiver of Revenue is included as part of receivables or payables in the balance sheet.

Trademarks

The cost of trademarks acquired is capitalised and amortised on a straight-line basis over their estimated useful life. Trademarks are tested for impairment and written down as required when indicators of impairment exist. Internally developed trademark expenses are written off as and when incurred.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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 (EPS) 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. No profit or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the group's own equity instruments.

Significant accounting judgements and estimates

Judgements

In the process of applying the group's accounting policies, management has not made any judgements, apart from those involving estimations and the recognition of deferred tax assets.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies (see note 5 and 12).

Management's judgement on the recognition of deferred tax assets relating to STC credits is detailed in the taxation policy.

Consolidation of Qakazana Investment Holdings (Pty) Limited as a special-purpose entity

Qakazana is a company incorporated for the purpose of facilitating the Aveng Limited BEE deal and is consolidated into the group in accordance with SIC-12 – *Consolidation – Special Purpose Entity*.

Accounting policies continued

In substance, the activities of Qakazana are being conducted on behalf of Aveng according to its specific business needs so that Aveng obtains benefits from Qakazana's operations.

In addition, Aveng retains the majority of the residual or ownership risks related to Qakazana or its assets in order to obtain benefits from its activities in the form of BEE credentials.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are detailed in the following notes:
Note 2 – Goodwill and trademarks
Notes 3 and 4 – Investments
Note 25 – Employee benefits.

Revenue recognition

Contract revenue is recognised on the percentage of completion method as detailed above. The percentage of completion is based on management's best estimate of the known and anticipated costs.

Standards and interpretations issued that are not yet effective

The following standards and interpretations have not been applied by the group as the standards and interpretations are not yet effective. Currently, the group does not intend to early adopt any of the following standards and interpretations:

IFRS 1 – *First-time Adoption of International Financial Reporting Standards* and IAS 27 – *Consolidated and Separate Financial Statements Amendment*

IFRS 1 has been amended to allow for the use of a deemed cost for investments in subsidiaries, associates and joint ventures. Such deemed cost will be either the fair value at the date of transition to IFRS or an amount used in terms of the entity's previous GAAP. As the group had already adopted IFRS during 2006, this amendment will have no impact. IAS 27 has been amended to no longer distinguish between pre- and post-acquisition dividends. However, the entity must now consider if the receipt of such a dividend is a possible indicator of impairment. This amendment is not expected to have a material impact on the group. The amendment to IFRS 1 and IAS 27 is effective 1 January 2009.

IFRS 2 – *Share-based Payments Amendment*

The IASB published an Amendment to IFRS 2 – *Share-based Payment – Vesting Conditions and Cancellations*. The Amendment clarifies the definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. Previously, IFRS 2 dealt only with situations where the entity cancels an award. The impact (if any) of this amendment on the group is currently being assessed. The revised standard is effective 1 January 2009.

IFRS 3 – *Business Combinations (Revised)* and IAS 27 – *Consolidated and Separate Financial Statements (Revised)*

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the accounting treatment for losses incurred by the subsidiary, as well as the loss of control of a subsidiary, has been changed. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 8 – *Operating Segments*

This standard is required for years commencing on or after 1 January 2009. This standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. This standard deals with disclosure and will not have a quantitive effect on the group.

IAS 23 – *Borrowing costs Amendment*

A revised IAS 23 – *Borrowing costs* was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 1 – *Revised Presentation of Financial Statements*

The revised IAS 1 – *Presentation of Financial Statements* was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The group is still evaluating whether it will have one or two statements.

IAS 32 – *Financial Instruments: Presentation* and *IAS 1 – Presentation of Financial Statements Amendments*

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The group does not expect these amendments to impact the financial statements of the group.

IAS 39 – *Financial Instruments: Recognition and Measurement Amendment*

The amendment is effective for annual periods beginning on or after 1 July 2009. The aim of the amendment is to clarify the IASB's original intention regarding the designation of hedged items for hedge accounting purposes. As the group does not apply hedge accounting, it will not have an impact on the group.

IFRIC 12 – *Service Concession Arrangements*

This interpretation is required for years commencing on or after 1 January 2008. This Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements and is not expected to effect the financial statements when implemented.

IFRIC 13 – *Customer loyalty programmes*

IFRIC Interpretation 13 becomes effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction. This interpretation will not have an impact on the group's financial statements.

IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 – *Employee Benefits*. The group expects that this interpretation will have no impact on the financial position or performance of the group.

IFRIC 15 – *Agreements for the construction of real estate*

The interpretation is effective 1 January 2009. Although the primary issue discussed in the interpretation relates to companies in the real estate industry, it may be applied by analogy to industries in accordance with the IAS 8 hierarchy. Determining whether an agreement for construction is within the scope of IAS 11 or IAS 18 depends on the terms of the agreement and all the surrounding facts and circumstances. Such a determination requires judgement with respect to each agreement and IAS 11 is applied when the definition of a construction contract is met. The group will assess the impact that this interpretation will have on the business at a later stage.

IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*

IAS 39 allows an entity to hedge the foreign currency gains or losses on its net investment in a foreign operation. In contrast to the guidance provided on fair value and cash flow hedge accounting, IAS 39 provides minimal guidance on the accounting for a hedge of a net investment. As such, IFRIC 16 was issued to provide additional guidance. IFRIC 16 is effective 1 October 2008. As the group does not apply hedge accounting, it will not have an impact on the group.

Consolidated balance sheet

at 30 June 2008

	Note	2008 Rm	2007 Rm	2008* US $m	2007* US $m
ASSETS					
Non-current assets					
Property, plant and equipment	1	3 512,9	2 533,3	445,7	357,2
Goodwill and trademarks	2	823,3	779,8	104,4	109,9
Investment in associates and joint ventures	3	96,6	160,9	12,3	22,7
Available-for-sale investments	4	11,8	12,2	1,5	1,7
Deferred tax	5	680,3	476,9	86,3	67,2
		5 124,9	3 963,1	650,2	558,7
Current assets					
Inventories	6	2 047,1	1 719,1	259,7	242,4
Trade and other receivables	7	5 345,6	3 940,9	678,2	555,6
Cash and cash equivalents	21.9	9 490,6	9 886,3	1 204,0	1 393,9
		16 883,3	15 546,3	2 141,9	2 191,9
TOTAL ASSETS		22 008,2	19 509,4	2 792,1	2 750,6
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	19,6	19,5	2,5	2,7
Share premium	9	1 895,6	929,8	240,5	131,1
Equity portion of compound instrument	11.4	11,2	139,9	1,4	19,7
Non-distributable reserves	10	120,2	(225,0)	15,2	(31,7)
Distributable reserves		8 469,9	10 118,9	1 074,5	1 426,6
Total ordinary shareholders' funds		10 516,5	10 983,1	1 334,1	1 548,4
Minority interests		12,6	5,4	1,6	0,8
Total shareholders' funds		10 529,1	10 988,5	1 335,7	1 549,2
Non-current liabilities					
Interest-bearing borrowings	11.1	242,8	1 128,3	30,8	159,1
Deferred tax	12	324,4	291,4	41,2	41,1
		567,2	1 419,7	72,0	200,2
Current liabilities					
Trade and other payables	13	9 772,1	6 420,9	1 239,8	905,3
Interest-bearing borrowings	11.1	359,6	476,0	45,6	67,1
Taxation payable	21.5	780,2	204,3	99,0	28,8
		10 911,9	7 101,2	1 384,4	1 001,2
TOTAL EQUITY AND LIABILITIES		22 008,2	19 509,4	2 792,1	2 750,6

**Provided for information purposes only. The current and comparative US Dollar figures do not form part of the statutory financial statements.*

Consolidated income statement

for the year ended 30 June 2008

	Note	2008 Rm	2007 Rm	2008* US $m	2007* US $m
Revenue	14	29 621,6	22 093,3	4 518,4	3 068,5
Cost of sales		24 502,3	18 466,8	3 737,5	2 564,8
Gross profit		5 119,3	3 626,5	780,9	503,7
Operating expenses		2 042,0	1 871,8	311,5	260,0
Operating profit before depreciation		3 077,3	1 754,7	469,4	243,7
Depreciation	1	652,9	459,4	99,6	63,8
Operating profit before non-trading items		2 424,4	1 295,3	369,8	179,9
Non-trading items	18	11,2	6 146,1	1,7	853,6
Net operating profit		2 435,6	7 441,4	371,5	1 033,5
Share of profits and losses from associates and joint ventures	3	18,8	425,7	2,9	59,1
Income from investments	16	946,0	240,7	144,3	33,4
Operating income		3 400,4	8 107,8	518,7	1 126,0
Interest paid	17	79,8	155,0	12,2	21,5
Profit before taxation		3 320,6	7 952,8	506,5	1 104,5
Taxation	19	1 011,4	468,2	154,3	65,0
Profit for the year		2 309,2	7 484,6	352,2	1 039,5
Attributable to					
Equity holders of Aveng Limited		2 301,5	7 483,1	351,1	1 039,3
Minorities		7,7	1,5	1,1	0,2
Profit for the year		2 309,2	7 484,6	352,2	1 039,5
Determination of headline earnings					
Profit for the year attributable to equity holders of Aveng		2 301,5	7 483,1	351,1	1 039,3
Net adjustment for non-trading items	20	(11,2)	(6 146,1)	(1,7)	(853,6)
Headline earnings	20	2 290,3	1 337,0	349,4	185,7
EARNINGS PER SHARE (cents)					
Earnings	20	594,2	1 922,5	90,6	267,0
Headline	20	591,4	343,5	90,2	47,7
Diluted earnings	20	538,3	1 567,1	82,1	217,6
Diluted headline earnings	20	535,7	289,6	81,7	40,2
DIVIDEND PER SHARE (cents)		145,0	85,0	22,1	11,8
SPECIAL DIVIDEND PER SHARE (cents)		145,0		22,1	
NUMBER OF SHARES (millions)					
In issue	8	398,5	396,1	398,5	396,1
Weighted average	20	387,3	389,2	387,3	389,2
Diluted weighted average	20	428,2	481,1	428,2	481,1

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Consolidated statement of changes in equity

for the year ended 30 June 2008

	Attributable to equity holders of the parent									
				Non-distributable reserves						
	Share capital Rm	Share premium Rm	Equity portion of compound instrument Rm	Equity-accounted investments Rm	Foreign currency translation Rm	Other non-distributable reserves Rm	Retained income Rm	Total Rm	Minority interest Rm	Total equity Rm
Balance at 1 July 2006	19,5	929,8	139,9	(10,9)	(392,9)	46,6	2 788,6	3 520,6	4,3	3 524,9
Profit for the year							7 483,1	7 483,1	1,5	7 484,6
Dividends paid							(147,9)	(147,9)		(147,9)
Revaluation reserve						(18,9)		(18,9)		(18,9)
Equity-accounted reserve movements				10,9				10,9		10,9
Foreign currency translation					135,3			135,3	(0,4)	134,9
Transfers						4,9	(4,9)			
Balance at 30 June 2007	19,5	929,8	139,9		(257,6)	32,6	10 118,9	10 983,1	5,4	10 988,5
Profit for the year							2 301,5	2 301,5	7,7	2 309,2
Dividends paid							(330,8)	(330,8)		(330,8)
Foreign currency translation					333,6			333,6	(0,5)	333,1
Corporate bond equity transfer (note 11)		128,7	(128,7)							
Corporate bond conversion (note 11)	3,1	832,0						835,1		835,1
Movement in treasury shares		5,1						5,1		5,1
Share repurchase programme	(3,0)						(3 608,1)	(3 611,1)		(3 611,1)
Transfers						11,6	(11,6)			
Balance at 30 June 2008	**19,6**	**1 895,6**	**11,2**		**76,0**	**44,2**	**8 469,9**	**10 516,5**	**12,6**	**10 529,1**

Consolidated cash flow statement

for the year ended 30 June 2008

		Note	2008 Rm	2007 Rm	2008* US $m	2007* US $m
Cash retained from operating activities						
Cash retained from operations		21.1	2 435,6	7 441,4	371,5	1 033,5
Depreciation			652,9	459,4	99,6	63,8
Non-cash and other movements		21.2	(19,9)	(6 240,4)	(3,0)	(866,7)
Cash generated by operations			3 068,6	1 660,4	468,1	230,6
Income from investments		16	946,0	240,7	144,3	33,4
Decrease in working capital		21.3	1 618,5	1 025,5	246,9	142,4
Cash generated by operating activities			5 633,1	2 926,6	859,3	406,4
Interest paid		21.4	(79,8)	(155,0)	(12,2)	(21,5)
Taxation paid		21.5	(584,2)	(377,5)	(89,1)	(52,4)
Cash available from operating activities			4 969,1	2 394,1	758,0	332,5
Dividend paid		21.6	(330,8)	(147,9)	(50,5)	(20,5)
			4 638,3	2 246,2	707,5	312,0
Investing activities						
Property, plant and equipment purchased	– expansion		(923,6)	(434,8)	(140,9)	(60,4)
	– replacement		(865,1)	(556,5)	(132,0)	(77,3)
Investments in associate companies		21.7	82,9	6 956,2	12,6	966,1
Proceeds on disposal of	– property, plant and equipment		292,5	93,2	44,6	12,9
	– investments	21.8		11,9		1,7
			(1 413,3)	6 070,0	(215,7)	843,0
Financing activities						
Long-term borrowings – repaid			(66,6)	(150,0)	(10,2)	(20,8)
Shares repurchased			(3 611,1)		(550,8)	
			(3 677,7)	(150,0)	(561,0)	(20,8)
Net (decrease) increase in cash and cash equivalents			(452,7)	8 166,2	(69,2)	1 134,2
Cash and cash equivalents at beginning of year			9 479,9	1 246,5	1 446,0	173,1
Foreign currency translation reserve movement			179,1	67,2	27,4	9,3
Cash and cash equivalents at beginning of year			9 659,0	1 313,7	1 473,4	182,4
Cash and cash equivalents at end of year		21.10	9 206,3	9 479,9	1 404,2	1 316,6

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Segmental report

for the year ended 30 June 2008

		2008 Rm	%	2007 Rm	%
Business segmentation					
Revenue	**Construction and Engineering**				
	South Africa and Africa	9 258,8	31,3	7 435,3	33,7
	Australasia and Pacific	9 457,8	31,9	5 782,2	26,2
	Total Construction and Engineering	18 716,6	63,2	13 217,5	59,8
	Opencast Mining	2 397,1	8,1	1 765,3	8,0
	Manufacturing and Processing	8 503,2	28,7	7 068,3	32,0
	Administration	4,7	0,0	42,2	0,2
		29 621,6	100,0	22 093,3	100,0
Operating profit	**Construction and Engineering**				
	South Africa and Africa	317,6	3,4	103,1	1,4
	Australasia and Pacific	646,6	6,8	326,9	5,7
	Total Construction and Engineering	964,2	5,2	430,0	3,3
	Opencast Mining	189,5	7,9	92,5	5,2
	Manufacturing and Processing	1 409,1	16,6	1 000,8	14,2
	Administration	(127,2)		(228,0)	
		2 435,6	8,2	1 295,3	5,9
	Holcim sale			6 146,1	
		2 435,6	8,2	7 441,4	33,7
Assets	**Construction and Engineering**				
	South Africa and Africa	3 829,2	32,6	2 326,7	25,9
	Australasia and Pacific	2 325,4	19,8	1 408,5	15,7
	Total Construction and Engineering	6 154,6	52,5	3 735,2	41,6
	Opencast Mining	2 085,7	17,8	1 238,3	13,8
	Manufacturing and Processing	4 406,9	37,6	3 301,2	36,8
	Administration	(918,3)	(7,8)	698,4	7,8
		11 728,9	100,0	8 973,1	100,0
Liabilities	**Construction and Engineering**				
	South Africa and Africa	4 033,5	41,3	2 583,6	40,2
	Australasia and Pacific	2 414,5	24,7	1 378,0	21,5
	Total Construction and Engineering	6 448,0	66,0	3 961,6	61,7
	Opencast Mining	955,2	9,8	478,8	7,5
	Manufacturing and Processing	2 126,8	21,8	1 487,1	23,2
	Administration	242,1	2,5	493,4	7,7
		9 772,1	100,0	6 420,9	100,0
Capital expenditure	**Construction and Engineering**				
	South Africa and Africa	260,5	14,6	209,0	21,1
	Australasia and Pacific	493,8	27,6	354,2	35,7
	Total Construction and Engineering	754,3	42,2	563,2	56,8
	Opencast Mining	782,9	43,8	224,8	22,7
	Manufacturing and Processing	231,4	12,9	196,3	19,8
	Administration	20,1	1,1	7,0	0,7
		1 788,7	100,0	991,3	100,0
Depreciation	**Construction and Engineering**				
	South Africa and Africa	79,5	12,2	89,8	19,5
	Australasia and Pacific	246,0	37,7	124,2	27,0
	Total Construction and Engineering	325,5	49,9	214,0	46,6
	Opencast Mining	205,7	31,5	157,5	34,3
	Manufacturing and Processing	95,7	14,6	80,3	17,5
	Administration	26,0	4,0	7,6	1,7
		652,9	100,0	459,4	100,0

		2008 Rm	%	2007 Rm	%
Geographical segmentation					
Revenue	Republic of South Africa	16 747,8	56,5	13 205,7	59,8
	Rest of Africa and Mauritius	3 396,7	11,5	3 090,0	14,0
	Australasia and Pacific Islands	7 677,4	25,9	4 646,1	21,0
	South East Asia	1 781,9	6,0	1 139,1	5,2
	Middle East and Other	17,8	0,1	12,4	0,1
		29 621,6	100,0	22 093,3	100,0
Assets	Republic of South Africa	7 548,6	64,4	6 055,8	67,5
	Rest of Africa and Mauritius	1 854,6	15,8	1 477,3	16,5
	Australasia and Pacific Islands	1 854,4	15,8	1 134,3	12,6
	South East Asia	471,3	4,0	305,2	3,4
	Middle East and Other			0,5	
		11 728,9	100,0	8 973,1	100,0
Capital expenditure	Republic of South Africa	745,3	41,7	375,2	37,9
	Rest of Africa and Mauritius	549,6	30,7	261,9	26,4
	Australasia and Pacific Islands	404,4	22,6	315,4	31,8
	South East Asia	89,4	5,0	38,8	3,9
	Middle East and Other				
		1 788,7	100,0	991,3	100,0
Depreciation	Republic of South Africa	220,6	33,8	151,8	33,0
	Rest of Africa and Mauritius	186,4	28,5	183,4	39,9
	Australasia and Pacific Islands	222,3	34,1	112,7	24,5
	South East Asia	23,6	3,6	11,5	2,5
	Middle East and Other				
		652,9	100,0	459,4	100,0

Holcim (South Africa) (Proprietary) Limited – (100%)	2008 Rm	2007* Rm
Revenue		5 106,0
Operating income		1 580,0
Assets		2 677,9
Liabilities		747,4
Capital expenditure		351,6
Depreciation		121,1
Net debt to equity ratio		(0,3)

**At disposal date of 31 May 2007.*

Note: The financial information above relates to Holcim (South Africa) Proprietary Limited (100%) and not the equity-accounted entity Altur. During the 2007 financial year, Aveng Limited disposed of its 45,65% stake in Holcim (South Africa) through Altur (Pty) Limited.

Notes to the consolidated annual financial statements

for the year ended 30 June 2008

	Land and buildings Rm	Owned plant, equipment and vehicles Rm	Leased plant, equipment and vehicles Rm	Total 2008 Rm
1. Property, plant and equipment				
2008				
Cost				
At beginning of year – historical cost	470,9	4 349,4	216,5	5 036,8
Foreign exchange movements	9,3	106,8	(4,8)	111,3
Additions	83,9	1 701,7	3,1	1 788,7
Disposals	(6,7)	(616,9)	(144,6)	(768,2)
At end of year	557,4	5 541,0	70,2	6 168,6
Accumulated depreciation				
At beginning of year – historical cost	134,2	2 258,3	111,2	2 503,7
Foreign exchange movements	0,5	(21,2)	(3,7)	(24,4)
Current year charge	17,6	601,2	34,1	652,9
Disposals	(6,5)	(368,1)	(101,9)	(476,5)
At end of year	145,8	2 470,2	39,7	2 655,7
Net book value at end of year	411,6	3 070,8	30,5	3 512,9
2007				
Cost				
At beginning of year – historical cost	442,1	3 868,6	244,4	4 555,1
Foreign exchange movements	(0,4)	28,4	3,0	31,0
Additions	32,5	941,1	17,7	991,3
Disposals	(5,0)	(529,3)	(6,2)	(540,5)
Reclassification	1,8	40,5	(42,3)	
At end of year	471,0	4 349,3	216,6	5 036,9
Accumulated depreciation				
At beginning of year – historical cost	116,4	2 252,7	102,8	2 471,9
Foreign exchange movements	0,1	24,3		24,4
Current year charge	18,4	403,2	37,8	459,4
Disposals	(1,3)	(447,8)	(3,0)	(452,1)
Reclassification	0,6	25,7	(26,3)	
At end of year	134,2	2 258,1	111,3	2 503,6
Net book value at end of year	336,8	2 091,2	105,3	2 533,3

	2008 Rm	2007 Rm
Land and buildings comprise:		
Freehold	487,7	432,7
Long leasehold	33,9	38,3
	521,6	471,0
The replacement value of assets for insurance purposes amounts to	6 992,3	6 235,5

1. Property, plant and equipment (continued)

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	10 – 25%	10 – 25%
Office equipment	Straight line	10 – 33%	10 – 33%
Furniture and fittings	Straight line	15 – 20%	15 – 20%
Motor vehicles	Straight line	10 – 25%	10 – 25%

	Rm	Rm
The carrying amount of property, plant and equipment which is temporarily idle is	4,1	8,9
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.

Details in respect of immovable property are set out in a register which may be inspected at the company's registered office.

The group has pledged certain plant and machinery as security for certain interest-bearing borrowings. (Refer to note 11, Secured liabilities).

	Total 2008 Rm	Total 2007 Rm
2. Goodwill and trademarks		
Goodwill		
Gross carrying amount		
At beginning of year	764,8	745,1
Foreign exchange movements	43,5	19,7
Total goodwill assets	808,3	764,8
Trademarks		
Indefinite useful life trademarks at cost	15,0	15,0
Total goodwill and trademarks	823,3	779,8

Goodwill and trademarks

Impairment testing of goodwill

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired.

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

Aveng Africa 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 15,50% (2007: 14,33%). The average growth rate used to extrapolate the cash-generating units beyond the three-year period is 5% (2006: 5%). 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 cost forecasts are based on historical performance or, where not appropriate, the company's views and estimates.

Indefinite life trademarks

The trademark relates to the acquisition of LTA Limited in 2000 when Grinaker Construction Limited merged with LTA Limited to become Grinaker-LTA Limited.

Indefinite life trademarks comprise those brands for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

The LTA trademark is considered to have an indefinite life given the strength and durability of the brand and the time in which it has been in existence.

The group tests intangible assets annually for impairment, or more frequently if there are indications that they may be impaired.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

	Total 2008 Rm	Total 2007 Rm
3. Investment in associates and joint ventures		
Opening balance	160,9	424,9
Disposals	(7,3)	(680,1)
Dividends received	(59,7)	(132,0)
Exchange difference movements	4,0	(5,6)
Loans advanced	(15,9)	0,6
Fair value adjustment	(4,2)	136,1
Non-distributable reserve transfers		10,9
Share of reserve movements in the year		(19,6)
Share of results before taxation	34,3	707,2
Share of taxation	(15,5)	(281,5)
At end of year	96,6	160,9
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	19,2	29,3
Current assets	355,5	286,5
	374,7	315,8
Current liabilities	296,2	185,8
Interest-bearing debt	0,2	2,4
Non-interest-bearing debt	0,5	
Equity	77,8	127,6
	374,7	315,8
Revenue	768,5	3 296,9
Expenses	728,8	2 557,2
Net finance costs	5,4	32,5
Income before taxation	34,3	707,2
Taxation	15,5	281,5
Income after taxation	18,8	425,7
Net cash inflow from operating activities	40,7	200,4
Net cash inflow from investing activities	10,2	5,1
Net cash outflow from financing activities	(1,8)	(55,1)
Net increase in cash and cash equivalents	49,1	150,4
Cash and cash equivalents at beginning of year	51,0	(207,7)
Foreign currency translation reserve movement		1,9
Cash adjustment for Holcim disposal		106,4
Cash and cash equivalents at end of year	100,1	51,0
Loans to the associate companies are unsecured, interest free and have no fixed repayment terms.		
Directors' valuation of unlisted associates	96,6	160,9
There are no individually significant associates included in the above carrying value and all operate within the Construction and Engineering sector.		

	Total 2008 Rm	Total 2007 Rm
4. Available-for-sale investments		
At beginning of year	12,2	46,4
Disposals	(0,4)	(29,3)
Redemption of redeemable units in the N3TC company		(4,9)
At end of year	11,8	12,2

The investment above comprises a 10,14% unlisted investment in the N3 Toll Concession Company (Pty) Limited.

The investment in the N3 Toll Concession Company (Pty) Limited is reflected at cost due to the limited marketability and valuation methodologies for investments of this nature, which creates difficulties in reliably measuring fair value. The directors estimate the value of this unlisted investment at not less than its book value.

There is no current intention to dispose of this investment.

	Total 2008 Rm	Total 2007 Rm
5. Deferred tax asset		
Balance at beginning of year	476,9	365,2
Transfer from/(to) income statement – current year	258,6	145,1
– prior years	(66,7)	(24,0)
Effect of change in tax rate	(13,5)	
Exchange difference movements	25,0	(9,4)
Balance at end of year	680,3	476,9
Balance at end of year comprises:		
Accelerated capital allowances	46,8	59,1
Provisions	414,7	228,3
Unrealised foreign exchange loss	11,4	4,2
Other	201,4	113,9
Assessed losses carried forward	6,0	71,4
	680,3	476,9
6. Inventories		
At cost, net of impairment provisions		
Raw materials	740,0	620,1
Consumable stores	162,4	161,9
Work in progress	60,0	55,1
Finished goods	990,3	860,9
Properties held for development and resale	94,4	21,1
	2 047,1	1 719,1
Inventories carried at net realisable value		19,9
Inventories expensed during the year	6 644,0	5 404,5

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

	Total 2008 Rm	Total 2007 Rm
7. Trade and other receivables		
Contracts in progress and contract receivables		
Costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year-end, less progress payments	2 375,9	891,6
Amounts receivable in excess of amounts billed		343,7
	2 375,9	1 235,3
Advances receivable in excess of work performed	(962,4)	(509,0)
Gross amounts due on contracts	1 413,5	726,3
Retentions receivable	149,0	121,8
Gross amounts due from customers	1 562,5	848,1
Allowance for impairment on receivables	(73,9)	(64,4)
Net amount due from customers	1 488,6	783,7
Trade and other receivables		
Gross trade receivables	1 912,4	1 265,8
Gross other receivables	1 545,9	1 416,9
Prepayments and other	528,2	531,0
Gross trade and other receivables	3 986,5	3 213,7
Allowance for impairment on receivables	(129,5)	(56,5)
Net amount due from customers	3 857,0	3 157,2
Total receivables	5 345,6	3 940,9
The maximum exposure to credit risk in relation to trade and other receivables	5 020,8	3 530,8

The directors consider the carrying amount of the trade and other receivables to approximate their fair value.

Trade and other receivables comprise amounts owing to the group in the normal course of business.

Terms vary in accordance with contracts of supply and service and across business units, but are generally on 30- to 90-day terms from date of invoice.

Indebtedness is generally interest free while within the terms of the original contract.

As at 30 June, trade receivables and contract debtors with a nominal value of R203,4 million were impaired.

Movement in the allowance for impairment of receivables was as follows:

	Total individually impaired
Balance as at 1 July 2006	120,0
Charge for the year	33,0
Utilised during the year	(32,2)
Balance as at 30 June 2007	120,8
Charge for the year	180,4
Utilised during the year	(97,8)
Balance as at 30 June 2008	203,4

At 30 June, the ageing analysis of trade and contract receivables is as follows:

	Total	Impaired	Neither past due nor impaired	Past due but not impaired		
				<30 days	30 – 60 days	> 60 days
2008	5 020,8	203,4	4 390,3	222,6	172,8	31,7
2007	3 530,8	120,8	3 298,8	48,6	62,6	

	Total 2008 Rm	Total 2007 Rm
8. Share capital		
Authorised		
Ordinary share capital		
882 034 263 ordinary shares of 5 cents each	44,1	44,1
Issued		
Ordinary share capital		
Opening balance of 396 145 908 shares of 5 cents each	19,5	19,5
Repurchase of 59 494 871 shares of 5 cents each	(3,0)	
Issue of 61 827 952 shares on conversion of corporate bond of 5 cents each	3,1	
Closing balance of 398 478 989 shares of 5 cents each	19,6	19,5
8.1 Treasury shares		
Number of shares held by the Aveng Limited Share Purchase Trust	6 060 886	6 910 930
Market value of shares held in the trust	351,5	345,2
8.2 Reconciliation of issued shares		
Number of shares in issue	398 478 989	396 145 908
Number of shares held in trust by the Aveng Limited Share Purchase Trust	(6 060 886)	(6 910 930)
Net shares issued to public	392 418 103	389 234 978
9. Share premium		
Balance at beginning of year	929,8	929,8
Premium arising on conversion of corporate bond	832,0	
Corporate bond equity transfer	128,7	
Movement in treasury shares	5,1	
Balance at end of year	1 895,6	929,8
10. Non-distributable reserves		
Balance at end of year comprises:		
Capital redemption reserve fund	0,9	0,9
Foreign currency translation reserve	76,0	(257,6)
Revaluation and other reserves	43,3	31,7
	120,2	(225,0)

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

		Total 2008 Rm	Total 2007 Rm
11. Interest-bearing borrowings			
11.1 Non-current borrowings			
Summary of loans by contractual maturity			
2008			69,6
2009		75,3	67,4
2010		90,9	51,4
2011		10,4	53,2
2012		108,5	923,2
2013		3,6	33,1
2014 onwards		29,4	
Total borrowings	Note 11.2	318,1	1 197,9
Current portion included in short-term borrowings		(75,3)	(69,6)
		242,8	1 128,3
Short-term interest-bearing borrowings			
Overdrafts		284,3	406,4
Current portion of non-current borrowings		75,3	69,6
		359,6	476,0
Total interest-bearing borrowings		602,4	1 604,3

11.2 Analysis of total non-current borrowings

	Final repayment date	Rate of interest per year (payable half-yearly) 2008 %	2007 %	2008 Rm	2007 Rm
Unsecured loans					
	2008	6,1 – 12,8	7,9 – 17,2		15,7
	2009	6,1 – 12,8	7,9 – 17,2	19,6	19,6
	2010	6,1 – 12,8	7,9 – 17,2		
	2011	6,1 – 12,8	7,9 – 17,2		
	2012	6,1 – 12,8	7,9 – 17,2		
				19,6	35,3
Secured loans*					
	2008	6,1 – 15	8 – 15		53,9
	2009	6,1 – 15	8 – 15	55,8	47,8
	2010	6,1 – 15	8 – 15	90,9	51,4
	2011	6,1 – 15	8 – 15	10,4	53,2
	2012	6,1 – 15	6 – 15	108,5	923,2
	2013	12 – 13	12 – 13	3,6	33,1
	2014 onwards	12 – 13		29,4	
				298,6	1 162,6
Total non-current interest-bearing borrowings			Note 11.1	318,2	1197,9

**The company and its subsidiaries have entered into cross-suretyships in respect of current and future financial obligations to FirstRand Bank Limited amounting to R125,5 million (2007: R144,8 million). These amounts are included above. Net debt to equity and interest cover covenants have been complied with.*

11. Interest-bearing borrowings (continued)

11.3 Borrowings and cash analysis

	2008 Rm	%	2007 Rm	%
Gross borrowings – Geographic				
South Africa	268,5	84,4	650,7	40,6
Foreign	49,6	15,6	953,6	59,4
	318,1	100,0	1 604,3	100,0
Cash – Geographic				
South Africa	7 389,0	77,9	8 726,1	88,3
Foreign	2 101,6	22,1	1 160,2	11,7
	9 490,6	100,0	9 886,3	100,0

	2008 Gross Rm	2008 Cash Rm	2008 Net Rm	2008 %	2007 Net Rm	2007 %
Fixed and variable						
Fixed – long term	242,8		242,8	(2,8)	1 128,3	(13,6)
– short term	75,3		75,3	(0,8)	69,6	(0,8)
Variable	284,3	(9 490,6)	(9 206,3)	103,6	(9 479,9)	114,5
	602,4	(9 490,6)	(8 888,2)	100,0	(8 282,0)	100,0

The following table illustrates the effect on the group's profit before tax, all other factors remaining equal, of changes in the variable interest liabilities at 30 June.

		2008	2007
Total variable borrowings		284,3	406,4
Effect on profit before tax	Plus 50 basis points	(1,4)	(2,0)
	Minus 50 basis points	1,4	2,0

11.4 Convertible bond

Interest-bearing borrowings

The initial R1 billion convertible bond was accounted for as combined borrowings and equity. During the year under review, bonds to the value of R920 million were converted into ordinary shares at R14,88 per share. This resulted in a transfer of R128,7 million from the equity reserve to share premium. Approval for the conversion into Aveng Limited shares was granted at the annual general meeting, which was held on 28 October 2005.

The remaining R80 million convertible bond continues to be accounted for as combined borrowings and equity. This treatment will continue until the conversion of the instrument into equity. The bonds are unsecured and bear interest at a fixed rate of 6,125%.

The remaining bonds will be redeemed on 17 March 2012 unless holders elect to convert to ordinary shares prior to the redemption date.

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

The effect of the conversion at year-end is:	2005	2006	2007	2008	2009	2010	2011	2012
Balance sheet								
Equity	140	140	140	11,2	11,2	11,2	11,2	
Liability	860	876	894	73	75	77	79	
Income statement								
Interest expense	39	78	79	57	7	7	7	2

No sensitivity analysis has been prepared on the corporate bond as the bonds carry a fixed interest rate.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

	Total 2008 Rm	Total 2007 Rm
12. Deferred tax liability		
At beginning of year	291,4	130,5
Transfer to income statement – current year	32,0	131,4
– prior years	6,1	
Foreign withholding tax on dividends		29,5
Exchange difference movements	3,3	
Effect of change in tax rate	(8,4)	
At end of year	324,4	291,4
Balance at end of year comprises:		
Accelerated capital allowances	275,0	218,8
Other	1,4	32,8
Foreign tax differential	47,8	39,8
	324,2	291,4
13. Trade and other payables		
Trade	3 160,1	2 033,0
Contracts in progress due to customers	1 939,1	934,1
Cheques not presented	281,0	393,2
Due to subcontractors	285,8	238,0
Accrued expenses	2 625,1	2 007,4
	8 291,1	5 605,7
IFRS 2 share-based payment provision	318,1	245,4
Other employment-related provisions	1 162,9	569,8
	9 772,1	6 420,9

Trade and other payables comprise amounts owing to suppliers for goods and services in the normal course of business.

Terms vary in accordance with contracts of supply and service, but are generally settled on 30- to 60-day terms.

Other provisions consist of the following:

	Employee entitlements	Leave pay benefits	Total
Balance as at 1 July 2006	174,3	92,2	266,5
Charge for the year	413,9	71,9	485,8
Utilised during the year	(119,6)	(62,9)	(182,5)
Balance as at 30 June 2007	468,6	101,2	569,8
Charge for the year	805,0	72,2	877,2
Utilised during the year	(222,3)	(61,8)	(284,1)
Balance at 30 June 2008	(1 051,3)	(111,6)	1 162,9

– Employee entitlements are provisions raised for the various employee incentive schemes in operations within the group.

– Leave pay benefits are amounts due to employees for accumulated leave balances, the timing of which is uncertain at year-end.

The directors consider that the carrying amount of the trade and other payables approximate their fair value.

	Total 2008 Rm	Total 2007 Rm
14. Revenue		
Sale of goods	8 483,2	7 157,4
Construction contract revenue	19 927,1	14 028,0
Operating lease revenue	789,5	620,8
Rendering of services	421,8	287,1
Revenue	29 621,6	22 093,3
Revenue comprises sales of goods and services and selling commissions, value of work done by contracting companies, fees and rentals.		
Revenue represents the gross inflows of economic benefits during the year 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 profit disclosures		
In arriving at operating profit the following items have been taken into account:		
Income		
Disposal of properties, plant and equipment	0,8	4,8
Disposal of investments	10,4	6 141,3
Expenses		
Auditor's remuneration – fees for audit	24,0	21,1
– fees for other services	0,6	0,9
– expenses	0,2	0,8
Depreciation – land and buildings	17,0	18,4
– plant, equipment and vehicles	635,9	441,0
Foreign exchanges losses	17,6	17,9
Impairment charges on receivables	113,0	33,0
Operating leases – land and buildings	49,0	122,8
– plant, equipment and vehicles	19,8	15,6
Professional fees – managerial, legal, financial and technical	5,0	26,3
Share repurchase costs	5,9	
Staff costs		
– salaries and wages	6 029,0	4 462,8
– contributions to defined contribution funds	152,4	130,1
– contributions to medical funds	90,7	75,0
– share-based payments expenses	195,1	229,8
16. Income from investments		
Dividends – unlisted	13,2	12,0
Interest – external cash investments at amortised cost	932,8	228,7
	946,0	240,7
Interest has been earned at prevailing market rates in South Africa (5% to 15%).		

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

		Total 2008 Rm	Total 2007 Rm
17. Interest paid			
Interest expense on financial liabilities		79,8	155,0
No borrowing costs have been capitalised during the year (2007: Nil)			
Interest has been charged at prevailing market rates in South Africa (10% to 20%) with the exception of the convertible bonds which attract a fixed interest rate of 6,125%.			
18. Non-trading items			
Surplus on disposal of properties, plant and equipment	Note 21	(0,8)	(4,8)
Surplus on disposal of investments	Note 21	(10,4)	(6 141,3)
		(11,2)	(6 146,1)
19. Taxation			
South African normal taxation – current		755,0	264,5
Foreign normal taxation – current		390,9	186,6
Foreign normal taxation – prior		14,2	(3,3)
Deferred tax – current		(226,6)	(3,6)
Deferred tax – prior		72,8	24,0
Deferred tax – rate change		5,1	
		1 011,4	468,2
Reconciliation of rate of taxation (%)			
Standard rate of company taxation		28,0	29,0
Adjusted for:			
Assessed loss utilised		(0,6)	(0,2)
Current year's tax losses not utilised		2,6	0,5
Disallowable expenditure		0,1	0,2
Exempt income		(0,3)	(22,6)
Foreign tax adjustment		0,3	
Income from associates		(0,5)	(1,5)
Other		1,2	1,1
Prior years		(0,3)	
Capital gains tax			(0,6)
Effective taxation rate		30,5	5,9
Effective rate of taxation for the year before non-trading items and associated companies		30,7	33,9

The estimated losses which are available for the reduction of future taxable income are R466 million (2007: R535 million), of which R255 million (2007: R286 million) has been taken into account in calculating deferred taxation.

The group has estimated STC credits amounting to 10% of R1 911 million (2007: R5 897 million).

South African income tax is calculated at 28% (2007: 29%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

20. Earnings and headline earnings per share

	Total 2008 Rm	Total 2007 Rm
Weighted average number of shares		
Weighted average number of ordinary shares in issue	401 686 130	396 145 908
Less: Weighted average number of treasury shares	(14 392 193)	(6 910 930)
Weighted average number of shares in issue	387 293 937	389 234 978
Add: Convertible bond dilution effect	5 376 344	65 487 885
Add: Contingently issuable shares	35 492 007	26 383 984
Diluted weighted average number of shares in issue	428 162 288	481 106 847
Determination of headline earnings		
Profit for the year attributable to equity holders of Aveng	2 301,5	7 483,1
Surplus on disposal of properties and equipment (refer to note 18)	(0,8)	(4,8)
Surplus on disposal of investments (refer to note 18)	(10,4)	(6 141,3)
Headline earnings	2 290,3	1 337,0
Determination of diluted earnings		
Profit for the year attributable to equity holders of Aveng	2 301,5	7 483,1
Interest-saving effect on convertible bonds	4,9	79,0
Interest-saving effect on convertible bonds – tax effect	(1,4)	(22,9)
Diluted earnings	2 305,0	7 539,2
Determination of diluted headline earnings		
Headline earnings	2 290,3	1 337,0
Interest-saving effect on convertible bonds	4,9	79,0
Interest-saving effect on convertible bonds – tax effect	(1,4)	(22,9)
Diluted headline earnings	2 293,8	1 393,1
Earnings per share	594,2	1 922,5
Earnings per share – diluted	538,3	1 567,1
Headline earnings per share	591,4	343,5
Headline earnings per share – diluted	535,7	289,6

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

		Total 2008 Rm	Total 2007 Rm
21. Notes to the cash flow statement			
21.1 Cash retained from operations			
Net income before tax		3 320,6	7 952,8
Adjusted for:			
Income from associates		(18,8)	(425,7)
Income from investments		(946,0)	(240,7)
Interest paid		79,8	155,0
		2 435,6	7 441,4
21.2 Non-cash and other movements			
Surplus on disposal of property, plant and equipment		(0,8)	(4,8)
Surplus on disposals of investments		(10,4)	(6 141,3)
Foreign currency translation reserve movements		(25,4)	22,2
Fair value adjustment	Note 3	4,2	(136,1)
Other non-cash items		12,5	19,6
		(19,9)	(6 240,4)
21.3 Working capital movements			
Increase in inventories		(328,0)	(345,2)
Increase in trade and other payables		3 351,2	1 847,8
Increase in trade and other receivables		(1 404,7)	(477,1)
		1 618,5	1 025,5
21.4 Interest paid			
Interest paid as per income statement		79,8	155,0
21.5 Normal taxation paid			
Amounts unpaid at beginning of year		204,3	134,0
Amounts charged to the income statement		1 160,1	447,8
Amounts unpaid at end of year		(780,2)	(204,3)
		584,2	377,5
21.6 Dividends paid			
Amounts charged to equity		330,8	147,9
21.7 Associated companies and joint ventures			
Proceeds on disposal of associates and joint ventures		7,3	6 824,8
Dividends received		59,7	132,0
Net loans repaid/(advanced)		15,9	(0,6)
		82,9	6 956,2
21.8 Other investments			
Net return of capital			4,8
Proceeds on sale			7,1
			11,9
21.9 Cash and cash equivalents			
Deposits and cash	Note 11.3	9 490,6	9 886,3
Overdrafts	Note 11.1	(284,3)	(406,4)
		9 206,3	9 479,9

	Total 2008 Rm	Total 2007 Rm
22. Commitments		
Capital commitments		
Capital expenditure authorised – contracted for	869,2	134,0
– not contracted for	345,7	139,2
	1 214,9	273,2
It is anticipated that this expenditure will be in respect of capital equipment which will be financed from existing cash and borrowing facilities.		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
– less than one year	45,6	95,8
– more than one year and less than five years	35,1	212,2
– more than five years	12,6	50,8
23. Contingent liabilities		
Contingent liabilities at balance sheet date, not otherwise provided for in the annual financial statements, arising from:		
– exchange contracts		78,7
– performance guarantees	2 175,0	1 441,5
– performance bonds	949,5	815,2
– contractual claims – Gabon housing project	142,1	142,1
– contractual claims – Marikana mining project	963,0	963,0
– other contract claims	16,8	18,9
– letters of credit	60,0	25,9
	4 306,4	3 485,3

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, without being offset against still and received compensation from the customer.

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 a guarantee, in turn, normally receives an indemnity from the contracting company or other group company. In compliance with industry custom, such indemnities related to the groups and contracting assignments are not reported as contingent liabilities, since they do not involve any increase of liability compared to the contracting commitment.

Included in contingent liabilities are the following:
Aquarius Platinum (South Africa) Limited, has issued a summons for R963 million against Moolmans, an operating group of Aveng (Africa) Limited, for alleged misrepresentation. Attorneys are currently of the opinion that there is no financial exposure to Moolmans. The entire R963 million has however been disclosed as a contingent liability. Proceedings are in progress.

Grinaker-LTA Building, a division of Aveng (Africa) Limited, entered into a contract in 2001 to build 100 houses in Gabon. The houses were duly built by means of finance provided by a local financial institution which is now seeking restitution in the amount of €15,5 million (R151 million), due to an alleged default by the government of Gabon. Proceedings are in progress.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

Foreign currency payables and receivables	Foreign amount millions 2008	Foreign amount millions 2007	Rand amount millions 2008	Rand amount millions 2007
24. Foreign exchange exposure				
Forward exchange contracts on imports				
Canadian Dollar		3,0		21,8
Euro	10,3	9,2	32,4	91,8
UK Pound		0,2	0,5	3,2
US Dollar	11,4	1,1	180,8	7,6
			213,7	124,4
Forward exchange contracts on exports				
Euro		1,8		18,5
US Dollars		1,3		9,3
				27,8
The group's policy is to cover all foreign currency exposures unless a natural hedge exists.				
Foreign currency payables and receivables				
Payables				
Australian Dollar	108,9	135,7	825,5	817,7
CPF Franc		1,3		15,3
Euro	5,5	5,8	67,4	56,8
Fiji Dollar		0,4		1,7
French Franc	40,7		509,1	
Hong Kong Dollar		0,7		0,6
Indonesian Rupiah	5 934,5		5,2	
Libyan Dinar		0,4		2,0
Malaysian Ringgit	0,2		0,6	
Mozambican Metical	7,2	13,6	2,4	3,8
New Zealand Dollar	40,1	26,0	241,2	142,6
Philippine Peso	1,4		0,2	
Botswana Pula	352,7	123,5	417,0	136,8
Saudi Riyal	0,9	0,5	2,0	1,0
Singapore Dollar	54,9	27,2	320,7	125,9
Swedish Krona				
Swiss Franc				
Tanzanian Shilling	2 769,9	3 592,6	16,1	20,9
Thai Baht	20,9	1,1	5,0	0,2
UK Pound	1,7	1,7	26,3	24,0
US Dollar	39,9	31,0	314,1	219,6
Zambian Kwacha	34 555,5		63,3	
Zimbabwe Dollar	2 020 833,3	3 357,6		0,2
			2 816,1	1 569,1

24. Foreign exchange exposure (continued)

Foreign currency payables and receivables	Foreign amount millions 2008	Foreign amount millions 2007	Rand amount millions 2008	Rand amount millions 2007
Receivables				
Australian Dollar	66,1	78,1	501,4	470,9
Euro		1,9		18,2
Fiji Dollar		1,5		6,5
Hong Kong Dollar		0,1		0,1
Indonesian Rupiah	1 420,4		1,2	
Libyan Dinar		0,1		0,6
Mozambican Metical	6,0	0,9	2,0	0,3
New Zealand Dollar	11,3	6,7	67,8	36,9
Philippine Peso	3,0		0,5	
Botswana Pula	157,2	85,5	185,8	94,7
Saudi Riyal	12,3	4,2	25,9	7,9
Singapore Dollar	28,2	27,0	164,7	126,4
Tanzanian Shilling	11 706,5	13 948,6	68,1	81,2
Thai Baht	7,2	6,0	1,7	1,4
UK Pound	2,5	2	38,7	31,1
US Dollar	46,0	44,2	362,6	313,2
Zambian Kwacha	39 926,7		73,1	
Zimbabwe Dollar		508,6		
			1 493,5	1 189,4

Foreign exchange rate table – material currencies	2008 Closing	2008 Average	2007 Closing	2007 Average
Australian Dollar	7,58	6,56	6,03	5,67
Euro	12,33	10,75	9,75	9,45
UK Pound	15,71	14,63	14,25	13,93
US Dollar	7,88	7,28	7,09	7,20

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

25. Employee benefits

25.1 Post-retirement benefits

The group has a number of retirement benefit plans for its eligible employees. These plans comprise both defined contribution and a closed defined benefit plan. 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 29,5% (2006: 20,6%) of all employees are members of company post-retirement funds.

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

	2008	2007
The principal group funds are:		
Number of members		
Grinaker-LTA Limited Retirement Plan	10 014	4 987
McConnell Dowell Corporation Limited Plan	4 685	1 655
Trident Steel Retirement Fund	478	445

The group's retirement expense was R152,4 million (2007: R130,1 million).

25.2 Defined benefit plan

	2008	2007
Valuation method:		
Projected unit credit method	Yes	Yes
Principal assumptions:		
Discount rate %	11,00	8,75
Expected return on assets %	11,00	8,75
General inflation %	9,50	5,75
Salary inflation %	10,50	7,00
Present value of obligation:		
Opening balance at 1 July	206,3	215,8
Interest cost on opening balance	17,3	17,7
Actuarial (loss)/gain	20,6	(12,7)
Benefits paid	(16,0)	(14,5)
Closing balance at 30 June	228,2	206,3
Fair value of plan assets:		
Opening balance at 1 July	290,5	279,5
Expected return on fund assets	24,7	23,1
Contributions received	0,8	
Actuarial gain	20,4	2,4
Benefits paid	(16,0)	(14,5)
Closing balance at 30 June	320,4	290,5
Net assets not recognised	92,2	84,2
Net benefit income not recognised:		
Interest cost on opening balance	(17,3)	(17,7)
Actuarial loss/(gain)	(0,2)	15,1
Expected return on fund assets	24,7	23,1
Net benefit income not recognised	7,2	20,5
Actual return on plan assets	45,1	25,5
The major categories of plan assets as a percentage on the fair value of total plan assets are as follows:	%	%
Money market	71,0	71,3
Insured policy (Momentum)	29,0	28,7

Amounts for current and previous four periods are as follows:

	2008 R'million	2007 R'million	2006 R'million	2005 R'million	2004 R'million
Fair value of assets	320,4	290,5	279,5	269,3	237,1
Employer's accrued liability	(228,2)	(206,3)	(215,8)	(223,1)	(199,0)
Funded status	92,2	84,2	63,7	46,2	38,1

There are no active members on the fund. All beneficiaries are pensioners and there will be no future contributions.

25. Employee benefits (continued)

25.3 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 19 923 950 shares) of the issued share capital. No one participant may acquire shares in excess of 2% (presently 7 969 580 shares) of the issued share capital of the company.

	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
The movements during the year under review were as follows:				
Balance at beginning of year	7,15	5 111 137	7,16	8 321 237
Options granted	53,90	2 464 384	5,80	26 800
Options exercised	22,16	(1 735 150)	7,19	(3 230 400)
Options forfeited	6,69	(410 562)	5,80	(6 500)
Balance at end of year	22,16	5 429 809	7,20	5 111 137
Options exercisable at year-end	7,95	2 829 175	6,62	2 597 762

		2008 R	2007 R
Range of market price at dates of exercising option or taking delivery	Cost	7,30	7,15
	Low	50,00	21,04
	High	68,3	53,48
	Weighted average	58,3	42,4

	Subscription price	Number of options 2008	Number of options 2007
The options outstanding at 30 June 2008 become unconditional between the following dates:			
25 May 2002 and 25 May 2010	6,10	183 500	308 500
29 November 2002 and 29 November 2010	5,80	882 425	1 564 012
1 October 2003 and 1 October 2011	7,55		
23 October 2004 and 23 October 2012	9,11	95 000	95 000
23 March 2005 and 23 March 2013	8,61	779 500	1 273 625
1 October 2005 and 1 October 2013	8,55	190 000	190 000
1 October 2005 and 1 October 2013	8,70	10 000	20 000
1 September 2005 and 1 September 2013	7,20	830 000	1 660 000
14 September 2007 and 14 September 2015	16,40	900 000	
1 October 2007 and 1 October 2015	53,16	1 072 760	
2 November 2007 and 2 November 2015	54,84	155 000	
6 December 2007 and 6 December 2015	61,80	73 367	
10 March 2008 and 10 March 2016	62,50	53 797	
	52,00	204 460	
		5 429 809	5 111 137

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.

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 6 060 886 ordinary shares at 30 June 2008 (2007: 6 910 930 ordinary shares).

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

The fair value of the options granted under the scheme are estimated at the date of the grant using the adjusted binomial option-pricing model.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

25. Employee benefits (continued)

25.3 Executive share incentive scheme (continued)

The following assumptions were used in valuing the various option grants for 2008.

	2008	2007
Expected volatility	#	#
Risk-free interest rate	#	#
Expected dividend yield	#	#

 # In 2008, the market value was utilised as it equated closely to the adjusted binomial option-pricing model.

26. Borrowing capacity

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

27. Financial instrument and risk management

The group utilises the following financial instruments:

	Loans and receivables	Financial liabilities at amortised cost	Available-for-sale financial assets
2008			
Available-for-sale investments			11,8
Trade and other receivables	4 817,4		
Cash and cash equivalents	9 490,6		
Trade and other payables		8 291,1	
Interest-bearing borrowings		602,4	
2007			
Available-for-sale investments			12,2
Trade and other receivables	3 409,9		
Cash and cash equivalents	9 886,3		
Trade and other payables		5 605,7	
Interest-bearing borrowings		1 604,3	

The group does not trade in financial instruments, however, during the normal course of operations, the group is exposed to currency, credit, liquidity and interest rate risks. 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. Further detail is included in the risk review section of the report.

Fair value

At 30 June 2008, the carrying amounts of all financial instruments approximated their fair values unless disclosed otherwise.

The group does not trade in financial instruments and only enters into contracts as a means of hedging open exposures.

Credit risk

The group's only material exposure to credit risk is in its receivables, deposits and cash balances. The maximum exposure to credit risk is set out in the respective cash and accounts receivable notes.

Deposits and cash balances are all kept at rated financial institutions within a credit limit policy which is subject to regular review.

The group has no significant concentration of credit risk in any one particular receivable. The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to contractual terms and credit verification procedures.

Both contract and trade receivables are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

Currency risk

The group has limited transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. An insignificant amount of the group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, while most costs are denominated in the unit's functional currency.

The group's policy is to cover all foreign currency exposures, unless a natural hedge exists between the rate payable and receivable in that operating unit. Refer to the note on foreign exchange exposure for the group's maximum exposure and significant concentrations of currency risk.

27. Financial instrument and risk management (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the material currencies that the group operates with, all other variables held constant, of the group's profit before tax (due to changes in the fair value of monetary assets and liabilities at year-end).

		Change in year-end rate		Effect on PBT Rm	
	Rate	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
2008					
Australian Dollar	**7,58**	**7,96**	**7,20**	**(16,2)**	**16,2**
New Zealand Dollar	**6,01**	**6,31**	**5,71**	**(8,7)**	**8,7**
US Dollar	**7,88**	**8,28**	**7,49**	**11,5**	**(11,5)**
Euro	**12,33**	**12,94**	**11,71**	**(1,8)**	**1,8**
Botswana Pula	**1,18**	**1,24**	**1,12**	**(11,6)**	**11,6**
Singapore Dollar	**5,85**	**6,14**	**5,55**	**(7,8)**	**7,8**
2007					
Australian Dollar	6,03	6,33	5,73	(17,3)	17,3
New Zealand Dollar	5,40	5,67	5,13	(5,3)	5,3
US Dollar	7,09	7,45	6,74	4,6	(4,6)
Euro	9,75	10,24	9,26	1,7	(1,7)
Botswana Pula	1,11	1,16	1,05	(2,1)	2,1
Singapore Dollar	4,62	4,85	4,39		

Interest rate risk

The group's exposure to interest rate risk relates primarily to the group's long-term debt obligations with variable interest rates.

Policy is to manage interest rate risk through both fixed and variable, long- and short-term instruments.

Deposits and cash balances all carry interest at rates that vary in response to the prime lending rate in South Africa.

No financial instruments are entered into to mitigate the risk of interest rates.

The sensitivity of the group to changes in interest rates on variable rate borrowings is reflected in the respective borrowings notes to the financial statements.

Liquidity risk

As a result of the low level of borrowings, coupled with the group's favourable cash balance, the group currently has limited exposure to liquidity risk. Contracts with amounts due by customers are adhered to with appropriate debt recovery action being taken as and when necessary, thereby serving to liquidity risk management.

Capital management

The primary objective of the group's capital management policy is to ensure that the group maintains a strong credit rating and healthy capital ratios in order to support its business.

The group manages its capital structure and makes adjustments to it, in response to changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 30 June 2008 and 30 June 2007.
The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group's policy is to keep the gearing ratio to 20% or lower. The group includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes convertible bonds of R73 million (2007: R894 million) and equity attributable to the equity holders of the parent of R10,517 million (2007: R10,938 million).

28. 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.

		2008 Rm	2007 Rm
Sales to Holcim South Africa (Pty) Limited to 31 May 2007			21,8
Purchases from Holcim South Africa (Pty) Limited to 31 May 2007			130,7
Amounts owed to Holcim South Africa (Pty) Limited at 31 May 2007			19,2
There were no related-party transactions with directors or entities in which the directors have a material interest.			
Key management and directors	Short-term employee benefits	**191,7**	120,1
	Post-employment benefits	**9,5**	6,6
	Termination benefits	**0,2**	
	Share-based payments	**53,2**	92,1
		254,6	218,8

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2008

For the year ended 30 June 2008	Salary R'000	Retirement fund R'000	Other benefits R'000	Total guaranteed R'000	Bonus R'000	Total R'000
29. Directors' remuneration and interests						
Directors' remuneration						
Executive directors						
AWB Band (Acting CEO effective 1 April 2008)	900		781	1 681	900	2 581
DR Gammie	1 845	246	159	2 250	2 446	4 696
C Grim (Retired 31 March 2008)	2 525	326	118	2 969	3 000	5 969
JJA Mashaba (Appointed 1 October 2007)	1 518	181	26	1 725	1 513	3 238
DG Robinson	4 561	684	529	5 774	4 917	10 691
	11 349	1 437	1 613	14 399	12 776	27 175
For the year ended 30 June 2007						
BPJ Fourie (Retired 31/12/2006)	822	113	65	1 000	6 474	7 474
DR Gammie	1 720	227	153	2 100	1 250	3 350
C Grim	3 136	400	164	3 700	2 000	5 700
DG Robinson	2 956	443	458	3 857	3 400	7 257
	8 634	1 183	840	10 657	13 124	23 781

For the year ended 30 June 2008	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Committee fees R'000	Other consulting fees R'000	Total R'000
Non-executive directors						
L Gcabashe (Resigned 24 January 2008)	60			9		69
JR Hersov	123			91		214
RL Hogben	123	5		42	160	330
MJD Ruck	123			89		212
VZ Mntambo	123	12		47	100	282
RB Savage	123	85		159	221	588
BP Steele	123	7		175		305
PK Ward	123			105		228
	921	109		717	481	2 228
For the year ended 30 June 2007						
L Gcabashe	115			17		132
JR Hersov	115			90		205
AWB Band	115	36	117	130	530	928
MJD Ruck	115				150	265
VZ Mntambo	115	10		36		161
RB Savage	115	73	113	147	357	805
BP Steele	115			170		285
	805	119	230	590	1 037	2 781

Interest of directors of the company in share capital	Ordinary shares 2008	Ordinary shares 2007
Executive directors		
DR Gammie	88	100
	88	100
Non-executive directors		
BP Steele	3 654	4 166
RL Hogben	14 770	
	18 424	4 166
Total	18 512	4 266
% of issued securities	0%	0%

Securities held by Mr DR Gammie are beneficially held. Securities held by Mr BP Steele are non-beneficial.

Securities held by Mr RL Hogben are partially direct beneficial and partially indirect beneficial.

The company has not been advised of any changes in the above interests during the period 1 July 2008 to the date of this report.

29. Directors' remuneration and interests (continued)

Executive share options exercised

	Date sold	Average option cost	Selling price	Gain per option	Number of options	Total taxed gain R'000
DR Gammie	Sep 2007	7,20	58,02	50,82	235 000	11 943
C Grim (Retired 31 March 2008)	Sep 2007	7,20	58,02	50,82	500 000	25 410
					735 000	37 353

Executive share incentive scheme entitlement

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2007	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2008
DR Gammie	Sep 2007	Sep 2015	7,20	235 000		235 000	
	Sep 2008	Sep 2016	7,20	235 000			235 000
	Sep 2007	Sep 2015	8,55	26 250			26 250
	Sep 2008	Sep 2016	8,55	26 250			26 250
	Oct 2007	Oct 2015	9,11	26 250			26 250
	Sep 2009	Oct 2017	53,16		28 217		28 217
	Sep 2010	Oct 2018	53,16		28 217		28 217
	Sep 2011	Oct 2019	53,16		28 217		28 217
	Sep 2012	Oct 2020	53,16		28 219		28 219
				548 750	112 870	235 000	426 620
C Grim (Retired 31 March 2008)	Sep 2007	Sep 2015	7,20	500 000		500 000	
	Sep 2008	Sep 2009	7,20	500 000			500 000
	Sep 2008	Sep 2009	8,55	68 750			68 750
	Sep 2008	Sep 2009	8,55	68 750			68 750
	Sep 2008	Sep 2009	9,11	68 750			68 750
				1 206 250		500 000	706 250
JJA Mashaba	Sep 2009	Oct 2017	54,84		38 750		38 750
	Sep 2010	Oct 2018	54,84		38 750		38 750
	Sep 2011	Oct 2019	54,84		38 750		38 750
	Sep 2012	Oct 2020	54,84		38 750		38 750
					155 000		155 000
DG Robinson	Nov 2009	Dec 2017	61,80		18 341		18 341
	Nov 2010	Dec 2018	61,80		18 341		18 341
	Nov 2011	Dec 2019	61,80		18 341		18 341
	Nov 2012	Dec 2020	61,80		18 344		18 344
					73 367		73 367

30. Subsequent events

Subject to final regulatory approval, the group will acquire, with effect from 1 July 2008, the entire issued share capital of Keyplan (Pty) Limited, a company which provides engineering services in the water management market in southern Africa.

With effect from 1 July 2008, the group acquired the Built Environs group, a commercial construction and engineering company based in South Australia.

Company balance sheet

at 30 June 2008

	Note	2008 Rm	2007 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	1	2,1	1,0
Investment in subsidiary companies	2	2 342,2	2 342,2
Deferred tax	11	35,2	43,1
		2 379,5	2 386,3
Current assets			
Other receivables	8	20,4	39,7
Amounts owing by subsidiaries	3	194,2	624,4
Taxation receivable			10,3
Cash and cash equivalents	12.3	5 757,2	8 150,6
		5 971,8	8 825,0
TOTAL ASSETS		8 351,3	11 211,3
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	19,9	19,8
Share premium	5	1 900,8	940,1
Non-distributable reserves		(53,9)	(53,9)
Equity instruments	6	11,2	139,9
Distributable reserves		5 051,8	8 106,4
Total shareholders' funds		6 929,8	9 152,3
Non-current liabilities			
Interest-bearing borrowings	6	73,2	894,0
		73,2	894,0
Current liabilities			
Trade and other payables	7	126,6	152,9
Amounts owing to subsidiaries	3	1 033,9	1 012,1
Taxation		187,8	
		1 348,3	1 165,0
TOTAL EQUITY AND LIABILITIES		8 351,3	11 211,3

Company income statement

for the year ended 30 June 2008

	Note	2008 Rm	2007 Rm
Revenue	9	1 276,7	621,7
Operating expenses		91,4	129,4
Operating profit	10	1 185,3	492,3
Profit on sale of investments			6 648,7
Operating income		1185,3	7141,0
Interest paid		34,4	79,1
Profit before taxation		1 150,9	7 061,9
Taxation	11	219,5	10,1
Profit for the year		931,4	7 051,8

Company statement of changes in equity

for the year ended 30 June 2008

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Equity instruments Rm	Distributable reserves Rm	Total Rm
Balance at 1 July 2006	19,8	940,1	(53,9)	139,9	1 205,1	2 251,0
Profit for the year 2007					7 051,8	7 051,8
Dividends paid					(150,5)	(150,5)
Balance at 30 June 2007	19,8	940,1	(53,9)	139,9	8 106,4	9 152,3
Profit for the year 2008					931,4	931,4
Corporate bond conversion	3,1	832,0				835,1
Corporate bond equity adjustment on conversion		128,7		(128,7)		
Repurchase programme	(3,0)				(3 649,3)	(3 652,3)
Dividends paid					(336,7)	(336,7)
Balance at 30 June 2008	**19,9**	**1 900,8**	**(53,9)**	**11,2**	**5 051,8**	**6 929,8**

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

Company cash flow statement

for the year ended 30 June 2008

	Note	2008 Rm	2007 Rm
Cash retained from operating activities		1 260,4	809,8
Cash generated by operations	12.1	56,0	8,9
Income from investments		1 233,0	563,9
Decrease in net current assets	12.2	341,7	500,0
Cash generated by operating activities		1 630,7	1 072,8
Interest paid		(20,1)	(61,3)
Taxation paid	12.4	(13,5)	(51,2)
Cash available from operating activities		1 597,1	960,3
Dividend paid		(336,7)	(150,5)
Investing activities			
Sale of investment in associate			6 750,3
Investment in property, plant and equipment		(1,7)	(0,5)
Proceeds on disposal of property, plant and equipment		0,2	
		(1,5)	6 749,8
Financing activities			
Long-term borrowings raised	6	14,3	17,8
Non-cash interest charge on long-term borrowings		(14,3)	(17,8)
Share repurchase		(3 652,3)	–
		(3 652,3)	–
Net increase in cash and cash equivalents		(2 393,4)	7 559,6
Cash and cash equivalents at beginning of year		8 150,6	591,0
Cash and cash equivalents at end of year	12.3	5 757,2	8 150,6

Company notes to the annual financial statements

for the year ended 30 June 2008

	2008 Rm	2007 Rm
1. Property, plant and equipment	Owned plant, equipment and vehicles	
At beginning of year		
– Cost	2,5	2,0
– Accumulated depreciation	(1,5)	(1,3)
Net book value 2007	1,0	0,7
Current year movements		
– Additions	1,7	0,5
– Disposals	(0,2)	
– Depreciation	(0,4)	(0,2)
Net book value 2008	2,1	1,0
Made up as follows:		
– Cost	3,9	2,5
– Accumulated depreciation	(1,8)	(1,5)
– Net book value 2008	2,1	1,0
2. Investment in subsidiaries		
Comprising unlisted shares at cost	2 342,2	2 342,2
	2 342,2	2 342,2
The directors' valuation of unlisted shares is not less than their carrying value.		
3. Amounts owing by subsidiaries		
Amounts owing at the end of the year	194,2	624,4
Comprising:		
– Interest bearing	172,3	422,0
– Non-interest bearing	21,9	202,4
	194,2	624,4
Amounts owing to subsidiaries		
Balance at end of year	1 033,9	1 012,1
Comprising:		
– Non-interest bearing	1 033,9	1 012,1
	1 033,9	1 012,1

Interest-bearing loans bear interest at commercial rates. These loans have no fixed terms of repayment and it is the directors intention not to settle them within the next 12 months.

	2008 Rm	2007 Rm
4. Share capital		
Authorised		
Ordinary share capital		
882 034 263 ordinary shares of 5 cents each	44,1	44,1
Issued		
Balance at beginning of year		
Opening balance of 396 145 908 shares of 5 cents each	19,8	19,8
Repurchase of 59 494 871 shares of 5 cents each	(3)	
Issue of 61 827 952 shares on conversion of corporate bond at 5 cents each	3,1	
Closing balance of 398 478 989 shares of 5 cents each	19,9	19,8
5. Share premium		
Balance at beginning of year	940,1	940,1
Corporate bond conversion	960,7	
Balance at end of year	1 900,8	940,1

6. Interest-bearing borrowings

The initial R1 billion convertible bond was accounted for as combined borrowings and equity. During the year under review, bonds to the value of R920 million were converted into ordinary shares at R14,88 per share. This resulted in a transfer of R128,7 million from the equity reserve to share premium. Approval for the conversion into Aveng Limited shares was granted at the annual general meeting, which was held on 28 October 2005.

The remaining R80 million convertible bond continues to be accounted for as combined borrowings and equity. This treatment will continue until the conversion of the instrument into equity. The bonds are unsecured and bear interest at a fixed rate of 6,125%.

The remaining bonds will be redeemed on 17 March 2012 unless holders elect to convert to ordinary shares prior to the redemption date.

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

The effect of the conversion at year-end is:	2005	2006	2007	2008	2009	2010	2011	2012
Balance sheet								
Equity	140	140	140	11,2	11,2	11,2	11,2	
Liability	860	876	894	73	75	77	79	
Income statement								
Interest expense	39	78	79	57	7	7	7	2

No sensitivity analysis has been prepared on the corporate bonds as the bonds carry a fixed interest rate.

Company notes to the annual financial statements continued

for the year ended 30 June 2008

	2008 Rm	2007 Rm
7. Trade payables and provisions		
Other payables	29,1	45,8
Interest payable	1,5	21,1
IFRS 2 share-based payment provision	96,0	86,0
	126,6	152,9
Trade and other payables comprise amounts owing to suppliers for goods and services in the normal course of business.		
Terms vary in accordance with contracts of supply and service, but are generally settled on 30- to 60-day terms.		
Refer to note 25.3 of the group financial statements for further details regarding the IFRS 2 share-based payment provision.		
8. Other receivables		
Interest accrual	20,4	39,7
Other receivables comprise the interest earned but not yet received on cash balances.		
9. Revenue		
Turnover	43,7	57,8
Dividends – unlisted	319,0	299,0
Dividends – preference	103,3	80,3
Interest – investments	789,3	108,9
Interest – subsidiary companies	21,4	75,7
Income from investments	1 233,0	563,9
Total revenue	1 276,7	621,7
10. Operating income disclosures		
In arriving at operating income the following items have been taken into account:		
Auditor's remuneration		
– fees for audit	1,1	1,4
Share-based payment expense	95,4	52,2
Depreciation	0,4	0,2
Operating lease expenses – buildings	1,5	0,6
Professional fees – managerial, legal, financial and technical	10,9	25,7
Contributions to retirement benefit funds	1,4	1,3

	2008 Rm	2007 Rm
11. Taxation		
South African – taxation normal	211,6	30,6
South African – taxation deferred	6,8	(20,5)
South African – taxation deferred – rate change	1,1	
	219,5	10,1
Reconciliation of rate of taxation (%)		
Standard rate	28,0	29,0
Exempt income	(9,0)	(28,6)
Change in rate of taxation	0,1	
Effective rate of taxation for the year	19,1	0,4
Deferred taxation		
At beginning of year	43,1	22,6
Transfer from income statement – current year	(6,8)	20,5
South African – taxation deferred – rate change	(1,1)	
At end of year	35,2	43,1
Comprising:		
Provisions and accruals	35,2	43,1
	35,2	43,1
12. Notes to the cash flow statement		
12.1 Cash generated from operations		
Income before interest paid and taxation	1 185,3	7 141,0
Adjusted for:		
– depreciation	0,4	0,2
– foreign currency translation reserve		
– income from investments	(1 233,0)	(563,9)
– non-cash preference dividend receivable	103,3	80,3
– profit on sale of investments		(6 648,7)
	56,0	8,9
12.2 Decrease in net current assets		
Decrease/(increase) in trade and other receivables	19,3	(39,6)
(Decrease)/increase in trade and other payables	(26,3)	74,2
Decrease in amounts owing to/from subsidiaries	348,7	465,4
	341,7	500,0
12.3 Cash and cash equivalents		
Deposits and cash at bank	5 757,2	8 150,6
	5 757,2	8 150,6
12.4 Taxation paid		
Opening balance	(10,3)	10,6
Current year's charge	211,6	30,6
Foreign tax credit		(0,3)
Closing balance	(187,8)	10,3
Paid during the year	13,5	51,2

Company schedule of investments

at 30 June 2008

	Issued share capital 2008 Rm	Issued share capital 2007 Rm	% held 2008	% held 2007	Investment value 2008 Rm	Investment value 2007 Rm	Net indebtedness due by/(to) companies 2008 Rm	Net indebtedness due by/(to) companies 2007 Rm
Direct subsidiaries and investments in joint ventures								
Aveng Australia Holdings Pty Limited	730,9	730,9	100	100	768,8	768,8		
Aveng Management Company (Pty) Limited (Dormant)			100	100			(102,0)	(102,0)
Grinaker-LTA Properties (Pty) Limited			75	75				
Grinaker-LTA Intellectual Property (Pty) Limited			100	100	15,0	15,0		
Aveng (Africa) Limited	28,7	28,7	75	75	1 058,1	1 058,1	2,3	342,7
Qakazana Investment Holdings (Pty) Limited	0,1	0,1			496,0	496,0	172,3	138,9
Richtrau No 191 (Pty) Limited			100				6,1	
Steelmetals (Pty) Limited	1,6	1,6	100	100	3,9	3,9	13,2	27,9
Trident Steel Holdings (Pty) Limited			75	75	0,4	0,4	(909,9)	(825,4)
Aveng Limited Share Purchase Trust							(21,7)	30,2
					2 342,2	2 342,2	(839,7)	(387,7)

Interest bearing loans bear interest at commercial rates. These loans have no fixed terms of repayment and it is the directors' intention not to settle them within the next 12 months.

The above entities are incorporated in the Republic of South Africa, with the exception of Aveng Australia Holdings Pty Limited which is incorporated in Australia.

The group's operating entities

Reg No	Company	Country of incorporation or registration (if not RSA)	Group effective % holding at Aveng level
1931/003300/06	Aveng (Africa) Limited		75,0
8376	Aveng (Pty) Limited	Malawi	75,0
2001/018197/07	Empowa Grinaker-LTA (Pty) Limited		37,5
1964/009785/06	E+PC Engineering and Projects Company Limited		75,0
2002/020961/07	Ensimbini Reinforcing (Pty) Limited		15,0
892/59	Fort Concrete (Private) Limited	Zimbabwe	75,0
2004/003554/07	Fraser & Chalmers Siyakha (Pty) Limited		56,2
094 843 526	Grinaker International Australia Pty Limited	Australia	75,0
1325	Grinaker-LTA (Botswana) (Pty) Limited	Botswana	75,0
42564	Grinaker-LTA Construction (Zambia) Limited	Zambia	75,0
1935/007433/06	Grinaker-LTA Construction and Development Limited		75,0
RC 365 851	Grinaker-LTA Construction Nigeria Limited	Nigeria	75,0
1963/006056/06	Grinaker-LTA Engineering and Mining Services Limited		75,0
	Grinaker-LTA Fair Construction S.A.R.L.	Rwanda	37,5
51843	Grinaker-LTA (Ghana) Limited	Ghana	75,0
2000/025312/07	Grinaker-LTA Intellectual Property (Pty) Limited		100,0
19805/3729	Grinaker-LTA International Construction Limited	Mauritius	75,0
20326/4162	Grinaker-LTA International Holdings Limited	Mauritius	75,0
400060142	Grinaker-LTA Mozambique Limitada	Mozambique	75,0
1178	Grinaker-LTA (Namibia) (Pty) Limited	Namibia	75,0
2001/000387/07	Grinaker-LTA Properties (Pty) Limited		100,0
2003/027275/07	Grinaker-LTA Vuselela Spares Supply (Pty) Limited		36,8
631/1994	Infraset Swazi (Pty) Limited	Swaziland	75,0
9666	Infraset Zambia Limited	Zambia	67,5
80/148	Karibib Mining and Construction Company (Namibia) Limited	Namibia	75,0
1979/003513/07	KZN Reinforcing and Fixing Services (Pty) Limited		25,0
2003/016205/07	Lennings DEC Rail Services (Pty) Limited		52,5
2002/003353/07	Lesedi Tracks (Pty) Limited		18,8
77/129	Lesotho Reinforcing (Pty) Limited	Lesotho	75,0
33917	LTA Construction (Tanzania) Limited	Tanzania	75,0
18316	LTA Mali SA	Mali	75,0
198/68	LTA Zimbabwe (Private) Limited	Zimbabwe	75,0
ABN008444880	McConnell Dowell Corporation Limited	Australia	100,0
1996/017767/06	Megchem Holdings Limited		37,5
2002/029255/07	Misa Scaffolding (Pty) Limited		75,0
2002/742	Moolman Mining Botswana (Pty) Limited	Botswana	75,0
	Moolman Mining Guinea SA	Guinea	75,0
9745	Rehm-Grinaker Construction Company Limited	Mauritius	32,3
81/00025/07	Reinforcing and Allied Industries (Namibia) (Pty) Limited	Namibia	75,0
1966/005453/07	Reinforcing Fixing Services (Pty) Limited		24,8
2003/027293/07	Rekaofela Refractory Services (Pty) Limited		52,5
1978/003880/07	RPP Developments (Pty) Limited		7,5
81/025	Steeledale Reinforcing & Trading Namibia (Pty) Limited	Namibia	75,0
1952/001450/07	Steelmetals (Pty) Limited		100,0
1986/000415/07	Toll Highway Development Company (Pty) Limited		75,0
1996/013593/07	Transfab Engineering (Pty) Limited		37,5
1972/006101/07	Trident Steel (Pty) Limited		75,0
2000/024996/07	Trident Steel Intellectual Property (Pty) Limited		75,0

Shareholders' diary

Financial year-end	30 June 2008
Annual general meeting	Friday, 24 October 2008
Publication of results –	
• Half-year ended 31 December 2008	Monday, 10 March 2008
• Year ended 30 June 2008	Monday, 8 September 2008

Dividends

	Ordinary	Special
Dividend number	9	10
SA cents per share	145	145
Date declared	Friday, 5 September 2008	Friday, 5 September 2008
Last date to trade cum dividend	Friday, 10 October 2008	Friday, 10 October 2008
Trading ex dividend commences	Monday, 13 October 2008	Monday, 13 October 2008
Record date to receive dividends	Friday, 17 October 2008	Friday, 17 October 2008
Payment date	Friday, 24 October 2008	Friday, 24 October 2008

Shareholders' analysis

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1 000 shares	3 521	49,44	1 659 159	0,42
1 001 – 10 000 shares	2 520	35,38	7 902 000	1,99
10 001 – 50 000 shares	551	7,74	12 531 666	3,14
50 001 – 500 000 shares	404	5,67	65 353 495	16,40
500 001 – 1 000 000 shares	60	0,84	43 283 729	10,86
1 000 001 shares and over	66	0,93	267 748 940	67,19
Totals	7 122	100,00	398 478 989	100,00

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks	137	1,93	66 715 243	16,74
Endowment funds	100	1,41	2 700 861	0,68
Individuals	4 594	64,50	8 791 025	2,21
Insurance companies	63	0,89	55 242 385	13,86
Investment companies	53	0,74	11 012 897	2,76
Mutual funds	330	4,63	90 613 865	22,74
Nominees and trusts	1 149	16,13	11 672 072	2,93
Pension funds	361	5,07	148 519 782	37,27
Private companies	176	2,47	1 674 588	0,42
Other	159	2,23	1 536 271	0,39
Totals	7 122	100,00	398 478 989	100,00

Public/non-public shareholders	Number of shareholdings	%	Number of shares	%
Non-public shareholders	3	0,07	6 075 744	1,53
Directors and associates of the company holdings	2	0,06	14 858	0,00
Aveng Limited Share Incentive Trust	1	0,01	6 060 886	1,52
Public shareholders	7 119	99,93	392 403 245	98,47
Totals	7 122	100,00	398 478 989	100,00

Beneficial shareholders holding 3% or more	Number of shares	%
Public Investment Corporation	78 777 634	19,77
Old Mutual	37 680 791	9,46
Liberty Group	19 838 516	4,98
Investec	17 162 740	4,31
Investment Solutions	13 787 060	3,46
Totals	167 246 741	41,98

Geographical holdings by owner	Number of shareholdings	%	Number of shares	%
South Africa	6 672	93,68	299 644 327	75,20
United States	99	1,39	65 873 665	16,53
United Kingdom	160	2,25	16 170 194	4,06
Other	191	2,68	16 790 803	4,21
Totals	7 122	100,00	398 478 989	100,00

Notice of annual general meeting

Notice is hereby given that the sixty-fourth annual general meeting of Aveng Limited ("the company") will be held at 204 Rivonia Road, Morningside, on Friday, 24 October 2008 at 12:00 to consider and, if deemed fit, to pass with or without amendment the following resolutions:

Ordinary business

1. **Ordinary resolution number 1**
   "Resolved as an ordinary resolution that the company's and the group's annual financial statements for the year ended 30 June 2008, be adopted."

2. **Ordinary resolution number 2**
   "Resolved as an ordinary resolution that Mr AWB Band, who retires by rotation in terms of the company's articles of association, and being eligible, offers himself for re-election, be re-elected as a director."

3. **Ordinary resolution number 3**
   "Resolved as an ordinary resolution that Mr VZ Mntambo, who retires by rotation in terms of the company's articles of association, and being eligible, offers himself for re-election, be re-elected as a director."

4. **Ordinary resolution number 4**
   "Resolved as an ordinary resolution that Mr MJD Ruck, who retires by rotation in terms of the company's articles of association, and being eligible, offers himself for re-election, be re-elected as a director."

5. **Ordinary resolution number 5**
   "Resolved as an ordinary resolution that Mr WR Jardine, who was appointed as a director on 7 July 2008 and who, in terms of the company's articles of association, retires at this annual general meeting, and being eligible, offers himself for re-election, be re-elected as a director."

6. **Ordinary resolution number 6**
   "Resolved as an ordinary resolution that Mr JJA Mashaba, who was appointed as a director on 1 October 2007 and who, in terms of the company's articles of association, retires at this annual general meeting, and being eligible, offers himself for re-election, be re-elected as a director."

   Mr JR Hersov is also scheduled to retire by rotation at the annual general meeting but has served three terms on the board of directors and is, therefore, not eligible for re-election.

   The profiles of the directors up for re-election appear on pages 16 and 17 of the annual report of which this notice forms part.

7. **Ordinary resolution number 7**
   "Resolved as an ordinary resolution that the following annual fees be and they are hereby payable to the non-executive directors with effect from 1 October 2008:

Annual directors' fees		2008 R	2009 R
Audit committee	– Aveng	91 000	100 000
	– subsidiaries	28 000	28 000
Board chairman	– fee	300 000	330 000
Board fee	– Aveng	125 000	137 500
	– SA subsidiaries	117 000	117 000
	– McConnell Dowell		120 000
	Travel allowance		50 000*
Chairman fee	– Aveng audit committee	7 000	40 000
	– remuneration and nomination committee	20 000	48 000
	– transformation committee	20 000	30 000
Remuneration and nomination committee		25 000	40 000
Transformation committee		25 000	27 500
Tender risk evaluation committee		28 000	4 000*

**Per meeting attended.*

Special business

8. Special resolution

"Resolved as a special resolution that the acquisitions by the company and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, be and are hereby approved as a general approval in terms of sections 85 and 89 of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Companies Act"), but subject to the articles of association of the company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited ("JSE"), where applicable, provided that:

- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% of the company's issued ordinary share capital as at the date of the grant of this general authority;

- the acquisitions of ordinary shares will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

- this general approval shall be valid only until the company's next annual general meeting or 15 months from the date of passing of this special resolution, whichever is the shorter;

- repurchases may not be made at a price greater than 10% above the weighted average of the market value for the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;

- at any point in time, the company may only appoint one agent to effect any repurchases on the company's behalf;

- after any repurchase the company must still comply with the Listings Requirements of the JSE concerning shareholder spread requirements;

- the company and/or its subsidiaries may not repurchase ordinary shares during a prohibited period as defined in the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in a SENS release prior to the commencement of the prohibited period;

- when the company has, cumulatively, repurchased 3% of the initial number of ordinary shares, and for each 3% in the aggregate of the initial number of such shares acquired thereafter, an announcement containing details of such repurchases must be made; and

- upon entering the market to proceed with the repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital for the purposes of undertaking a repurchase of shares, in accordance with the Listings Requirements of the JSE.

The reason for and effect of the special resolution, if passed and becoming effective, is to authorise the company and/or any of its subsidiary companies by way of a general approval and authority to acquire the company's issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company, subject to the limitations set out in the special resolution.

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, consider that for a period of 12 months after the date of the notice of this annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;

- the assets of the company and the group, fairly valued in accordance with generally accepted accounting practice, will exceed the liabilities of the company and the group;

- the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

Notice of annual general meeting continued

The directors consider that such general authority should be put in place in order to repurchase the company's shares should an opportunity to do so, which is in the best interests of the company and its shareholders, present itself during the year.

The following additional information, which appears in the annual report of which this notice forms part is provided in terms of the Listings Requirements of the JSE for the purposes of the general authority:

- directors and management – pages 10, 11, 16 and 17;
- major beneficial shareholders – page 151;
- material change – page 123;
- directors' interests in ordinary shares – page 138;
- share capital of the company – page 123;
- responsibility statement – page 99; and
- litigation – page 48.

Any member who owns 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.

Duly completed proxy forms should be forwarded to reach the transfer secretaries of the company by not later than 12:00 on Thursday, 23 October 2008.

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

GJ Baxter
Company secretary
Morningside, Sandton
5 September 2008

Change of address

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

Proxy form

THE AVENG GROUP

Aveng Limited

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

For use at the sixty-fourth annual general meeting of the company to be held at 204 Rivonia Road, Morningside, Sandton, 2057, on Friday, 24 October 2008 at 12:00, or at any adjournment thereof ("the annual general meeting").

Only for use by the owners 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. or failing him

2. 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. Approval of annual financial statements			
2. Re-election of directors:			
2.1 AWB Band			
2.2 VZ Mntambo			
2.3 MJD Ruck			
2.4 WR Jardine			
2.5 JJA Mashaba			
3. Approval of fees payable to non-executive directors			
4. **Special resolution** General authority to repurchase shares			

Signed at on 2008

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 form

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 (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, 23 October 2008.

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 subregister.**

Corporate information

Secretary
GJ Baxter

Business address and registered office
204 Rivonia Road
Morningside
Sandton, 2057
PO Box 6062, Rivonia, 2128
South Africa
Telephone +27 11 779 2800
Telefax +27 11 784 5030

Company registration number
1944/018119/06

Share codes
JSE: AEG
ISIN: ZAE 000018081

Website
www.aveng.co.za

Auditors
Ernst & Young Inc.
Registration number: 2005/002308/21
Wanderers Office Park
52 Corlett Drive, Illovo, 2196
Private Bag X14, Northlands, 2116
South Africa
Telephone +27 11 772 3000
Telefax +27 11 772 4000

Principal bankers
ABN Amro Bank
ABSA Bank Limited
Australia and New Zealand Banking Group Limited
Barclays Bank PLC
Calyon Corporate and Investment Bank
Citibank
Commerzbank AG
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
The Hongkong and Shanghai Banking Corporation Limited
The Standard Bank of South Africa Limited

Corporate legal advisers
Taback & Associates (Pty) Limited
Registration number: 2000/010434/07
13 Eton Road
Parktown, 2193
South Africa
Telephone +27 11 358 7700
Telefax +27 11 358 7800

Sponsor
J.P.Morgan Equities Limited
Registration number: 1995/011815/06
1 Fricker Road, cnr Hurlingham Road
Illovo, 2196
South Africa
Telephone +27 11 537 5333
Telefax +27 11 507 0770

Registrars
Computershare Investor Services (Pty) Limited
Registration number: 2004/003647/07
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
South Africa
Telephone +27 11 370 5000
Telefax +27 11 370 5560

BASTION GRAPHICS

THE AVENG GROUP

THE AVENG GROUP

COMPANY CONTACT DETAILS

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204 Rivonia Road
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2128

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